UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended May 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission File Number 001-14920

McCORMICK & COMPANY, INCORPORATED
(Exact name of registrant as specified in its charter)

Maryland	**52-0408290**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
24 Schilling Road, Suite 1, Hunt Valley, MD	**21031**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code (410) 771-7301

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value $0.01 per share	MKC.V	New York Stock Exchange
Common Stock Non-Voting, Par Value $0.01 per share	MKC	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

	Shares Outstanding May 31, 2023
Common Stock	17,226,399
Common Stock Non-Voting	251,100,119

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

McCORMICK & COMPANY, INCORPORATED
CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
(in millions except per share amounts)

	Three months ended May 31,		Six months ended May 31,	
	2023	2022	2023	2022
Net sales	$ 1,659.2	$ 1,536.8	$ 3,224.7	$ 3,059.2
Cost of goods sold	1,043.7	1,013.8	2,046.3	1,975.8
Gross profit	615.5	523.0	1,178.4	1,083.4
Selling, general and administrative expense	380.5	349.2	716.6	682.5
Transaction and integration expenses	—	1.5	—	2.2
Special charges	13.2	15.1	41.0	34.6
Operating income	221.8	157.2	420.8	364.1
Interest expense	52.2	33.7	102.8	66.8
Other income, net	12.5	6.3	23.6	12.5
Income from consolidated operations before income taxes	182.1	129.8	341.6	309.8
Income tax expense	40.3	21.7	74.7	56.1
Net income from consolidated operations	141.8	108.1	266.9	253.7
Income from unconsolidated operations	10.3	10.4	24.3	19.7
Net income	$ 152.1	$ 118.5	$ 291.2	$ 273.4
Earnings per share – basic	$ 0.57	$ 0.44	$ 1.09	$ 1.02
Earnings per share – diluted	$ 0.56	$ 0.44	$ 1.08	$ 1.01
Average shares outstanding – basic	268.4	268.3	268.3	268.1
Average shares outstanding – diluted	269.8	270.5	269.8	270.5
Cash dividends paid per share – voting and non-voting	$ 0.39	$ 0.37	$ 0.78	$ 0.74
Cash dividends declared per share – voting and non-voting	$ 0.39	$ 0.37	$ 0.39	$ 0.37

See notes to condensed consolidated financial statements (unaudited).

McCORMICK & COMPANY, INCORPORATED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
(in millions)

	Three months ended May 31,		Six months ended May 31,	
	2023	2022	2023	2022
Net income	$ 152.1	$ 118.5	$ 291.2	$ 273.4
Net income attributable to non-controlling interest	2.0	1.2	2.8	3.7
Other comprehensive income (loss):				
Unrealized components of pension and other postretirement plans	(0.9)	3.8	(1.9)	6.0
Currency translation adjustments	10.0	(51.0)	57.0	(47.3)
Change in derivative financial instruments	(8.4)	21.7	(13.8)	26.8
Tax benefit (expense)	5.2	(13.9)	6.2	(14.9)
Total other comprehensive income (loss)	5.9	(39.4)	47.5	(29.4)
Comprehensive income	$ 160.0	$ 80.3	$ 341.5	$ 247.7

See notes to condensed consolidated financial statements (unaudited).

McCORMICK & COMPANY, INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEET
(in millions)

	May 31, 2023	November 30, 2022
	(unaudited)	
ASSETS		
Cash and cash equivalents	$ 127.4	$ 334.0
Trade accounts receivable, net of allowances	557.2	573.7
Inventories, net		
Finished products	627.2	649.0
Raw materials and work-in-process	649.0	691.1
	1,276.2	1,340.1
Prepaid expenses and other current assets	143.2	138.9
Total current assets	2,104.0	2,386.7
Property, plant and equipment, net	1,249.6	1,198.0
Goodwill	5,235.4	5,212.9
Intangible assets, net	3,371.9	3,387.9
Other long-term assets	947.3	939.4
Total assets	$ 12,908.2	$ 13,124.9
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Short-term borrowings	$ 460.2	$ 1,236.7
Current portion of long-term debt	285.7	270.6
Trade accounts payable	1,100.0	1,171.0
Other accrued liabilities	641.2	754.1
Total current liabilities	2,487.1	3,432.4
Long-term debt	4,117.6	3,642.3
Deferred taxes	862.5	866.3
Other long-term liabilities	484.1	484.7
Total liabilities	7,951.3	8,425.7
Shareholders’ equity		
Common stock	586.1	568.6
Common stock non-voting	1,591.0	1,570.0
Retained earnings	3,191.4	3,022.5
Accumulated other comprehensive loss	(431.5)	(480.6)
Total McCormick shareholders' equity	4,937.0	4,680.5
Non-controlling interests	19.9	18.7
Total shareholders’ equity	4,956.9	4,699.2
Total liabilities and shareholders’ equity	$ 12,908.2	$ 13,124.9

See notes to condensed consolidated financial statements (unaudited).

McCORMICK & COMPANY, INCORPORATED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
(in millions)

	Six months ended May 31,	
	2023	2022
Operating activities		
Net income	$ 291.2	$ 273.4
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation and amortization	96.6	98.2
Stock-based compensation	38.5	36.9
Gain on the sale of intangible asset	—	(13.6)
Asset impairment charge	—	10.0
Income from unconsolidated operations	(24.3)	(19.7)
Changes in operating assets and liabilities		
Trade accounts receivable	26.5	47.3
Inventories	71.7	(160.5)
Trade accounts payable	(81.9)	66.5
Other assets and liabilities	(59.4)	(202.7)
Dividends from unconsolidated affiliates	35.3	18.6
Net cash flow provided by operating activities	394.2	154.4
Investing activities		
Proceeds from sale of intangible asset	—	12.1
Capital expenditures (including software)	(118.6)	(101.6)
Other investing activities	2.5	0.3
Net cash flow used in investing activities	(116.1)	(89.2)
Financing activities		
Short-term borrowings, net	(776.8)	128.0
Long-term debt borrowings	496.4	—
Payment of debt issuance costs	(1.1)	—
Long-term debt repayments	(9.1)	(15.3)
Proceeds from exercised stock options	11.1	36.1
Taxes withheld and paid on employee stock awards	(10.8)	(19.4)
Common stock acquired by purchase	(18.6)	(12.9)
Dividends paid	(209.2)	(198.2)
Net cash flow used in financing activities	(518.1)	(81.7)
Effect of exchange rate changes on cash and cash equivalents	33.4	(9.4)
Decrease in cash and cash equivalents	(206.6)	(25.9)
Cash and cash equivalents at beginning of period	334.0	351.7
Cash and cash equivalents at end of period	$ 127.4	$ 325.8

See notes to condensed consolidated financial statements (unaudited).

McCORMICK & COMPANY, INCORPORATED
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)
(in millions)

(millions)	Common Stock Shares	Common Stock Non-Voting Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Non-controlling Interests	Total Shareholders' Equity
Three months ended May 31, 2023							
Balance, February 28, 2023	17.4	250.8	$ 2,152.1	$ 3,155.1	$ (437.1)	$ 17.6	$ 4,887.7
Net income			—	152.1	—	—	152.1
Net income attributable to non-controlling interest			—	—	—	2.0	2.0
Other comprehensive income, net of tax			—	—	5.6	0.3	5.9
Dividends			—	(104.6)	—	—	(104.6)
Stock-based compensation			26.7	—	—	—	26.7
Shares purchased and retired	(0.3)	—	(7.9)	(11.2)	—	—	(19.1)
Shares issued	0.3	—	6.2	—	—	—	6.2
Equal exchange	(0.2)	0.2	—	—	—	—	—
Balance, May 31, 2023	17.2	251.0	$ 2,177.1	$ 3,191.4	$ (431.5)	$ 19.9	$ 4,956.9
Six months ended May 31, 2023							
Balance, November 30, 2022	17.4	250.6	$ 2,138.6	$ 3,022.5	$ (480.6)	$ 18.7	$ 4,699.2
Net income			—	291.2	—	—	291.2
Net income attributable to non-controlling interest			—	—	—	2.8	2.8
Other comprehensive income (loss), net of tax			—	—	49.1	(1.6)	47.5
Dividends			—	(104.6)	—	—	(104.6)
Stock-based compensation			38.5	—	—	—	38.5
Shares purchased and retired	(0.4)	—	(12.7)	(17.7)	—	—	(30.4)
Shares issued	0.6	—	12.7	—	—	—	12.7
Equal exchange	(0.4)	0.4	—	—	—	—	—
Balance, May 31, 2023	17.2	251.0	$ 2,177.1	$ 3,191.4	$ (431.5)	$ 19.9	$ 4,956.9
Three months ended May 31, 2022							
Balance, February 28, 2022	17.8	250.2	$ 2,091.3	$ 2,922.4	$ (416.0)	$ 16.5	$ 4,614.2
Net income			—	118.5	—	—	118.5
Net income attributable to non-controlling interest			—	—	—	1.2	1.2
Other comprehensive income (loss), net of tax			—	—	(38.6)	(0.8)	(39.4)
Dividends			—	(99.2)	—	—	(99.2)
Stock-based compensation			25.8	—	—	—	25.8
Shares purchased and retired	(0.1)	—	(3.6)	(8.1)	—	—	(11.7)
Shares issued	0.3	0.1	5.7	—	—	—	5.7
Equal exchange	(0.2)	0.2	—	—	—	—	—
Balance, May 31, 2022	17.8	250.5	$ 2,119.2	$ 2,933.6	$ (454.6)	$ 16.9	$ 4,615.1

Six months ended May 31, 2022							
Balance, November 30, 2021	17.8	249.5	$ 2,055.1	$ 2,782.4	$ (426.5)	$ 14.5	$ 4,425.5
Net income			—	273.4	—	—	273.4
Net income attributable to non-controlling interest			—	—	—	3.7	3.7
Other comprehensive income (loss), net of tax			—	—	(28.1)	(1.3)	(29.4)
Dividends			—	(99.2)	—	—	(99.2)
Stock-based compensation			36.9	—	—	—	36.9
Shares purchased and retired	(0.3)	—	(10.1)	(23.0)	—	—	(33.1)
Shares issued	1.2	0.1	37.3	—	—	—	37.3
Equal exchange	(0.9)	0.9	—	—	—	—	—
Balance, May 31, 2022	17.8	250.5	$ 2,119.2	$ 2,933.6	$ (454.6)	$ 16.9	$ 4,615.1

See notes to condensed consolidated financial statements (unaudited).

McCORMICK & COMPANY, INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and notes required by United States generally accepted accounting principles (GAAP) for complete financial statements. In our opinion, the accompanying condensed consolidated financial statements contain all adjustments, which are of a normal and recurring nature, necessary to present fairly the financial position and the results of operations for the interim periods presented.

The results of consolidated operations for the six-month period ended May 31, 2023 are not necessarily indicative of the results to be expected for the full year. Historically, our net sales, net income and cash flow from operations have been lower in the first half of the fiscal year and higher in the second half of the fiscal year. The historical increase in net sales, net income and cash flow from operations in the second half of the year has largely been due to the consumer business cycle in the U.S., where customers typically purchase more products in the fourth quarter due to the Thanksgiving and Christmas holiday seasons.

For further information, refer to the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended November 30, 2022.

Accounting Pronouncements Recently Adopted

In 2022, we adopted the FASB issued ASU No. 2022-06 *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848* which deferred the sunset date of Topic 848 which provides optional expedients for a limited time for accounting for transactions affected by the London Interbank Offered Rate (LIBOR) being discontinued. Arrangements that were entered into in 2022, including our fixed to variable interest rate swaps expiring in April 2030, and cross-currency interest rate swaps expiring in April 2030, do not use LIBOR as a reference rate. During the first quarter of 2023 we amended our interest rate swaps expiring in November 2025 and August 2027, and the cross currency and interest rate swaps expiring in August 2027 to no longer use LIBOR. Also, in March 2023 we amended our five-year revolving credit facility expiring in July 2026 to no longer use LIBOR. Our adoption of this standard was completed in the second quarter of 2023. There was no material impact to our consolidated financial statements.

Recently Issued Accounting Pronouncements — Pending Adoption

In September 2022, the FASB issued ASU No. 2022-04: *Liabilities - Supplier Finance Programs (Topic 450-50): Disclosure of Supplier Finance Program Obligations* that requires entities that use supplier finance programs in connection with the purchase of goods and services to disclose the key terms of the programs and information about obligations outstanding at the end of the reporting period, including a roll forward of those obligations. The guidance does not affect the recognition, measurement or financial statement presentation of supplier finance program obligations. The new standard’s requirements to disclose the key terms of the programs and information about obligations outstanding are effective for all interim and annual periods of our fiscal year ending November 30, 2024. The new standard’s requirement to disclose a roll forward of obligations outstanding will be effective for our fiscal year ending November 30, 2025. Early adoption is permitted. We are currently evaluating the impact that this new guidance will have on our consolidated financial statements.

2. SPECIAL CHARGES AND TRANSACTION AND INTEGRATION EXPENSES

Special Charges

In our consolidated income statement, we include a separate line item captioned "Special charges" in arriving at our consolidated operating income. Special charges consist of expenses, including related impairment charges, associated with certain actions undertaken 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 senior management, including our Chairman and Chief Executive Officer. Expenses associated with any approved action are classified as special charges upon recognition and monitored on an on-going basis through completion. Certain ancillary expenses related to these actions approved by our Management Committee do not qualify for accrual upon approval but are included as special charges as incurred during the course of the actions.

We continue to evaluate changes to our organizational structure to reduce fixed costs, simplify or improve processes, and improve our competitiveness.

The following is a summary of special charges recognized in the three and six months ended May 31, 2023 and 2022 (in millions):

	Three months ended May 31,		Six months ended May 31,	
	2023	2022	2023	2022
Employee severance and related benefits	$ 7.0	$ 7.5	$ 31.8	$ 21.7
Other costs				
Cash	5.8	2.1	8.0	6.0
Non-Cash	0.4	19.1	1.2	20.5
Total special charges	13.2	28.7	41.0	48.2
Gain on sale of exited brand	—	(13.6)	—	(13.6)
Total	$ 13.2	$ 15.1	$ 41.0	$ 34.6

During the three months ended May 31, 2023, we recorded $13.2 million of special charges, consisting principally of $8.6 million associated with our Global Operating Effectiveness (GOE) program, as more fully described below, $1.3 million associated with the transition of a manufacturing facility in Europe, Middle East, and Africa (EMEA), as more fully described below, and streamlining actions of $3.2 million in the Americas region.

During the six months ended May 31, 2023, we recorded $41.0 million of special charges, consisting principally of $33.4 million associated with our GOE program, as more fully described below, $2.2 million associated with the transition of a manufacturing facility in EMEA, as more fully described below, and streamlining actions of $4.5 million in the Americas region, and $0.9 million in the EMEA region.

During the three months ended May 31, 2022, we recorded $15.1 million of net special charges. Those special charges principally consisted of $22.2 million associated with the exit of our consumer business in Russia, as more fully described below, $2.5 million associated with the transition of a manufacturing facility in EMEA, as more fully described below, and streamlining actions of $3.2 million in the Americas region, and $2.8 million in the EMEA region. These charges were offset by a $13.6 million gain, on the sale of our Kohinoor brand discussed below as well as a reversal of $2.2 million of estimated costs associated with the exit of our rice product line in India upon settlement of a supply agreement related to that product line.

During the six months ended May 31, 2022, we recorded $34.6 million of net special charges. Those special charges consisted principally of $22.2 million associated with the exit of our consumer business in Russia, as more fully described below, $17.4 million associated with the transition of a manufacturing facility in EMEA, as more fully described below, and streamlining actions of $5.3 million in the Americas region, and $4.3 million in the EMEA region. These charges were offset by a $13.6 million gain, on the sale of our Kohinoor brand discussed below as well as a reversal of $2.2 million of estimated costs associated with the exit of our rice product line in India upon settlement of a supply agreement related to that product line.

In 2022, our Management Committee approved the GOE program. The GOE program included a voluntary retirement plan, which included enhanced separation benefits to certain U.S. employees aged 55 years or older with at least ten years of service to the company. This voluntary retirement plan commenced in November 2022 and participants were required to submit their notifications by December 30, 2022. As of November 30, 2022, we had accrued special charges of $5.6 million, consisting of employee severance and related benefits. Upon all eligible employees submitting their notifications by the end of December 2022, we accrued an additional $19.7 million during the first quarter of 2023. All related payments will be made in fiscal year 2023 as all of the affected employees will leave the company in 2023. Other special charges recognized during the three months ended May 31, 2023, under our GOE program included $7.0 million in severance and related benefits costs and $1.6 million of third party expenses and other costs. Other special charges recognized during the six-months ended May 31, 2023, under our GOE program included $11.5 million in severance and related benefits costs and $2.2 million of third party expenses and other costs.

In 2022, our Management Committee approved an initiative to consolidate our manufacturing operations in the United Kingdom into a net-zero carbon condiments manufacturing and distribution center facility with state-of-the-art technology. We expect to execute these changes to our supply chain operations and improve profitability, from a combination of lower headcount and non-headcount costs, by consolidating our operations into a scalable platform while expanding our capacity. We expect the cost of the initiative to approximate $40 million which will be recognized as special charges in our consolidated income statement during 2022 and 2023. Of that $40 million, we expect the costs to include employee severance and related benefits, non-cash accelerated depreciation, equipment relocation costs, decommissioning and other property related lease exit costs, all directly related to the initiative. During the three months ended May 31, 2023, we recognized $0.4 million in accelerated depreciation and $0.9 million in third party expenses and other costs. During the six months ended May 31, 2023, we recognized $0.8 million in accelerated depreciation and $1.4 million in third party expenses and other costs. During the three months ended May 31, 2022, we recognized $1.3 million in accelerated depreciation and $1.2 million in third party expenses and other costs. During the six months ended May 31, 2022, we recognized $12.5 million in severance and related benefits costs, $2.7 million in accelerated depreciation and $2.2 million in third party expenses and other costs.

As of May 31, 2023, accruals associated with special charges of $29.9 million, are included in other accrued liabilities in our consolidated balance sheet.

The following is a breakdown by business segment of special charges for the three and six months ended May 31, 2023 and 2022 (in millions):

	Three months ended May 31,		Six months ended May 31,	
	2023	2022	2023	2022
Consumer segment	$ 8.4	$ 10.7	$ 27.4	$ 14.3
Flavor solutions segment	4.8	4.4	13.6	20.3
Total special charges	$ 13.2	$ 15.1	$ 41.0	$ 34.6

Integration Expenses
Integration expenses recognized during the three and six months ended May 31, 2022 were $1.5 million and $2.2 million, respectively, relating to the acquisition of FONA International, LLC (FONA).

3. FINANCING ARRANGEMENTS AND FINANCIAL INSTRUMENTS

On April 6, 2023, we issued $500 million aggregate principal amount of 4.950% unsecured senior notes due 2033. Interest is payable semiannually in April and October of each year, beginning on October 15, 2023. The net proceeds received from the issuance of these notes of $496.4 million were used to repay a portion of the Company's outstanding commercial paper borrowings. As part of the issuance of new debt, we entered and settled treasury locks in a notional amount of $250.0 million to manage our interest rate risk associated with the issuance of the unsecured senior notes. We designated the treasury lock arrangements as cash flow hedges with the realized loss of $2.6 million to be amortized to interest expense over the life of the underlying debt.

As of May 31, 2023, we had a 364-day $500 million revolving credit facility outstanding which was scheduled to expire in July 2023. In June 2023, we entered into a 364-day $500 million revolving credit facility which will expire in June 2024 and simultaneously cancelled the 364-day facility expiring in July 2023. The current pricing for that credit facility, on a fully drawn basis, is SOFR + 1.23%. The pricing of the credit facility is based on a credit rating grid that contains a fully drawn maximum pricing of the credit facility equal to SOFR + 1.60%. The provisions of this revolving credit facility restrict subsidiary indebtedness and require us to maintain a minimum interest coverage ratio, consistent with our $1.5 billion five-year revolving credit facility. We do not expect that this covenant would limit our access to this revolving credit facility for the foreseeable future.

We use derivative financial instruments to enhance our ability to manage risk, including foreign currency, net investment and interest rate exposures, which exist as part of our ongoing business operations. We do not enter into contracts for trading purposes, nor are we a party to any leveraged derivative instrument, and all derivatives are designated as hedges. We are not a party to master netting arrangements, and we do not offset the fair value of derivative contracts with the same counterparty in our financial statement disclosures. The use of derivative financial instruments is monitored through regular communication with senior management and the use of written guidelines.

Foreign currency exchange risk. We are potentially exposed to foreign currency fluctuations affecting net investments in subsidiaries, transactions (both third-party and intercompany) and earnings denominated in foreign currencies. We assess foreign currency risk based on transactional cash flows and translational volatility and may enter into forward contract and currency swaps with highly-rated financial institutions to reduce fluctuations in the long or short currency positions. Currency swap agreements are established in conjunction with the terms of the underlying debt issues.

At May 31, 2023, we had foreign currency exchange contracts to purchase or sell $840.0 million of foreign currencies as compared to $560.5 million at November 30, 2022. All of these contracts were designated as hedges of anticipated purchases denominated in a foreign currency or hedges of foreign currency denominated assets or liabilities. Hedge ineffectiveness was not material. All foreign currency exchange contracts outstanding at May 31, 2023 have durations of less than 18 months, including $154.8 million of notional contracts that have durations of less than one month and are used to hedge short-term cash flow funding.

Contracts which are designated as hedges of anticipated purchases denominated in a foreign currency (generally purchases of inventory in U.S. dollars by operating units outside the U.S.) are considered cash flow hedges. The gains and losses on these contracts are deferred in accumulated other comprehensive income until the hedged item is recognized in cost of goods sold, at which time the net amount deferred in accumulated other comprehensive income is also recognized in cost of goods sold. Hedges of foreign currency denominated assets and liabilities include foreign currency exchange contracts with a notional value of $725.6 million at May 31, 2023. These foreign currency exchange contracts manage both exposure to currency fluctuations in certain intercompany loans between subsidiaries as well as currency exposure to third-party non-functional currency assets or liabilities. Gains and losses from contracts that are designated as hedges of assets, liabilities or firm commitments are recognized through income, offsetting the change in fair value of the hedged item.

We also utilize cross currency interest rate swap contracts that are designated as net investment hedges. Any gains or losses on net investment hedges are included in foreign currency translation adjustments in accumulated other comprehensive loss.

Interest rate risk. We finance a portion of our operations with both fixed and variable rate debt instruments, principally commercial paper, notes and bank loans. We utilize interest rate derivative contracts, including interest rate swap agreements, to minimize worldwide financing costs and to achieve a desired mix of variable and fixed rate debt.

The following table discloses the notional amount and fair values of derivative instruments on our balance sheet (in millions):

	Asset Derivatives			Liability Derivatives		
	Balance sheet location	Notional amount	Fair value	Balance sheet location	Notional amount	Fair value
As of May 31, 2023						
Interest rate contracts	Other current assets / Other long-term assets	$ —	$ —	Other long-term liabilities	$ 600.0	$ 44.3
Foreign exchange contracts	Other current assets	358.9	8.8	Other accrued liabilities	481.1	11.1
Cross currency contracts	Other current assets / Other long-term assets	704.3	32.9	Other long-term liabilities	233.1	6.4
Total			$ 41.7			$ 61.8
As of November 30, 2022						
Interest rate contracts	Other current assets / Other long-term assets	$ —	$ —	Other long-term liabilities	$ 600.0	$ 42.4
Foreign exchange contracts	Other current assets	344.9	11.0	Other accrued liabilities	215.6	1.5
Cross currency contracts	Other current assets / Other long-term assets	680.0	44.5	Other long-term liabilities	226.1	8.3
Total			$ 55.5			$ 52.2

In conjunction with the phase out of LIBOR, in the first quarter of 2023 we amended our previously existing cross currency swaps which expire in August 2027 such that, effective February 15, 2023, we now pay and receive at USD Secured Overnight Financing Rate (SOFR) plus 0.907% (previously three-month U.S. LIBOR plus 0.685%). In addition, we amended our $100 million interest rate swaps which expire in November 2025 and our $250 million interest rate swaps that expire in August 2027, such that, effective February 15, 2023, we now pay and receive at USD SOFR plus 1.487% (previously U.S. three-month LIBOR plus 1.22%) and USD SOFR plus 0.907% (previously U.S. three-month LIBOR plus 0.685%), respectively.

During the three months ended May 31, 2023, we amended our five-year revolving credit facility expiring in July 2026 to no longer use LIBOR. The current pricing for the five-year credit facility, on a fully drawn basis, is SOFR plus 1.25%.

The following tables disclose the impact of derivative instruments on our other comprehensive income (OCI), accumulated other comprehensive loss (AOCI) and our consolidated income statement for the three and six-months ended May 31, 2023 and 2022 (in millions):

Fair Value Hedges

Derivative	Income statement location	(Expense) income			
		Three months ended May 31, 2023	Three months ended May 31, 2022	Six months ended May 31, 2023	Six months ended May 31, 2022
Interest rate contracts	Interest expense	$ (4.0)	$ 2.6	$ (7.7)	$ 4.8

Derivative	Income statement location	Gain (loss) recognized in income 2023	Gain (loss) recognized in income 2022	Hedged item	Income statement location	Gain (loss) recognized in income 2023	Gain (loss) recognized in income 2022
Three months ended May 31,							
Foreign exchange contracts	Other income, net	$ (6.5)	$ 3.7	Intercompany loans	Other income, net	$ 7.2	$ (3.3)
Six months ended May 31,							
Foreign exchange contracts	Other income, net	$ (5.7)	$ 3.3	Intercompany loans	Other income, net	$ 7.1	$ (2.9)

The gains (losses) recognized on fair value hedges relating to currency exposure on third-party non-functional currency assets or liabilities were not material during the three and six months ended May 31, 2023 and 2022.

Cash Flow Hedges

Derivative	Gain (loss) recognized in OCI 2023	Gain (loss) recognized in OCI 2022	Income statement location	Gain (loss) reclassified from AOCI 2023	Gain (loss) reclassified from AOCI 2022
Three months ended May 31,					
Interest rate contracts	$ (2.6)	$ 16.9	Interest expense	$ 0.1	$ 0.2
Foreign exchange contracts	(1.3)	(0.5)	Cost of goods sold	(0.1)	0.2
Total	$ (3.9)	$ 16.4		$ —	$ 0.4
Six months ended May 31,					
Interest rate contracts	$ (2.6)	$ 16.9	Interest expense/ Other income, net	$ 0.2	$ 0.3
Foreign exchange contracts	(2.4)	2.4	Cost of goods sold	(1.3)	—
Total	$ (5.0)	$ 19.3		$ (1.1)	$ 0.3

As of May 31, 2023, the net amount of accumulated other comprehensive loss associated with all cash flow and settled interest rate fair value hedge derivatives expected to be reclassified in the next 12 months is $1.3 million as an decrease to earnings.

Net Investment Hedges					
Derivative	Gain (loss) recognized in OCI		Income statement location	Gain (loss) excluded from the assessment of hedge effectiveness	
	2023	2022		2023	2022
Three months ended May 31,					
Cross currency contracts	$ (3.8)	$ 21.4	Interest expense	$ 2.9	$ 1.2
Six months ended May 31,					
Cross currency contracts	$ (9.6)	$ 22.1	Interest expense	$ 6.2	$ 1.7

For all net investment hedges, no amounts have been reclassified out of accumulated other comprehensive loss. The amounts noted in the tables above for OCI do not include any adjustments for the impact of deferred income taxes.

4. FAIR VALUE MEASUREMENTS

Fair value can be measured using valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). Accounting standards utilize a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

At May 31, 2023 and November 30, 2022, we had no financial assets or liabilities that were subject to a level 3 fair value measurement. Our population of financial assets and liabilities subject to fair value measurements on a recurring basis are as follows (in millions):

		May 31, 2023	
	Fair Value	Level 1	Level 2
Assets			
Cash and cash equivalents	$ 127.4	$ 127.4	$ —
Insurance contracts	110.8	—	110.8
Bonds and other long-term investments	3.9	3.9	—
Foreign currency derivatives	8.8	—	8.8
Cross currency contracts	32.9	—	32.9
Total	$ 283.8	$ 131.3	$ 152.5
Liabilities			
Foreign currency derivatives	$ 11.1	$ —	$ 11.1
Interest rate derivatives	44.3	—	44.3
Cross currency contracts	6.4	—	6.4
Total	$ 61.8	$ —	$ 61.8

		November 30, 2022	
	Fair Value	Level 1	Level 2
Assets			
Cash and cash equivalents	$ 334.0	$ 334.0	$ —
Insurance contracts	110.0	—	110.0
Bonds and other long-term investments	5.1	5.1	—
Foreign currency derivatives	11.0	—	11.0
Cross currency contracts	44.5	—	44.5
Total	$ 504.6	$ 339.1	$ 165.5
Liabilities			
Foreign currency derivatives	$ 1.5	$ —	$ 1.5
Interest rate derivatives	42.4	—	42.4
Cross currency contracts	8.3	—	8.3
Total	$ 52.2	$ —	$ 52.2

At May 31, 2023 and November 30, 2022, the carrying amounts of interest rate derivatives, foreign currency derivatives, cross currency contracts, insurance contracts, and bond and other long-term investments were equal to their respective fair values. Because of their short-term nature, the amounts reported in the balance sheet for cash and cash equivalents, receivables, short-term borrowings and trade accounts payable approximate fair value. Investments in affiliates are not readily marketable, and it is not practicable to estimate their fair value.

Insurance contracts, bonds, and other long-term investments are comprised of fixed income and equity securities held for certain non-qualified U.S. employee benefit plans and are stated at fair value on the balance sheet. The fair values of insurance contracts are based upon the underlying values of the securities in which they are invested and are from quoted market prices from various stock and bond exchanges for similar type assets. The fair values of bonds and other long-term investments are based on quoted market prices from various stock and bond exchanges. The fair values for interest rate derivatives, foreign currency derivatives, and cross currency contracts are based on values for similar instruments using models with market-based inputs.

The following table sets forth the carrying amounts and fair values of our long-term debt including the current portion thereof (in millions):

	May 31, 2023	November 30, 2022
Carrying amount	$ 4,403.3	$ 3,912.9
Level 1 valuation techniques	$ 3,936.8	$ 3,424.8
Level 2 valuation techniques	167.9	176.1
Total fair value	$ 4,104.7	$ 3,600.9

The fair value for Level 2 long-term debt is determined by using quoted prices for similar debt instruments.

5. EMPLOYEE BENEFIT AND RETIREMENT PLANS

We sponsor defined benefit pension plans in the U.S. and certain foreign locations. In addition, we sponsor defined contribution plans in the U.S. We also contribute to defined contribution plans in locations outside the U.S., including government-sponsored retirement plans. We also currently provide postretirement medical and life insurance benefits to certain U.S. employees and retirees. We previously froze the accrual of future benefits under certain defined benefit pension plans in the U.S. and certain foreign locations. Although our defined benefit plans in the U.S., United Kingdom and Canada have generally been frozen, employees who are participants in the plans retained benefits accumulated up to the date of the freeze, based on credited service and eligible earnings, in accordance with the terms of the plans.

The following table presents the components of our pension (income) and other postretirement benefits expense for the three months ended May 31, 2023 and 2022 (in millions):

	United States pension		International pension		Other postretirement benefits	
	2023	2022	2023	2022	2023	2022
Service cost	$ 0.5	$ 0.9	$ 0.1	$ 0.2	$ 0.3	$ 0.5
Interest costs	9.1	6.6	2.3	1.8	0.6	0.4
Expected return on plan assets	(10.6)	(10.7)	(3.7)	(3.1)	—	—
Amortization of prior service costs	0.1	0.1	0.1	0.1	(0.1)	(0.1)
Amortization of net actuarial losses (gains)	—	2.1	(0.1)	0.3	(0.5)	(0.1)
Total (income) expense	$ (0.9)	$ (1.0)	$ (1.3)	$ (0.7)	$ 0.3	$ 0.7

The following table presents the components of our pension (income) and other postretirement benefits expense for the six months ended May 31, 2023 and 2022 (in millions):

	United States pension		International pension		Other postretirement benefits	
	2023	2022	2023	2022	2023	2022
Service cost	$ 1.0	$ 1.8	$ 0.3	$ 0.4	$ 0.6	$ 0.9
Interest costs	18.1	13.2	4.8	3.6	1.2	0.8
Expected return on plan assets	(21.2)	(21.4)	(7.4)	(6.3)	—	—
Amortization of prior service costs	0.2	0.2	0.1	0.1	(0.2)	(0.2)
Amortization of net actuarial losses (gains)	0.1	4.3	(0.1)	0.7	(1.0)	(0.1)
Total (income) expense	$ (1.8)	$ (1.9)	$ (2.3)	$ (1.5)	$ 0.6	$ 1.4

During the six months ended May 31, 2023 and 2022, we contributed $3.6 million and $4.1 million, respectively, to our pension plans. Total contributions to our pension plans in fiscal year 2022 were $11.4 million.

All of the amounts in the tables above for pension (income) and other postretirement benefits expense, other than service cost, were included in other income, net within our consolidated income statements. The net aggregate amount of pension and other postretirement benefits (income), excluding service cost components, was $(2.8) million and $(2.6) million for the three months ended May 31, 2023 and 2022, respectively. For the six months ended May 31, 2023 and 2022, the net aggregate amount of pension and other postretirement benefits income, excluding service cost components was $(5.4) million and $(5.1) million, respectively.

6. STOCK-BASED COMPENSATION

We have four types of stock-based compensation awards: restricted stock units ("RSUs"), stock options, company stock awarded as part of our long-term performance plan ("LTPP") and price-vested stock options. The following table sets forth the stock-based compensation expense recorded in selling, general and administrative ("SG&A") expense (in millions):

	Three months ended May 31,		Six months ended May 31,	
	2023	2022	2023	2022
Stock-based compensation expense	$ 26.7	$ 25.8	$ 38.5	$ 36.9

Our 2023 annual grant of stock options and RSUs occurred in the second quarter, similar to the 2022 annual grant. The weighted -average grant-date fair value of each stock option granted in 2023 was $19.35 and in 2022 was $22.14 as calculated under a lattice pricing model. Substantially all of the stock options and RSUs granted in 2023 and 2022 vest ratably over a three-year period or, if earlier, upon the retirement eligibility date of the holder. The fair values of stock option grants in the stated periods were computed using the following range of assumptions for our various stock compensation plans:

	2023	2022
Risk-free interest rates	3.5% - 4.9%	0.2% - 2.5%
Dividend yield	1.9%	1.5%
Expected volatility	21.8%	21.2%
Expected lives (in years)	7.3	7.6

The following is a summary of our stock option activity for the six months ended May 31, 2023 and 2022:

	2023		2022	
(shares in millions)	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	4.8	$ 67.08	5.0	$ 59.71
Granted	0.9	81.79	0.7	97.26
Exercised	(0.2)	46.90	(0.7)	46.25
Outstanding at end of the period	5.5	$ 70.12	5.0	$ 67.06
Exercisable at end of the period	4.0	$ 63.77	3.6	$ 57.87

As of May 31, 2023, the intrinsic value (the difference between the exercise price and the market price) for all options outstanding was $95.8 million and for options currently exercisable was $92.4 million. The total intrinsic value of all options exercised during the six months ended May 31, 2023 and 2022 was $7.4 million and $38.2 million, respectively.

The following is a summary of our RSU activity for the six months ended May 31, 2023 and 2022:

	2023		2022	
(shares in thousands)	Number of Shares	Weighted-Average Grant-Date Fair Value	Number of Shares	Weighted-Average Grant-Date Fair Value
Outstanding at beginning of period	480	$ 77.62	563	$ 69.52
Granted	243	78.29	204	94.43
Vested	(222)	78.12	(251)	71.90
Forfeited	(13)	86.69	(20)	82.64
Outstanding at end of period	488	$ 77.51	496	$ 78.02

The following is a summary of our price-vested stock options activity for the six months ended May 31, 2023 and 2022:

	2023		2022	
(shares in thousands)	Number of Shares	Weighted-Average Grant-Date Fair Value	Number of Shares	Weighted-Average Grant-Date Fair Value
Outstanding at beginning of period	2,107	$ 9.40	2,193	$ 9.40
Forfeited	(50)	9.40	(35)	9.40
Outstanding at end of period	2,057	$ 9.40	2,158	$ 9.40

The following is a summary of our LTPP activity for the six months ended May 31, 2023 and 2022:

	2023		2022	
(shares in thousands)	Number of Shares	Weighted-Average Grant-Date Fair Value	Number of Shares	Weighted-Average Grant-Date Fair Value
Outstanding at beginning of period	451	$ 106.32	497	$ 83.74
Granted	167	89.00	151	95.00
Vested	(176)	86.14	(251)	75.26
Forfeited	(16)	93.53	(2)	95.58
Outstanding at end of period	426	$ 93.67	395	$ 93.41

7. INCOME TAXES

Income tax expense for the three months ended May 31, 2023 included $3.0 million of net discrete tax benefits consisting principally of the following: (i) $1.2 million of tax benefits from the reversal of certain reserves for unrecognized tax benefits and related interest associated with the expiration of statutes of limitations in a non-U.S. jurisdiction, (ii) $1.2 million of tax benefit related to a tax settlement, and (iii) $0.6 million of excess tax benefits associated with stock-based compensation.

Income tax expense for the six months ended May 31, 2023 included $6.8 million of net discrete tax benefits consisting principally of the following: (i) $3.2 million of tax benefits associated with the adjustment of a valuation allowance due to changes in judgment about the realizability of the deferred tax asset, (ii) $1.2 million of tax benefits from the reversal of certain reserves for unrecognized tax benefits and related interest associated with the expiration of statutes of limitations in a non-U.S. jurisdiction, (iii) $1.2 million of tax benefit related to a tax settlement (iv) $0.8 million of tax benefits related to the revaluation of deferred taxes resulting from changes in tax rates, and (v) $0.4 million of excess tax benefits associated with stock-based compensation.

Income tax expense for the three months ended May 31, 2022 included $9.0 million of net discrete tax benefits consisting principally of the following: (i) $1.1 million of excess tax benefits associated with stock-based compensation, (ii) $4.1 million of net tax benefits associated with the adjustment of valuation allowances due to changes in judgment about the realizability of deferred tax assets, (iii) $1.3 million of tax benefits from the reversal of certain reserves for unrecognized tax benefits and related interest associated with the expiration of statutes of limitations in a non-U.S. jurisdiction, and (iv) $2.3 million of tax benefits related to the sale of an asset associated with a previously exited line of business.

Income tax expense for the six months ended May 31, 2022 included $19.3 million of net discrete tax benefits consisting principally of the following: (i) $8.7 million of excess tax benefits associated with stock-based compensation, (ii) $4.1 million of net tax benefits associated with an adjustment of valuation allowances due to changes in judgment about the realizability of deferred tax assets, (iii) $2.5 million of tax benefits related to the revaluation of deferred taxes resulting from enacted legislation, (iv) $2.3 million of tax benefits related to the sale of an asset associated with a previously exited line of business, and (v) $1.5 million from the resolution of tax uncertainties in non-U.S. jurisdictions, including the reversal of certain reserves for unrecognized tax benefits and related interest associated with the expiration of statutes of limitations in certain non-US jurisdictions.

Other than the discrete tax benefits previously mentioned and additions for current year tax positions, there were no significant changes to unrecognized tax benefits during the six months ended May 31, 2023.

As of May 31, 2023, we believe the reasonably possible total amount of unrecognized tax benefits that could increase or decrease in the next 12 months as a result of various statute expirations, audit closures, and/or tax settlements would not be material to our consolidated financial statements.

8. CAPITAL STOCK AND EARNINGS PER SHARE

The following table sets forth the reconciliation of average shares outstanding (in millions):

	Three months ended May 31,		Six months ended May 31,	
	2023	2022	2023	2022
Average shares outstanding – basic	268.4	268.3	268.3	268.1
Effect of dilutive securities:				
Stock options/RSUs/LTPP	1.4	2.2	1.5	2.4
Average shares outstanding – diluted	269.8	270.5	269.8	270.5

The following table sets forth the stock options and RSUs that were not considered in our earnings per share calculation since they were anti-dilutive (in millions):

	Three months ended May 31,		Six months ended May 31,	
	2023	2022	2023	2022
Anti-dilutive securities	1.9	0.5	2.0	0.5

The following table sets forth common stock activity (in millions):

	Three months ended May 31,		Six months ended May 31,	
	2023	2022	2023	2022
Shares issued under stock options, RSUs, LTPP and employee stock purchase plans	0.3	0.4	0.6	1.3
Shares repurchased under the stock repurchase program and shares withheld for taxes under stock options, RSUs, and LTPP	0.3	0.1	0.4	0.3

As of May 31, 2023, $518.6 million remained of the $600 million share repurchase program authorization approved by our Board of Directors in November 2019.

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table sets forth the components of accumulated other comprehensive loss, net of tax, where applicable (in millions):

	May 31, 2023	November 30, 2022
Foreign currency translation adjustment [1]	$ (343.1)	$ (405.3)
Unrealized gain (loss) on foreign currency exchange contracts	(5.0)	3.8
Unamortized value of settled interest rate swaps	(2.9)	(0.6)
Pension and other postretirement costs	(80.5)	(78.5)
Accumulated other comprehensive loss	$ (431.5)	$ (480.6)

(1) During the six months ended May 31, 2023, the foreign currency translation adjustment of accumulated other comprehensive loss decreased on a net basis by $62.2 million, inclusive of $9.6 million of unrealized losses associated with net investment hedges. These net investment hedges are more fully described in note 3.

The following table sets forth the amounts reclassified from accumulated other comprehensive income (loss) and into consolidated net income (in millions):

	Three months ended		Six months ended		Affected Line Items in the Condensed Consolidated Income Statement
	May 31, 2023	May 31, 2022	May 31, 2023	May 31, 2022	
(Gains)/losses on cash flow hedges:					
Interest rate derivatives	$ (0.2)	$ (0.2)	$ (0.3)	$ (0.3)	Interest expense
Foreign exchange contracts	(0.1)	(0.2)	(1.3)	—	Cost of goods sold
Total before tax	(0.3)	(0.4)	(1.6)	(0.3)	
Tax effect	0.1	0.1	0.4	0.1	Income tax expense
Net, after tax	$ (0.2)	$ (0.3)	$ (1.2)	$ (0.2)	
Amortization of pension and postretirement benefit adjustments:					
Amortization of prior service costs [1]	$ 0.1	$ 0.1	$ 0.1	$ 0.1	Other income, net
Amortization of net actuarial (gains) losses [1]	$ (0.6)	$ 2.3	(1.0)	4.9	Other income, net
Total before tax	(0.5)	2.4	(0.9)	5.0	
Tax effect	0.1	(0.6)	0.2	(1.2)	Income tax expense
Net, after tax	$ (0.4)	$ 1.8	$ (0.7)	$ 3.8	

(1) This accumulated other comprehensive income (loss) component is included in the computation of total pension (income) and other postretirement benefits expense (refer to note 5 for additional details).

10. BUSINESS SEGMENTS

We operate in two business segments: consumer and flavor solutions. The consumer and flavor solutions segments manufacture, market and distribute spices, herbs, seasoning mixes, condiments and other flavorful products throughout the world. Our consumer segment sells to retail channels, including grocery, mass merchandise, warehouse clubs, discount and drug stores, and e-commerce under the “McCormick” brand and a variety of brands around the world, including “French’s”, “Frank’s RedHot”, “OLD BAY”, “Lawry’s”, “Zatarain’s”, “Simply Asia”, “Thai Kitchen”, “Ducros”, “Vahine”, “Cholula”, “Schwartz”, “Club House”, “Kamis”, “DaQiao”, “La Drogheria”, “Stubb's”, and “Gourmet Garden”. Our flavor solutions segment sells to food manufacturers and the foodservice industry both directly and indirectly through distributors, with the exception of our business in China, where foodservice sales are managed by and reported in our consumer segment.

In each of our segments, we produce and sell many individual products which are similar in composition and nature. With their primary attribute being flavor, the products within each of our segments are regarded as fairly homogenous. It is impracticable to segregate and identify sales and profits for each of these individual product lines.

We measure segment performance based on operating income excluding special charges, as this activity is managed separately from the business segments. We also exclude transaction and integration expenses related to our acquisitions from our measure of segment performance as these expenses are similarly managed separately from the business segments. These transaction and integration expenses excluded from our segment performance measure include the amortization of the acquisition-date fair value adjustment of inventories that is included in cost of goods sold, costs directly associated with that acquisition and costs associated with integrating the businesses.

Although the segments are managed separately due to their distinct distribution channels and marketing strategies, manufacturing and warehousing are often integrated to maximize cost efficiencies. We do not segregate jointly utilized assets by individual segment for purposes of internal reporting, performance evaluation, or capital allocation. Because of manufacturing integration for certain products within the segments, products are not sold from one segment to another but rather inventory is transferred at cost. Intersegment sales are not material.

	Consumer	Flavor Solutions	Total
		(in millions)	
Three months ended May 31, 2023			
Net sales	$ 912.1	$ 747.1	$ 1,659.2
Operating income excluding special charges	153.6	81.4	235.0
Income from unconsolidated operations	10.8	(0.5)	10.3
Three months ended May 31, 2022			
Net sales	$ 866.1	$ 670.7	$ 1,536.8
Operating income excluding special charges and transaction and integration expenses	124.8	49.0	173.8
Income from unconsolidated operations	8.4	2.0	10.4
Six months ended May 31, 2023			
Net sales	$ 1,821.6	$ 1,403.1	$ 3,224.7
Operating income excluding special charges	327.0	134.8	461.8
Income from unconsolidated operations	24.6	(0.3)	24.3
Six months ended May 31, 2022			
Net sales	$ 1,792.2	$ 1,267.0	$ 3,059.2
Operating income excluding special charges and transaction and integration expenses	291.8	109.1	400.9
Income from unconsolidated operations	16.8	2.9	19.7

A reconciliation of operating income excluding special charges and transaction and integration expenses, to operating income is as follows (in millions):

	Consumer	Flavor Solutions	Total
Three months ended May 31, 2023			
Operating income excluding special charges	$ 153.6	$ 81.4	$ 235.0
Less: Special charges	8.4	4.8	13.2
Operating income	$ 145.2	$ 76.6	$ 221.8
Three months ended May 31, 2022			
Operating income excluding special charges and transaction and integration expenses	$ 124.8	$ 49.0	$ 173.8
Less: Special charges	10.7	4.4	15.1
Less: Transaction and integration expenses	—	1.5	1.5
Operating income	$ 114.1	$ 43.1	$ 157.2
Six months ended May 31, 2023			
Operating income excluding special charges	$ 327.0	$ 134.8	$ 461.8
Less: Special charges	27.4	13.6	41.0
Operating income	$ 299.6	$ 121.2	$ 420.8
Six months ended May 31, 2022			
Operating income excluding special charges and transaction and integration expenses	$ 291.8	$ 109.1	$ 400.9
Less: Special charges	14.3	20.3	34.6
Less: Transaction and integration expenses	—	2.2	2.2
Operating income	$ 277.5	$ 86.6	$ 364.1

The following table sets forth our net sales, by geographic area, for the three and six months ended May 31, 2023 and 2022 (in millions):

	Americas	EMEA	Asia/Pacific	Total
Three months ended May 31, 2023	$ 1,177.9	$ 310.6	$ 170.7	$ 1,659.2
Three months ended May 31, 2022	1,102.6	287.8	146.4	1,536.8
Six months ended May 31, 2023	2,272.5	594.6	357.6	3,224.7
Six months ended May 31, 2022	2,125.0	578.3	355.9	3,059.2

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand McCormick & Company, Incorporated, our operations, and our present business environment from the perspective of management. MD&A is provided as a supplement to, and should be read in conjunction with, our financial statements and the accompanying notes thereto, included in Item 1 of this report. We use certain non-GAAP information – more fully described below under the caption Non-GAAP Financial Measures – that we believe is important for purposes of comparison to prior periods and 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. Unless otherwise noted, the dollar and share information in the charts and tables in MD&A are in millions, except per share data.

Business profile

McCormick is a global leader in flavor. We manufacture, market and distribute spices, seasoning mixes, condiments and other flavorful products to the entire food industry – retailers, food manufacturers and the foodservice business. In fiscal year 2022, approximately 38% of our sales were outside of the U.S. We also are partners in a number of joint ventures that are involved in the manufacture and sale of flavorful products, the most significant of which is McCormick de Mexico. We manage our business in two business segments, consumer and flavor solutions.

Recent Events

Recent events impacting our business include global economic conditions, inflationary cost environment, disruption in our supply chain, the COVID-19 pandemic, and the ongoing conflict between Russia and Ukraine, each of which are further discussed below. We expect each of these factors will impact our fiscal 2023 performance. We expect elevated levels of cost inflation to persist throughout 2023, although at lower levels than experienced in 2022. We anticipate in 2023 that these headwinds will be mitigated by pricing actions taken in response to inflationary cost environment, supply chain productivity improvements and cost savings initiatives. The effects of inflation have also resulted in central banks raising short-term interest rates and, as a result, we expect that our interest expense will increase in 2023. While the impacts of COVID-19 on our business have largely moderated, there still remains uncertainty around the pandemic, including its effect on labor or other macroeconomic factors and spread of new COVID-19 variants and resurgences. Also, the ongoing conflict between Russia and Ukraine, and the sanctions imposed in response to this conflict, have increased global economic and political uncertainty.

While the impact of these factors remains uncertain, we continue to evaluate the extent to which they may impact our business, financial condition, or results of operations. These and other uncertainties could result in changes to our current expectations. The potential effects of these recent events also could impact us in a number of other ways including, but not limited to, variations in the level of our sales, profitability, cash flows, fluctuations in foreign currency markets, the availability of future borrowings, the cost of borrowings, valuation of our pension assets and obligations, credit risks of our customers and counterparties, laws and regulations affecting our business, and potential impairment of the carrying value of goodwill or other indefinite-lived intangible assets.

Global Economic Conditions and Inflationary Cost Environment – During fiscal 2021 and 2022, we experienced inflationary cost increases in our commodities, packaging materials and transportation costs. We expect that these inflationary cost increases will continue but we anticipate they will be mitigated by our planned 2023 pricing actions, the effect of pricing actions executed in 2022, our organization and streamlining actions, including our Global Operating Effectiveness (GOE) program, and by our Comprehensive Continuous Improvement (CCI) program-led cost savings. There has been, and we expect there could continue to be, a difference between the timing of when the impact of cost inflation occurs and when these pricing and other actions impact our results of operations. Additionally, in some instances the pricing actions we take have been impacted by price elasticity which unfavorably impacts our sales volume and mix.

Our interest expense is impacted by the overall global economic and interest rate environment. The inflationary environment has also resulted in central banks raising short-term interest rates. As of May 31, 2023, we had total outstanding variable rate debt of approximately $513 million. Our policy is to manage our interest rate risk by entering into both fixed and variable rate debt arrangements. We also use interest rate swaps to achieve a desired mix of fixed and variable rate debt. As of both May 31, 2023 and 2022, we had total outstanding fixed to variable interest rate swaps of $600 million notional. We expect that our interest expense will increase in 2023 as a result of the higher interest rate environment.

Supply Chain Disruption – Over the past several years, as we have responded to demand volatility, COVID-19 and overall macroeconomic conditions, we have experienced pressures in our supply chain, including inefficiencies associated with demand volatility. These pressures are in addition to the inflationary cost environment previously noted and have included strained availability of raw materials and transportation capacity, expedited shipping costs, costs incurred in response to COVID-19, incremental warehouse costs to store increased inventory associated with maintaining additional safety stock, additional use of co-manufacturers, and labor shortages and absenteeism, in part, associated with COVID-19. The severity of those supply chain pressures varied over 2022, 2021 and 2020.

In response to the general economic conditions, inflationary cost environment, and the supply chain pressures and related inefficiencies, we expect to eliminate approximately $125 million of costs during 2023 and 2024, including $100 million of supply chain costs and $25 million of costs across the remainder of the organization under our GOE program. The supply chain actions we are taking, and will continue to evaluate, include returning our manufacturing facilities to a more normal shift schedule, reducing headcount, and stabilizing turnover rates to reduce our labor costs; increasing our manufacturing capacity and automation to respond to the evaluated demand as well as reduce the use of co-manufacturers; and executing and evaluating initiatives to reduce the safety stock levels of our inventory that were put in place to protect against supply disruptions. The elimination of other costs across the organization will include a voluntary retirement program and other streamlining initiatives.

We expect our GOE program, and organization and streamlining actions to deliver savings of approximately $75 million in 2023.

COVID-19 – COVID-19 has impacted our operating results. There still remains uncertainty around the COVID-19 pandemic. The ultimate impact depends on the length and severity of the pandemic, including new strains and variants of the virus; infection rates in the markets where we do business; the federal, state, and local government actions taken in response; vaccine effectiveness; and the macroeconomic environment. We will continue to evaluate the extent to which the COVID-19 pandemic impacts our business, consolidated results of operations and financial condition.

The extent and nature of government actions, customer and end-consumer demand varied during 2022, 2021 and 2020. However, the impact of COVID-19 during the quarters ended May 31, 2023 and 2022, based upon the then-current extent and severity of the COVID-19 pandemic within the countries, localities and markets where we do business, were generally comparable with the exception of the impact on our results of operations in the Asia/Pacific region, specifically within China where we experienced a negative impact to consumer behavior in 2022, related to the impact of restrictive measures imposed associated with COVID-19 resurgences. We expect the impact of COVID-19 during 2023 to be mitigated from that experienced in 2022.

Conflict Between Russia and Ukraine – The ongoing conflict between Russia and Ukraine, and the sanctions imposed in response to this conflict, have increased global economic and political uncertainty. It is not possible to predict the broader or longer-term consequences of this conflict, or the sanctions imposed to date, which could include further sanctions, embargoes, regional instability, geopolitical shifts and adverse effects on macroeconomic conditions, security conditions, energy and fuel prices, currency exchange rates and financial markets. We announced on March 11, 2022, that we were suspending our business operations in Russia. In May 2022, we made the decision to exit our consumer business in Russia. Our operations in Ukraine were also temporarily paused in order to focus on the safety of our employees, but we have resumed, where appropriate, a reduced level of operating activities. While neither our operations in Russia nor Ukraine constitute a material portion of our business, a significant escalation or expansion of economic disruption or the conflict's current scope could disrupt our supply chain, broaden inflationary costs, and have a material adverse effect on our results of operations.

2023 Outlook

In 2023, we expect to grow net sales over the 2022 level by 5% to 7%, which includes a minimal impact of foreign currency rates. We anticipate that the 2023 sales growth will be driven by pricing actions, including the completion of those executed in 2022 in conjunction with cost savings which are expected to offset inflationary pressures. We expect volume and product mix to be impacted by pricing elasticities, although, consistent with 2022, at a lower level than we have experienced historically. We anticipate that our volume and product mix will also be impacted by the combined impact of lapping last year’s COVID-related disruptions in China, the divestiture of our Kitchen Basics brand in the third quarter of last year, the exit of our consumer business in Russia during the second quarter of last year, and the pruning of low margin businesses.

We expect our 2023 gross profit margin to range from 50 basis points to 100 basis points higher than our gross profit margin of 35.8% in 2022. The projected 2023 increase in gross profit margin is principally due to the net effect of (i) the favorable impact of pricing actions in response to increased commodity, packaging materials and transportation costs, (ii) the favorable impact of anticipated GOE program and CCI cost savings, and (iii) a low to mid-teen percentage impact of inflation in 2023 compared to 2022. As we recover the cost inflation of our pricing that has lagged in the past two years, we expect cost pressures to be more than offset by pricing actions and our expected cost savings in 2023.

In 2023, we expect an increase in operating income of 11% to 13%, which includes a minimal impact from foreign currency rates, over the 2022 level. The projected 2023 change in operating income includes the effects of cost savings from our GOE program and lapping the COVID-19 restrictive measures in China during 2022, which we anticipate will be partially offset by increased employee incentive compensation and the impact of our Kitchen Basics divestiture. Our CCI-led cost savings target in 2023 is approximately $85 million. We expect that the absence of $2.2 million of integration expenses related to the FONA acquisition in 2022 to favorably impact operating income in 2023. We also expect approximately $55 million of special charges in 2023 that relate to previously announced organization and streamlining actions; in 2022, special charges were $51.6 million. Excluding special charges and transaction and integration expenses, we expect 2023’s adjusted operating income to increase by 10% to 12%, which includes a minimal impact from foreign currency rates.

We estimate that our interest expense will range from $200 to $210 million in 2023, with the increase over 2022 being driven by the higher interest-rate environment which will impact our variable rate debt. In 2023, we will also lap the favorable effects associated with the termination of interest rate contracts. These contracts were entered into to manage the interest rate risk associated with our then anticipated issuance of fixed rate debt, which favorably impacted other income, net in 2022.

Our underlying effective tax rate is projected to be higher in 2023 than in 2022. We estimate that our 2023 effective tax rate, including the net favorable impact of anticipated discrete tax items, will be 22% as compared to 20.7% in 2022. Excluding projected taxes associated with special charges, we estimate that our adjusted effective tax rate will be approximately 22% in 2023, as compared to an adjusted effective tax rate of 20.9% in 2022.

Diluted earnings per share was $2.52 in 2022. Diluted earnings per share for 2023 is projected to range from $2.44 to $2.49. Excluding the per share impact of (i) special charges of $51.6 million; (ii) integration expenses of $2.2 million; and (iii) the gain realized upon our sale of Kitchen Basics of $49.6 million, adjusted diluted earnings per share was $2.53 in 2022. Adjusted diluted earnings per share, excluding an estimated per share impact from special charges of $0.16, is projected to range from $2.60 to $2.65 in 2023. We expect adjusted diluted earnings per share to grow by 3% to 5% over adjusted diluted earnings per share of $2.53 in 2022, including a minimal impact from foreign currency rates.

RESULTS OF OPERATIONS – COMPANY

	Three months ended		Six months ended	
	May 31, 2023	May 31, 2022	May 31, 2023	May 31, 2022
Net sales	$ 1,659.2	$ 1,536.8	$ 3,224.7	$ 3,059.2
Percent increase (decrease)	8.0 %	(1.3)%	5.4 %	0.7 %
Components of percent change in net sales – increase (decrease):				
Pricing actions	10.8 %	6.8 %	10.7 %	5.8 %
Volume and product mix	(0.9)%	(6.6)%	(2.8)%	(4.0)%
Acquisitions	— %	— %	— %	0.3 %
Divestitures	(0.4)%	— %	(0.5)%	— %
Foreign exchange	(1.5)%	(1.5)%	(2.0)%	(1.4)%
Gross profit	$ 615.5	$ 523.0	$ 1,178.4	$ 1,083.4
Gross profit margin	37.1 %	34.0 %	36.5 %	35.4 %

Sales for the second quarter of 2023 increased by 8.0% from the prior year level and increased by 9.5% on a constant currency basis (that is, excluding the impact of foreign currency exchange as more fully described under the caption, Non-GAAP Financial Measures). Pricing actions, taken in response to the inflationary cost environment, increased sales by 10.8% compared to the prior year period. Unfavorable volume and product mix decreased sales by 0.9%, including the impact of price elasticity. Both our flavor solutions and consumer segments experienced unfavorable volume and product mix. The net impact of the recovery experienced from the restrictive measures that existed in the prior year related to COVID-19 resurgences in China and the exit of our consumer operation in Russia favorably impacted volume and product mix by approximately 1.4%. Also, our decision to discontinue certain low margin businesses also contributed approximately 1.1% to the unfavorable impact of volume and product mix. The divestiture of our Kitchen Basics business unfavorably impacted sales by 0.4% as compared to the prior year period. Sales were also impacted by unfavorable foreign currency rates that decreased net sales by 1.5% in the second quarter of 2023 compared to the year-ago quarter and is excluded from our measure of sales growth of 9.5% on a constant currency basis.

Sales for the six months ended May 31, 2023 increased by 5.4% from the prior year level and increased by 7.4% on a constant currency basis. Pricing actions, taken in response to the inflationary cost environment, increased sales by 10.7% compared to the prior year period. Unfavorable volume and product mix decreased sales by 2.8%, including the impact of price elasticity. Both our flavor solutions and consumer segments experienced unfavorable volume and product mix. The divestiture of our Kitchen Basics business unfavorably impacted sales by 0.5% as compared to the prior year period. Sales were impacted by unfavorable foreign currency rates that decreased sales by 2.0% in the six months ended May 31, 2023 as compared to the year-ago period and is excluded from our measure of sales growth of 7.4% on a constant currency basis.

Gross profit for the second quarter of 2023 increased by $92.5 million, or 17.7%, from the comparable period in 2022. Our gross profit margin for the three months ended May 31, 2023 was 37.1%, an increase of 310 basis points from the comparable period in 2022. The increase in gross profit margin in the quarter ended May 31, 2023 was driven by the favorable impact of our pricing actions taken in response to increased costs, favorable product mix within our segments and cost savings led by our CCI and GOE programs. These favorable impacts were partially offset by increased commodity costs as compared to the 2022 period.

Gross profit for the six months ended May 31, 2023 increased by $95.0 million, or 8.8%, from the comparable period in 2022. Our gross profit margin for the six months ended May 31, 2023 was 36.5%, an increase of 110 basis points from the same period in 2022 driven by the favorable impact of our pricing actions taken in response to increased costs, favorable product mix within our segments and cost savings led by our CCI and GOE programs. These favorable impacts were partially offset by increased commodity costs and higher conversion costs, each as compared to the 2022 period.

	Three months ended		Six months ended	
	May 31, 2023	May 31, 2022	May 31, 2023	May 31, 2022
Selling, general & administrative expense (SG&A)	$ 380.5	$ 349.2	$ 716.6	$ 682.5
Percent of net sales	22.9 %	22.7 %	22.2 %	22.3 %

SG&A increased by $31.3 million in the second quarter of 2023 as compared to the 2022 level, as increased distribution costs, increased selling and marketing costs and higher performance-based employee incentive expense were partially offset by CCI-led and GOE cost savings and favorable investment results associated with non-qualified retirement plan assets, all as compared to the 2022 period. SG&A as a percentage of net sales increased by 20 basis points from the prior year levels due primarily to the net impact of the previously mentioned factors, all as compared to the prior year period.

SG&A increased by $34.1 million in the six months ended May 31, 2023 compared to the 2022 level, as increased distribution costs, increased selling and marketing costs and higher performance-based employee incentive expense were partially offset by CCI-led and GOE cost savings and favorable investment results associated with non-qualified retirement plan assets, all as compared to the 2022 period. SG&A as a percent of net sales for the six months ended May 31, 2023 decreased 10 basis points from prior year as the higher net sales base more than offset, the net impact of the previously mentioned factors, all as compared to the prior year period.

	Three months ended		Six months ended	
	May 31, 2023	May 31, 2022	May 31, 2023	May 31, 2022
Total special charges	$ 13.2	$ 15.1	$ 41.0	$ 34.6

During the three months ended May 31, 2023, we recorded $13.2 million of special charges. Those special charges principally consisted of $8.6 million associated with the GOE program, $1.3 million associated with the transition of a manufacturing facility in Europe, Middle East, and Africa (EMEA), and streamlining actions of $3.2 million in the Americas region.

During the six months ended May 31, 2023, we recorded $41.0 million of special charges. Those special charges principally consisted of $33.4 million associated with the GOE program, $2.2 million associated with the transition of a manufacturing facility in EMEA, and streamlining actions of $4.5 million in the Americas region, and $0.9 million in the EMEA region.

During the three months ended May 31, 2022, we recorded $15.1 million of special charges, consisting principally of $22.2 million associated with the exit of our consumer business in Russia, $2.5 million associated with the transition of a manufacturing facility in EMEA, and streamlining actions of $3.2 million in the Americas region, and $2.8 million in the EMEA region. These charges were offset by a $13.6 million gain, on the sale of Kohinoor brand as well as a reversal of $2.2 million of estimated costs associated with the exit of our rice product line in India upon settlement of a supply agreement related to that product line.

During the six months ended May 31, 2022, we recorded $34.6 million of net special charges. Those special charge consisted principally of $22.2 million associated with the exit of our consumer business in Russia, $17.4 million associated with the transition of a manufacturing facility in EMEA, as more fully described in note 2 of the notes to the accompanying financial statements, and streamlining actions of $5.3 million in the Americas region and $4.3 million in the EMEA region. These charges were offset by a $13.6 million gain, on the sale of our Kohinoor brand, as we exited our Kohinoor rice product line in India in the fourth quarter of fiscal 2021, as well as a reversal of $2.2 million of estimated costs associated with the exit of our rice product line in India upon settlement of a supply agreement related to that product line.

Details with respect to the composition of special charges are included in note 2 of the notes to the accompanying financial statements.

	Three months ended		Six months ended	
	May 31, 2023	May 31, 2022	May 31, 2023	May 31, 2022
Total integration expenses	$ —	$ 1.5	$ —	$ 2.2

During the three months and six months ended May 31, 2022, we recorded $1.5 million and $2.2 million, respectively, of integration expenses related to our acquisition of FONA.

	Three months ended		Six months ended	
	May 31, 2023	May 31, 2022	May 31, 2023	May 31, 2022
Interest expense	$ 52.2	$ 33.7	$ 102.8	$ 66.8
Other income, net	12.5	6.3	23.6	12.5

Interest expense increased by $18.5 million and $36.0 million in the three and six months ended May 31, 2023, as compared to the prior year periods, as the effects of the higher interest rate environment more than offset lower average borrowing levels. Other income, net for the three and six months ended May 31, 2023 increased by $6.2 million and $11.1 million, as compared to the prior year periods. That increase was primarily driven by higher interest income, also principally associated with the higher interest rate environment.

	Three months ended		Six months ended	
	May 31, 2023	May 31, 2022	May 31, 2023	May 31, 2022
Income from consolidated operations before income taxes	$ 182.1	$ 129.8	$ 341.6	$ 309.8
Income tax expense	40.3	21.7	74.7	56.1
Effective tax rate	22.1 %	16.7 %	21.9 %	18.1 %

The provision for income taxes is based on the estimate of the annual effective tax rate adjusted to reflect the tax impact of items discrete to the fiscal period. We record tax expense or tax benefits that do not relate to ordinary income in the current fiscal year discretely in the period in which such items occur pursuant to the requirements of GAAP. Examples of such types of discrete items not related to ordinary income include, but are not limited to, excess tax benefits or expense associated with stock-based compensation, changes in estimates of the outcome of tax matters related to prior years, including reversals of reserves upon the lapsing of statutes of limitations, provision-to-return adjustments, the settlement of tax audits, changes in enacted tax rates, changes in the assessment of deferred tax valuation allowances, and the tax effects of certain intra-entity asset transfers (other than inventory).

Income tax expense for the three months ended May 31, 2023 included $3.0 million of net discrete tax benefit consisting principally of (i) $1.2 million of tax benefits from the reversal of certain reserves for unrecognized tax benefits and related interest associated with the expiration of statutes of limitations in a non-U.S. jurisdiction, (ii) $1.2 million of tax benefits related to a tax settlement, and (iii) $0.6 million of excess tax benefits associated with stock-based compensation.

Income tax expense for the six months ended May 31, 2023 included $6.8 million of net discrete tax benefit consisting principally of (i) $3.2 million of tax benefits associated with the adjustment of a valuation allowance due to changes in judgment about the realizability of the deferred tax asset, (ii) $1.2 million of tax benefits from the reversal of certain reserves for unrecognized tax benefits and related interest associated with the expiration of statutes of limitations in a non-U.S. jurisdiction, (iii) $1.2 million of tax benefits related to a tax settlement, (iv) $0.8 million of tax benefits related to the revaluation of deferred taxes resulting from changes in tax rates, and (v) $0.4 million of excess tax benefits associated with stock-based compensation.

Income tax expense for the three months ended May 31, 2022 included $9.0 million of net discrete tax benefits consisting principally of the following: (i) $1.1 million of excess tax benefits associated with stock-based compensation, (ii) $4.1 million of net tax benefits associated with the adjustment of valuation allowances due to changes in judgment about the realizability of deferred tax assets, (iii) $1.3 million of tax benefits from the reversal of certain reserves for unrecognized tax benefits and related interest associated with the expiration of statutes of limitations in a non-U.S. jurisdiction, and (iv) $2.3 million of tax benefits related to the sale of an asset associated with a previously exited line of business.

Income tax expense for the six months ended May 31, 2022 included $19.3 million of net discrete tax benefits consisting principally of the following: (i) $8.7 million of excess tax benefits associated with stock-based compensation, (ii) $4.1 million of net tax benefits associated with an adjustment of valuation allowances due to changes in judgment about the realizability of deferred tax assets, (iii) $2.5 million of tax benefits related to the revaluation of deferred taxes resulting from enacted legislation, (iv) $2.3 million of tax benefits related to the sale of an asset associated with a previously exited line of business, and (v) $1.5 million from the resolution of tax uncertainties in non-U.S. jurisdictions, including the reversal of certain reserves for unrecognized tax benefits and related interest associated with the expiration of statutes of limitations in certain non-US jurisdictions.

	Three months ended		Six months ended	
	May 31, 2023	May 31, 2022	May 31, 2023	May 31, 2022
Income from unconsolidated operations	$ 10.3	$ 10.4	$ 24.3	$ 19.7

Income from unconsolidated operations, which is presented net of the elimination of earnings attributable to non-controlling interests, declined slightly for the three months ended May 31, 2023 as compared to the prior year period. Income from unconsolidated operations increased by $4.6 million for the six months ended May 31, 2023, as compared to the year ago period. The increase was driven by higher earnings of our largest joint venture, McCormick de Mexico.

The following table outlines the major components of the change in diluted earnings per share from 2022 to 2023:

	Three months ended May 31,	Six months ended May 31,
2022 Earnings per share – diluted	$ 0.44	$ 1.01
Impact of change in operating income	0.18	0.18
Increase in special charges, net of taxes	—	(0.03)
Decrease in integration expenses, net of tax	—	0.01
Increase in interest expense	(0.06)	(0.10)
Increase in other income	0.02	0.03
Increase in income from unconsolidated operations	—	0.02
Impact of change in effective income tax rate, excluding taxes on special charges and transaction and integration expenses	(0.02)	(0.04)
2023 Earnings per share – diluted	$ 0.56	$ 1.08

RESULTS OF OPERATIONS — SEGMENTS

We measure the performance of our business segments based on operating income, excluding special charges. We also exclude transaction and integration expenses related to our acquisitions from our measure of segment performance as these expenses are similarly managed separately from the business segments. These transaction and integration expenses excluded from our segment performance measure include costs directly associated with that acquisition and costs associated with integrating the businesses. See note 10 of the notes to the accompanying financial statements for additional information on our segment measures as well as for a reconciliation by segment of operating income, excluding special charges and transaction and integration expenses, to consolidated operating income. In the following discussion, we refer to our previously described measure of segment profit as segment operating income.

CONSUMER SEGMENT

	Three months ended		Six months ended	
	May 31, 2023	May 31, 2022	May 31, 2023	May 31, 2022
Net sales	$ 912.1	$ 866.1	$ 1,821.6	$ 1,792.2
Percent increase (decrease)	5.3 %	(8.4)%	1.6 %	(5.3)%
Segment operating income	$ 153.6	$ 124.8	$ 327.0	$ 291.8
Segment operating income margin	16.8 %	14.4 %	18.0 %	16.3 %

In the second quarter of 2023, sales of our consumer segment increased by 5.3% as compared to the second quarter of 2022 and increased by 7.0% on a constant currency basis. That 5.3% increase included higher sales of our consumer business in all regions, as compared to the prior year quarter. Pricing actions, taken in response to increased costs, favorably impacted sales by 8.5% as compared to the prior year period. Unfavorable volume and product mix decreased consumer segment sales by 0.7% in the second quarter of 2023 as compared to the same period last year, including the impact of price elasticity. The net impact of the recovery experienced from the restrictive measures that existed in the prior year related to COVID-19 resurgences in China and the exit of our consumer operation in Russia favorably impacted volume and product mix by approximately 1.6%. Also, our decision to discontinue certain low margin businesses also contributed approximately 1.2% to the unfavorable impact of volume and product mix. The divestiture of our Kitchen Basics business unfavorably impacted consumer sales by 0.8% as compared to 2022. Sales in the second quarter of 2023 reflected an unfavorable impact from foreign currency rates that decreased consumer segment sales by 1.7% compared to the year-ago quarter and is excluded from our measure of sales growth of 7.0% on a constant currency basis.

In the Americas region, consumer sales increased 3.0% in the second quarter of 2023 as compared to the same quarter of 2022 and increased by 3.6% on a constant currency basis. Pricing actions, taken in response to inflationary cost environment, increased sales by 8.1% as compared to the prior year period. For the second quarter of 2023, unfavorable volume and product mix decreased sales by 3.5% as compared to the corresponding period in 2022. This reduction included an approximately 1.6% impact of our decision to discontinue a low margin business. The sale of our Kitchen Basics business unfavorably impacted sales by 1.0% as compared to 2022. The unfavorable impact of foreign currency rates decreased sales by 0.6% in the quarter and is excluded from our measure of sales growth of 3.6% on a constant currency basis.

In the EMEA region, consumer sales increased 7.2% in the second quarter of 2023 as compared to the same quarter of 2022 and increased by 9.3% on a constant currency basis. Pricing actions, taken in response to the inflationary cost environment, increased sales by 11.8% as compared to the 2022 period. Sales were impacted by unfavorable volume and product mix during the second quarter of 2023 that decreased sales by 2.5% from the prior year level, including a 2.3% impact associated with the exit of our consumer operations in Russia. During the second quarter of 2023, an unfavorable impact from foreign currency rates decreased sales by 2.1% compared to the year-ago period and is excluded from our measure of sales growth of 9.3% on a constant currency basis.

In the Asia/Pacific region, consumer sales increased 18.7% in the second quarter of 2023 as compared to the second quarter of 2022 and increased by 27.4% on a constant currency basis. Pricing actions, taken in response to the inflationary cost environment, increased sales by 6.0% as compared to the prior year period. For the quarter ended May 31, 2023, favorable volume and product mix increased sales by 21.4%, including a 20.0% favorable impact from the recovery experienced from the restrictive measures that existed in the prior year related to COVID-19 resurgences in China. During the second quarter of 2023, an unfavorable impact from foreign currency rates decreased sales by 8.7% compared to the year-ago period and is excluded from our measure of sales growth of 27.4% on a constant currency basis.

For the six months ended May 31, 2023, sales of our consumer segment increased 1.6% as compared to the six months ended May 31, 2022 and increased by 3.8% on a constant currency basis. Pricing actions taken in all of our consumer business in all regions increased sales by 8.6% during the six months ended May 31, 2023 as compared to the prior year period. Lower volume and unfavorable product mix decreased sales by 3.9% as compared to the prior year period driven primarily by the impact of price elasticity. The sale of our Kitchen Basics business unfavorably impacted sales by 0.9% as compared to 2022. An unfavorable impact from foreign currency rates decreased sales by 2.2% compared to the prior year and is excluded from our measure of sales growth of 3.8% on a constant currency basis.

Segment operating income for our consumer segment increased by $28.8 million, or 23.1%, in the second quarter of 2023 over the second quarter of 2022. The increase in segment operating income was driven by the effects of an increase in gross profit primarily due to the higher level of sales, favorable pricing actions, and CCI-led and GOE cost savings partially offset by higher SG&A expenses, including higher distribution costs and higher performance-based employee incentive expense, all as compared to the prior year period. Segment operating margin for our consumer segment increased by 240 basis points from the second quarter of 2022 to 16.8% in the second quarter of 2023. That increase was principally the result of an increase in gross margin, including the impacts of pricing actions and CCI-led and GOE cost savings which was partially offset by a higher level of SG&A as a percentage of sales, all as compared to 2022. On a constant currency basis, segment operating income for our consumer segment increased by 24.5% in the second quarter of 2023 in comparison to the same period in 2022.

Segment operating income for our consumer segment increased by $35.2 million, or 12.1%, for the six months ended May 31, 2023 as compared to the same period in 2022. The increase in segment operating income was driven by the effects of an increase in gross profit primarily driven by the higher level of sales, favorable pricing actions in response to increased costs, and CCI-led and GOE cost savings which were partially offset by higher SG&A expenses, including higher distribution costs and higher performance-based employee incentive expense, all as compared to the prior year period. Segment operating margin for our consumer segment increased by 170 basis points from the first half of 2022 to 18.0%. The increase was the result of an increase in gross margin as previously discussed which was partially offset by a higher level of SG&A as a percentage of sales, principally due to the factors previously described, both as compared to 2022. On a constant currency basis, segment operating income for our consumer segment increased by 14.0% for the six months ended May 31, 2023 in comparison to the same period in 2022.

FLAVOR SOLUTIONS SEGMENT

	Three months ended		Six months ended	
	May 31, 2023	May 31, 2022	May 31, 2023	May 31, 2022
Net sales	$ 747.1	$ 670.7	$ 1,403.1	$ 1,267.0
Percent increase	11.4 %	9.7 %	10.7 %	10.5 %
Segment operating income	$ 81.4	$ 49.0	$ 134.8	$ 109.1
Segment operating income margin	10.9 %	7.3 %	9.6 %	8.6 %

In the second quarter of 2023, sales of our flavor solutions segment increased by 11.4% as compared to the second quarter of 2022 and increased by 12.7% on a constant currency basis. Pricing actions, taken in response to increased costs, across all regions increased sales by 13.8% in the second quarter of 2023 and was partially offset by 1.1% of unfavorable volume and product mix, both as compared to the prior year quarter. Volume and product mix includes the net impact of the recovery experienced from the restrictive measures that existed in the prior year related to COVID-19 resurgences in China and our decision to discontinue certain low margin businesses of 1% favorable and 1% unfavorable, respectively. The unfavorable impact of foreign currency rates decreased flavor solutions segment sales by 1.3% compared to the year-ago quarter and is excluded from our measure of sales growth of 12.7% on a constant currency basis.

In the Americas region, flavor solutions sales increased by 11.9% in the second quarter of 2023 as compared to the second quarter of 2022 and increased by 11.0% on a constant currency basis. Pricing actions, taken in response to the inflationary cost environment, favorably impacted sales by 12.1% during the quarter ended May 31, 2023, as compared to the prior year period. Unfavorable volume and product mix decreased flavor solutions sales in the Americas by 1.1% during the second quarter of 2023, including the effects of growth in sales to packaged food and beverage companies, as compared to the prior year period. A favorable impact from foreign currency rates increased sales by 0.9% compared to the second quarter of 2022 and is excluded from our measure of sales growth of 11.0% on a constant currency basis.

In the EMEA region, flavor solutions sales increased by 8.8% in the second quarter of 2023 as compared to the second quarter of 2022 and increased by 14.6% on a constant currency basis. Pricing actions, taken in response to the inflationary cost environment, favorably impacted sales by 21.8% in the second quarter of 2023 as compared to the prior period level. Unfavorable volume and product mix decreased segment sales in the EMEA region by 7.2% as compared to the corresponding period in 2022 including the effects of the inflationary environment impacting consumer spending at quick service restaurants and an approximately 2.1% impact of our decision to discontinue a low margin business. An unfavorable impact from foreign currency rates decreased sales by 5.8% compared to the second quarter of 2022 and is excluded from our measure of sales growth of 14.6% on a constant currency basis.

In the Asia/Pacific region, flavor solutions sales increased 13.4% in the second quarter of 2023 as compared to the second quarter of 2022 and increased by 21.6% on a constant currency basis. Pricing actions, taken in response to the inflationary cost environment, favorably impacted sales by 8.0% as compared to the prior year period. Favorable volume and product mix increased segment sales by 13.6% in the second quarter of 2023 which was principally driven by the favorable impact from the recovery experienced from the restrictive measures that existed in the prior year related to COVID-19 resurgences in China. An unfavorable impact from foreign currency rates decreased sales by 8.2% compared to the second quarter of 2022 and is excluded from our measure of sales growth of 21.6% on a constant currency basis.

For the six months ended May 31, 2023, our flavor solutions sales increased 10.7% as compared to the six months ended May 31, 2022 and increased by 12.5% on a constant currency basis. Pricing actions, taken in response to increased costs, across all regions increased sales by 13.6% during the six months ended May 31, 2023 and was partially offset by 1.1% of unfavorable volume and product mix, both as compared to the prior year period. The unfavorable impact of foreign currency rates decreased flavor solutions segment sales by 1.8% compared to the year-ago period and is excluded from our measure of sales growth of 12.5% on a constant currency basis.

Segment operating income for our flavor solutions segment increased by $32.4 million, or 66.1%, in the second quarter of 2023 as compared to the second quarter of 2022. The increase in segment operating income was driven by the effects of an increase in gross profit primarily due to the higher level of sales, favorable pricing and CCI-led and GOE cost savings which more than offset by increased conversion costs and the higher level of SG&A expenses, including higher distribution costs and higher performance-based employee incentive expense, all as compared to the prior year period. Segment operating margin for our flavor solutions segment increased by 360 basis points from the prior year level to 10.9% in the second quarter of 2023. That increase was principally the result of an increase in gross margin as previously described. On a constant currency basis, segment operating income for our flavor solutions segment decreased by 65.7% in the second quarter of 2023 as compared to the same period in 2022.

Segment operating income for our flavor solutions segment increased by $25.7 million, or 23.6%, for the six months ended May 31, 2023, as compared to the same period of 2022. The increase in segment operating income was driven by the effects of an increase in gross profit primarily due to the higher level of sales, favorable pricing and CCI-led and GOE cost savings which more than offset increased conversion costs, including the impact of scrapped inventory, and the higher level of SG&A expenses, including higher distribution costs and higher performance-based employee incentive expense, all as compared to the prior year period. Segment operating margin for our flavor solutions segment increased by 100 basis points from the first half of 2022 to 9.6%. That increase was principally the result of an increase in gross margin as previously described as the higher level of SG&A expenses were lower as a percentage of net sales due to the leverage effect of the higher level of sales as compared to the 2022 level. On a constant currency basis, segment operating income for our flavor solutions segment increased by 23.7% in the six months ended May 31, 2023, in comparison to the same period in 2022.

MARKET RISK SENSITIVITY

We utilize derivative financial instruments to enhance our ability to manage risk, including foreign exchange and interest rate exposures, which exist as part of our ongoing business operations. We do not enter into contracts for trading purposes, nor are we a party to any leveraged derivative instrument. The use of derivative financial instruments is monitored through regular communication with senior management and the utilization of written guidelines.

Foreign Exchange Risk

We are exposed to foreign currency risk affecting net investments in subsidiaries, transactions (both third-party and intercompany) and earnings denominated in foreign currencies. Management assesses foreign currency risk based on transactional cash flows and translational volatility and may enter into forward contract and currency swaps with highly-rated financial institutions to reduce fluctuations in the long or short currency positions. We do not enter into contracts for trading purposes, nor are we a party to any leveraged derivative instruments. All derivatives are designated as hedges.

The following table sets forth the notional values and unrealized net gain (loss) of the portfolio of our forward foreign currency and cross currency swap contracts:

	May 31, 2023	November 30, 2022
Forward foreign currency:		
Notional value	$ 840.0	$ 560.5
Unrealized net gain (loss)	(2.3)	9.5
Cross currency swaps:		
Notional value	937.4	906.1
Unrealized net gain	26.5	36.2

The outstanding notional value is a result of our decisions on foreign currency exposure coverage, based on our foreign currency and foreign currency translation exposures.

Interest Rate Risk

We manage our interest rate exposure by entering into both fixed and variable rate debt arrangements. We use interest rate swaps to minimize worldwide financing costs and to achieve a desired mix of fixed and variable rate debt. We do not enter into contracts for trading purposes, nor are we a party to any leveraged derivative instruments, and all derivatives are designated as hedges.

The following table sets forth the notional values and unrealized net gain (loss) of our interest rate swap contracts:

	May 31, 2023	November 30, 2022
Notional value	$ 600.0	$ 600.0
Unrealized net (loss)	(44.3)	(42.4)

The change in fair values of our interest rate swap contracts is due to changes in interest rates on the notional amounts outstanding as of each date as well as the remaining duration of our interest rate derivative contracts.

Commodity Risk

We purchase certain raw materials which are subject to price volatility caused by weather, market conditions, growing and harvesting conditions, governmental actions and other factors beyond our control. Our most significant raw materials are dairy products, pepper, onion, capsicums (red peppers and paprika), garlic, wheat products, vegetable oils, and vanilla. While future movements of raw material costs are uncertain, we respond to this volatility in a number of ways, including strategic raw material purchases, purchases of raw material for future delivery and customer price adjustments. We generally have not used derivatives to manage the volatility related to this risk.

Credit Risk

The customers of our consumer segment are predominantly food retailers and food wholesalers. Consolidations in these industries have created larger customers. In addition, competition has increased with the growth in alternative channels including mass merchandisers, dollar stores, warehouse clubs, discount chains and e-commerce. This has caused some customers to be less profitable and increased our exposure to credit risk. Some of our customers and counterparties are highly leveraged. We continue to closely monitor the credit worthiness of our customers and counterparties. We believe that our allowance for doubtful accounts properly recognizes trade receivables at realizable value. We consider nonperformance credit risk for other financial instruments to be insignificant.

NON-GAAP FINANCIAL MEASURES

The following table includes financial measures of adjusted operating income, adjusted operating income margin, adjusted income tax expense, adjusted income tax rate, adjusted net income and adjusted diluted earnings per share. These 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. These financial measures exclude the impact, as applicable, of the following:

- Special charges – Special charges consist of expenses and income 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. Expenses associated with the approved action are classified as special charges upon recognition and monitored on an on-going basis through completion.

- Transaction and integration expenses – We exclude certain costs associated with our acquisitions and their subsequent integration into the Company. Such costs, which we refer to as Transaction and integration expenses, include transaction costs associated with each acquisition, as well as integration costs following the respective acquisition, including the impact of the acquisition date fair value adjustment for inventories.

- Gain on sale of Kitchen Basics – We exclude the gain realized upon our sale of the Kitchen Basics business in August 2022. As more fully described in note 17 in our Annual Report on Form 10-K for the year ended November 30, 2022, the pre-tax gain associated with the sale was $49.6 million and is included in Other income, net in our consolidated income statement for the year ended November 30, 2022.

Details with respect to the composition of transaction and integration expenses and special charges set forth below are included in note 2 of the notes to the accompanying financial statements. Details with respect to the composition of transaction and integration expenses, special charges and gain on sale of Kitchen Basics for the year ended November 30, 2022 are included in notes 2 and 3 of the notes to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended November 30, 2022.

We believe that these non-GAAP financial measures are important. The exclusion of the items noted above provides 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 they 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 follows:

	For the year ended November 30, 2022	For the three months ended May 31, 2023	For the three months ended May 31, 2022	For the six months ended May 31, 2023	For the six months ended May 31, 2022	Estimated for the year ending November 30, 2023
Operating income	$ 863.6	$ 221.8	$ 157.2	$ 420.8	$ 364.1	
Impact of transaction and integration expenses	2.2	—	1.5	—	2.2	
Impact of special charges (1)	51.6	13.2	15.1	41.0	34.6	
Adjusted operating income	$ 917.4	$ 235.0	$ 173.8	$ 461.8	$ 400.9	
Adjusted operating income margin (2)	14.4 %	14.2 %	11.3 %	14.3 %	13.1 %	
Income tax expense	$ 168.6	$ 40.3	$ 21.7	$ 74.7	$ 56.1	
Impact of transaction and integration expenses	0.6	—	0.4	—	0.6	
Impact of special charges	13.3	3.2	5.1	9.7	10.0	
Impact of sale of Kitchen Basics	(11.6)	—	—	—	—	
Adjusted income tax expense	$ 170.9	$ 43.5	$ 27.2	$ 84.4	$ 66.7	
Adjusted income tax rate (3)	20.9 %	22.3 %	18.6 %	22.1 %	19.2 %	
Net income	$ 682.0	$ 152.1	$ 118.5	$ 291.2	$ 273.4	
Impact of transaction and integration expenses	1.6	—	1.1	—	1.6	
Impact of special charges (1)	38.3	10.0	10.0	31.3	24.6	
Impact of after-tax gain on sale of Kitchen Basics	(38.0)	—	—	—	—	
Adjusted net income	$ 683.9	$ 162.1	$ 129.6	$ 322.5	$ 299.6	
Earnings per share – diluted	$ 2.52	$ 0.56	$ 0.44	$ 1.08	$ 1.01	$2.44 to $2.49
Impact of transaction and integration expenses	0.01	—	—	—	0.01	—
Impact of special charges (1)	0.14	0.04	0.04	0.12	0.09	0.16
Impact of after-tax gain on sale of Kitchen Basics	(0.14)	—	—	—	—	—
Adjusted earnings per share – diluted	$ 2.53	$ 0.60	$ 0.48	$ 1.20	$ 1.11	$2.60 to $2.65

(1) Special charges are more fully described in note 2 of notes to our accompanying consolidated financial statements. Special charges for the year ended November 30, 2022 include a $10.0 million non-cash intangible asset impairment charge associated with our exit of our business operations in Russia. We exited our Kohinoor rice product line in India in the fourth quarter of fiscal 2021. Special charges for the year ended November 30, 2022 include a $13.6 million gain associated with the sale of the Kohinoor brand name.

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

(3) Adjusted income tax rate is calculated as adjusted income tax expense as a percentage of income from consolidated operations before income taxes excluding transaction and integration expenses and special charges of $195.3 million and $382.6 million for the three and six months ended May 31, 2023, respectively, $146.4 million and $346.6 million for the three and six months ended May 31, 2022. Adjusted income tax rate is calculated as adjusted income tax expense as a percentage of income from consolidated operations before income taxes excluding transaction and integration expenses, special charges and gain on the sale of Kitchen Basics of $817.0 million for the year ended November 30, 2022.

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. We believe that this non-GAAP measure provides additional information that enables enhanced comparison to prior periods excluding the translation effects of changes in rates of foreign currency exchange and provides additional insight into the underlying performance of our operations located outside of the U.S. It should be noted that our presentation herein of amounts and percentage changes on a constant currency basis does not exclude the impact of foreign currency transaction gains and losses (that is, the impact of transactions denominated in other than the local currency of any of our subsidiaries in their local currency reported results).

Percentage changes in sales and adjusted operating income expressed on a constant currency basis are presented excluding the impact of foreign currency exchange. To present this information for historical periods, current period results for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollars at the average exchange rates in effect during the corresponding period of the comparative year, rather than at the actual average exchange rates in effect during the current fiscal year. As a result, the foreign currency impact is equal to the current year results in local currencies multiplied by the change in the average foreign currency exchange rate between the current fiscal period and the corresponding period of the comparative year. Rates of constant currency growth (decline) follow:

	Three months ended May 31, 2023		
	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis
Net sales:			
Consumer segment:			
Americas	3.0 %	(0.6)%	3.6 %
EMEA	7.2 %	(2.1)%	9.3 %
Asia/Pacific	18.7 %	(8.7)%	27.4 %
Total Consumer segment	5.3 %	(1.7)%	7.0 %
Flavor Solutions segment:			
Americas	11.9 %	0.9 %	11.0 %
EMEA	8.8 %	(5.8)%	14.6 %
Asia/Pacific	13.4 %	(8.2)%	21.6 %
Total Flavor Solutions segment	11.4 %	(1.3)%	12.7 %
Total net sales	8.0 %	(1.5)%	9.5 %
Adjusted operating income:			
Consumer segment	23.1 %	(1.4)%	24.5 %
Flavor Solutions segment	66.1 %	0.4 %	65.7 %
Total adjusted operating income	35.2 %	(0.9)%	36.1 %

	Six months ended May 31, 2023		
	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis
Net sales:			
Consumer segment:			
Americas	3.1 %	(0.5)%	3.6 %
EMEA	(1.4)%	(4.6)%	3.2 %
Asia/Pacific	(2.4)%	(7.6)%	5.2 %
Total Consumer segment	1.6 %	(2.2)%	3.8 %
Flavor Solutions segment:			
Americas	12.3 %	0.7 %	11.6 %
EMEA	7.9 %	(7.7)%	15.6 %
Asia/Pacific	5.8 %	(7.2)%	13.0 %
Total Flavor Solutions segment	10.7 %	(1.8)%	12.5 %
Total net sales	5.4 %	(2.0)%	7.4 %
Adjusted operating income:			
Consumer segment	12.1 %	(1.9)%	14.0 %
Flavor Solutions segment	23.6 %	(0.1)%	23.7 %
Total adjusted operating income	15.2 %	(1.4)%	16.6 %

To present constant currency information for the fiscal year 2023 projection, 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 rates for 2023 and are compared to the 2022 results, translated into U.S. dollars using the same 2023 budgeted exchange rates, rather than at the average actual exchange rates in effect during fiscal year 2022. To estimate the percentage change in adjusted earnings per share on a constant currency basis, a similar calculation is performed to arrive at adjusted net income divided by historical shares outstanding for fiscal year 2022 or projected shares outstanding for fiscal year 2023, as appropriate.

LIQUIDITY AND FINANCIAL CONDITION

	Six months ended	
	May 31, 2023	May 31, 2022
Net cash provided by operating activities	$ 394.2	$ 154.4
Net cash used in investing activities	(116.1)	(89.2)
Net cash (used in) provided by financing activities	(518.1)	(81.7)

The primary objective of our financing strategy is to maintain a prudent capital structure that provides us flexibility to pursue our growth objectives. We use a combination of equity and short- and long-term debt. We use short-term debt, comprised primarily of commercial paper, principally to finance ongoing operations, including our requirements for working capital (accounts receivable, prepaid expenses and other current assets, and inventories, less accounts payable, accrued payroll, and other accrued liabilities). We are committed to maintaining investment grade credit ratings.

Our cash flows from operations enable us to fund operating projects and investments that are designed to meet our growth objectives, service our debt, fund or increase our quarterly dividends, fund capital projects and other investments, and make share repurchases when appropriate. Due to the cyclical nature of a portion of our business, our cash flow from operations has historically been the strongest during the fourth quarter of our fiscal year. Due to the timing of the interest payments on our debt, interest payments are higher in the first and third quarter of our fiscal year.

We believe that our sources of liquidity, which include existing cash balances, cash flows from operations, existing credit facilities, our commercial paper program, and access to capital markets, will provide sufficient liquidity to meet our debt obligations, including any repayment of debt or refinancing of debt, working capital needs, planned capital expenditures, and payment of anticipated quarterly dividends for at least the next twelve months.

In the condensed consolidated cash flow statement, the changes in operating assets and liabilities are presented excluding the translation effects of changes in foreign currency exchange rates as these do not reflect actual cash flows. Accordingly, the amounts in the cash flow statement do not agree with changes in the operating assets and liabilities that are presented in the balance sheet.

Operating Cash Flow — Net cash provided by operating activities of $394.2 million for the six months ended May 31, 2023, increased $239.8 million from the same period of 2022. This increase was primarily driven by higher net income, an improvement in cash provided by working capital, including the lower level of inventory and the lower amount of certain employee benefits accrued as of the prior year-end and paid in the subsequent fiscal year.

As more fully described in our Annual Report on Form 10-K for the year ended November 30, 2022, we participate in a Supply Chain Financing program (SCF) with several global financial institutions (SCF Banks). Under the SCF, qualifying suppliers may elect to sell their receivables from us to an SCF Bank, enabling participating suppliers to negotiate their receivables sales arrangements directly with the respective SCF Bank. We are not party to those agreements and have no economic interest in a supplier's decision to sell a receivable.

All outstanding amounts related to suppliers participating in the SCF are recorded within the line entitled Trade accounts payable in our condensed consolidated balance sheets, and the associated payments are included in operating activities within our consolidated statements of cash flows. As of May 31, 2023 and November 30, 2022, the amounts due to suppliers participating in the SCF and included in trade accounts payable were approximately $327.4 million and $347.0 million, respectively.

Investing Cash Flow — Cash used in investing activities of $116.1 million for the six months ended May 31, 2023 increased by $26.9 million as compared to $89.2 million for the corresponding period in 2022. Capital expenditures increased from the 2022 level of $101.6 million to $118.6 million. We expect 2023 capital expenditures to approximate $260 million to support our planned growth and other initiatives. Investing cash flow for the six months ended May 31, 2022 includes $12.1 million net cash proceeds received on the sale of the Kohinoor brand name.

Financing Cash Flow — Financing activities used cash of $518.1 million for the first six months of 2023, as compared to the corresponding period in 2022 when financing activities used cash of $81.7 million. The variability between years is a result of changes in our net borrowings, share issuance activity associated with the exercise of stock options, share repurchase activity, and dividends, all as described below.

The following table outlines our net borrowing activities:

	Six months ended	
	May 31, 2023	May 31, 2022
Net increase (decrease) in short-term borrowings	$ (776.8)	$ 128.0
Proceeds of issuance of long-term debt, net of debt issuance costs	495.3	$ —
Repayments of long-term debt	(9.1)	(15.3)
Net cash (used in) provided by borrowing activities	$ (290.6)	$ 112.7

During the six months ended May 31, 2023, we issued $500.0 million of 4.95% notes due 2033, with net cash proceeds received of $496.4 million.

The following table outlines the activity in our share repurchase program for the six months ended May 31, 2023 and 2022 (in millions):

	2023	2022
Number of shares of common stock repurchased	0.23	0.13
Dollar amount	$ 18.6	$ 12.9

As of May 31, 2023, $518.6 million remained of the $600 million share repurchase authorization approved by the Board of Directors in November 2019. The timing and amount of any shares repurchased is determined by our management based on its evaluation of market conditions and other factors.

During the six months ended May 31, 2023, we received proceeds of $11.1 million from exercised stock options as compared to $36.1 million received in the corresponding 2022 period. We repurchased $10.8 million and $19.4 million of common stock during the six months ended May 31, 2023 and 2022, respectively, in conjunction with employee tax withholding requirements.

We increased dividends paid to $209.2 million, or a per share quarterly dividend of $0.39, in the first six months of 2023 from $198.2 million, or a per share quarterly dividend of $0.37, of dividends paid in the same period last year. The timing and amount of any future dividends is determined by our Board of Directors.

Most of our cash is in our subsidiaries outside of the U.S. We manage our worldwide cash requirements by considering available funds among the many subsidiaries through which we conduct our business and the cost effectiveness with which those funds can be accessed. Those balances are generally available without legal restrictions to fund ordinary business operations, capital projects and any possible future acquisitions.

At May 31, 2023 and 2022, we temporarily used $372.7 million and $158.1 million, respectively, of cash from our non-U.S. subsidiaries to pay down short-term debt in the U.S. During a quarter, our short-term borrowings vary, but are typically lower at the end of a quarter. The average short-term borrowings outstanding for the three months ended May 31, 2023 and 2022 were $1,315.9 million and $890.7 million, respectively. Total average debt outstanding for the three months ended May 31, 2023 and 2022 was $5,287.5 million and $5,445.7 million, respectively.

The reported values of our assets and liabilities are significantly affected by fluctuations in foreign exchange rates between periods. At May 31, 2023, the exchange rates for the British pound sterling, Euro, and Polish zloty were higher than the U.S. dollar at November 30, 2022. At May 31, 2023, the exchange rate for the Canadian dollar, Chinese renminbi, and Australian dollar were lower than the U.S. dollar at November 30, 2022.

Credit and Capital Markets

Cash flows from operating activities are our primary source of liquidity for funding growth, dividends, capital expenditures and share repurchases. We also rely on our revolving credit facilities, or borrowings backed by these facilities, to fund working capital needs and other general corporate requirements.

In April 2023, we issued $500 million aggregate principal amount of 4.95% unsecured senior notes due 2033. Interest is payable semiannually in April and October of each year. The net proceeds received from the issuance of this note of $496.4 million was used to repay a portion of the Company's outstanding commercial paper borrowings.

Our committed revolving credit facilities include a five-year $1.5 billion revolving credit facility, which will expire in June 2026 and a 364-day $500 million revolving credit facility, which was entered into in June 2023 and will expire in June 2024. The 364-day $500 million revolving credit facility that was entered into in July 2022 and was scheduled to expire in July 2023 was cancelled in conjunction with our entry into the June 2023 $500 million 364-day revolving credit facility. The current pricing for the five-year credit facility, on a fully drawn basis, is Term SOFR plus 1.25%. The pricing of that credit facility is based on a credit rating grid that contains a fully drawn maximum pricing of the credit facility equal to Term SOFR plus 1.75%. The current pricing for the 364-day credit facility, on a fully drawn basis, is Term SOFR plus 1.23%. The pricing of that credit facility is based on a credit rating grid that contains a fully drawn maximum pricing of the credit facility equal to Term SOFR plus 1.60%.

The provisions of each revolving credit facility restrict subsidiary indebtedness and require us to maintain a minimum interest coverage ratio. We do not expect that this covenant would limit our access to either revolving credit facilities for the foreseeable future.

We generally use our revolving credit facilities to support our issuance of commercial paper. If the commercial paper market is not available or viable, we could borrow directly under our revolving credit facilities. These facilities are made available by a syndicate of banks, with various commitments per bank. If any of the banks in this syndicate are unable to perform on their commitments, our liquidity could be impacted, which could reduce our ability to grow through funding of our working capital. We periodically review our banking and financing relationships, considering the stability of the institutions and other aspects of the relationships. In addition, we engage in regular communication with all banks participating in our credit facility. During these communications, none of the banks have indicated that they may be unable to perform on their commitments. Based on these communications and our monitoring activities, we believe our banks will perform on their commitments.

Material Cash Requirements

We will continue to have cash requirements to support seasonal working capital needs and capital expenditures, to pay interest, to service debt, and to fund acquisitions. As part of our ongoing operations, we enter into contractual arrangements that obligate us to make future cash payments. Our primary obligations include principal and interest payments on our outstanding short-term borrowings and long-term debt. In the next year, our most significant debt service obligation is the maturity of our $250.0 million, 3.50% notes due in September 2023. Our other cash requirements include raw material purchases, lease payments, income taxes, anticipated quarterly dividends, and pension and postretirement benefits, as well as other contractual obligations.

These obligations impact our liquidity and capital resource needs. To meet those cash requirements, we intend to use our existing cash, cash equivalents and internally generated funds, to borrow under our existing credit facilities or under other short-term borrowing facilities and depending on market conditions and upon the significance of the cost of a particular debt maturity to our then-available sources of funds, to obtain additional short- and long-term financing. We believe that cash provided from these sources will be adequate to meet our future cash requirements.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements are issued periodically that affect our current and future operations. See note 1 of notes to the accompanying financial statements for further details of these impacts.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing the financial statements, we are required to make estimates and assumptions that have an impact on the assets, liabilities, revenue and expenses reported. These estimates can also affect supplemental information disclosed by us, including information about contingencies, risk and financial condition. We believe, given current facts and circumstances, our estimates and assumptions are reasonable, adhere to GAAP and are consistently applied. Inherent in the nature of an estimate or assumption is the fact that actual results may differ from estimates, and estimates may vary as new facts and circumstances arise. In preparing the financial statements, we make routine estimates and judgments in determining the net realizable value of accounts receivable, inventory, fixed assets and prepaid allowances. Our most critical accounting estimates and assumptions are included in our Annual Report on Form 10-K for the fiscal year ended November 30, 2022.

There have been no changes in our critical accounting estimates and assumptions included in our Annual Report on Form 10-K for the fiscal year ended November 30, 2022.

FORWARD-LOOKING INFORMATION

Certain statements contained in this report, including statements concerning expected performance such as those relating to net sales, gross margin, earnings, cost savings, special charges, acquisitions, brand marketing support, volume and product mix, 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, as amended. These statements may be identified by the use of words such as “may,” “will,” “expect,” "should," "anticipate," "intend," “believe” and “plan” and similar expressions. These statements may relate to: the impact of the COVID-19 pandemic on our business, suppliers, consumers, customers, and employees; disruptions or inefficiencies in the supply chain, including any impact of COVID-19; the expected results of operations of businesses acquired by the Company; the expected impact of the inflationary cost environment, including commodity, packaging materials and transportation costs on our business; the expected impact of pricing actions on the Company's results of operations and gross margins; the impact of price elasticity on our sales volume and mix; the expected impact of factors affecting our supply chain, including transportation capacity, labor shortages, and absenteeism; the expected impact of productivity improvements, including those associated with our Comprehensive Continuous Improvement (CCI) program, streamlining actions, including our GOE program and global enablement initiative; the impact of the ongoing conflict between Russia and Ukraine, including the potential for broader economic disruption; 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 timing and costs of implementing our business transformation initiative, which includes the implementation of a global enterprise resource planning (ERP) system; the expected impact of accounting pronouncements; the expectations of pension and postretirement plan contributions and anticipated charges associated with those 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, working capital needs, planned capital expenditures, and quarterly dividends; our ability to obtain additional short- and long-term financing or issue additional debt 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: the company's ability to drive revenue growth; the success of our brand marketing, new products, category management and customer engagement plans; the company's ability to increase pricing to offset, or partially offset, inflationary pressures on the cost of our products; damage to the company's reputation or brand name; loss of brand relevance; increased private label use; the company's ability to drive productivity improvements, including those related to our CCI program and streamlining actions, including our GOE program; product quality, labeling, or safety concerns; negative publicity about our products; actions by, and the financial condition of, competitors and customers; the longevity of mutually beneficial relationships with our large customers; the ability to identify, interpret and react to changes in consumer preference and demand; business interruptions due to natural disasters, unexpected events or public health crises, including COVID-19; issues affecting the company's supply chain and procurement of raw materials, including fluctuations in the cost and availability of raw and packaging materials; labor shortage, turnover and labor cost increases; the impact of the ongoing conflict between Russia and Ukraine, including the potential for broader economic disruption; government regulation, and changes in legal and regulatory requirements and enforcement practices; the lack of successful acquisition and integration of new businesses; global economic and financial conditions generally, including stability of financial institutions, availability of financing, interest and inflation rates, and the imposition of tariffs, quotas, trade barriers and other similar restrictions; foreign currency fluctuations; the effects of increased level of debt service following the Cholula and FONA acquisitions as well as the effects that such increased debt service may have on the company's ability to borrow or the cost of any such additional borrowing, our credit rating, and our ability to react to certain economic and industry conditions; risks associated with the phase-out of LIBOR; impairments of indefinite-lived intangible assets; assumptions we have made regarding the investment return on retirement plan assets, and the costs associated with pension obligations; 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; the company's inability to successfully implement our business transformation initiative; fundamental changes in tax laws; including interpretations and assumptions we have made, and guidance that may be issued, and volatility in our effective tax rate; climate change; Environmental, Social and Governance (ESG) matters; infringement of intellectual property rights, and those of customers; litigation, legal and administrative proceedings; the company's inability to achieve expected and/or needed cost savings or margin improvements; negative employee relations; 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. We undertake no obligation to update or revise publicly, any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For information regarding our exposure to certain market risks, see “Market Risk Sensitivity” in the Management’s Discussion and Analysis of Financial Condition and Results of Operations above and Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the year ended November 30, 2022. Except as described in Management’s Discussion and Analysis of Financial Condition and Results of Operations above, there have been no significant changes in our financial instrument portfolio or market risk exposures since our November 30, 2022 fiscal year end.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures: The company’s management, with the participation of the company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the company’s disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on that evaluation, the company’s Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the company’s disclosure controls and procedures were effective.

Changes in Internal Controls: No change occurred in our “internal control over financial reporting” as defined in Rule 13a-15(f) during our last fiscal quarter which was identified in connection with the evaluation required by Rule 13a-15a as materially affecting or reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no material pending legal proceedings in which we or our subsidiaries is a party or in which any of our or their property is the subject.

ITEM 1.A RISK FACTORS

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A to our Annual Report on Form 10-K for the fiscal year ended November 30, 2022.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table summarizes our purchases of our Common Stock (CS) and Common Stock Non-Voting (CSNV) during the second quarter of 2023.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
March 1, 2023 to March 31, 2023	CS – 117,274 (1)	$ 80.46	117,274	$523 million
	CSNV – 0	$ —	—	
April 1, 2023 to April 30, 2023	CS – 13,468 (2)	$ 86.09	13,468	$522 million
	CSNV – 0	$ —	—	
May 1, 2023 to May 31, 2023	CS – 35,772 (3)	$ 89.36	35,772	$519 million
	CSNV –	$ —	—	
Total	CS – 166,514	$ 82.83	166,514	$519 million
	CSNV –	$ —	—	

(1) On March 15, 2023, we purchased 13,274 shares of our CS from our U.S. defined contribution retirement plan to manage shares, based upon participant activity, in the plan's company stock fund. The price paid per share represented the closing price of the common shares on March 15, 2023.

(2) On April 13, 2023, we purchased 13,468 shares of our CS from our U.S. defined contribution retirement plan to manage shares, based upon participant activity, in the plan's company stock fund. The price paid per share represented the closing price of the common shares on April 13, 2023.

(3) On May 12, 2023, we purchased 18,772 shares of our CS from our U.S. defined contribution retirement plan to manage shares, based upon participant activity, in the plan's company stock fund. The price paid per share represented the closing price of the common shares on May 12, 2023.

As of May 31, 2023, $518.6 million remained of the $600 million share repurchase authorization approved by the Board of Directors in November 2019. The timing and amount of any shares repurchased is determined by our management based on its evaluation of market conditions and other factors.

In certain circumstances, we issue shares of CS in exchange for shares of CSNV, or issue shares of CSNV in exchange for shares of CS, in either case pursuant to the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended. Typically, these exchanges are made in connection with the administration of our employee benefit plans, executive compensation programs and dividend reinvestment/direct purchase plans or at the request of holders of common stock. The number of shares issued in an exchange is generally equal to the number of shares received in the exchange, although the number may differ slightly to the extent necessary to comply with the requirements of the Employee Retirement Income Security Act of 1974. During the second quarter of 2023, we issued 267,099 shares of CSNV in exchange for shares of CS and issued 5,503 shares of CS in exchange for shares of CSNV.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are attached or incorporated herein by reference:

	Exhibit Number	Description
(i)	Articles of Incorporation and By-Laws	
	Restatement of Charter of McCormick & Company, Incorporated dated April 16, 1990	Incorporated by reference from Exhibit 4 of Registration Form S-8, Registration No. 33-39582 as filed with the Securities and Exchange Commission on March 25, 1991.
	Articles of Amendment to Charter of McCormick & Company, Incorporated dated April 1, 1992	Incorporated by reference from Exhibit 4 of Registration Form S-8, Registration Statement No. 33-59842 as filed with the Securities and Exchange Commission on March 19, 1993.
	Articles of Amendment to Charter of McCormick & Company, Incorporated dated March 27, 2003	Incorporated by reference from Exhibit 4 of Registration Form S-8, Registration Statement No. 333-104084 as filed with the Securities and Exchange Commission on March 28, 2003.
	Articles of Amendment to Charter of McCormick & Company, Incorporated dated April 2, 2021	Incorporated by reference from Exhibit 3(i) of McCormick's Form 10-Q for the quarter ended May 31, 2021, File No. 1-14920, as filed with the Securities and Exchange Commission on July 1, 2021.
(ii)	By-Laws	
	By-Laws of McCormick & Company, Incorporated Amended and Restated on November 26, 2019	Incorporated by reference from Exhibit 99.1 of McCormick's Form 8-K dated November 26, 2019, File No. 1-14920, as filed with the Securities and Exchange Commission on November 26, 2019.

(4) Instruments defining the rights of security holders, including indentures

(i) See Exhibit 3 (Restatement of Charter and By-Laws)

(ii) Summary of Certain Exchange Rights, incorporated by reference from Exhibit 4.1 of McCormick's Form 10-Q for the quarter ended August 31, 2001, File No. 1-14920, as filed with the Securities and Exchange Commission on October 12, 2001.

(iii) Indenture dated July 8, 2011 between McCormick and U.S. Bank National Association, incorporated by reference from Exhibit 4.1 of McCormick's Form 8-K dated July 5, 2011, File No. 1-14920, as filed with the Securities and Exchange Commission on July 8, 2011.

(iv) Form of 3.50% Notes due 2023, incorporated by reference from Exhibit 4.2 of McCormick's Form 8-K dated August 14, 2013, File No. 1-14920, as filed with the Securities and Exchange Commission on August 19, 2013.

(v) Form of 3.15% Notes due 2024, incorporated by reference from Exhibit 4.3 of McCormick's Form 8-K dated August 7, 2017, File No. 1-14920, as filed with the Securities and Exchange Commission on August 11, 2017.

(vi) Form of 3.25% Notes due 2025, incorporated by reference from Exhibit 4.2 of McCormick's Form 8-K dated November 3, 2015, File No. 1-14920, as filed with the Securities and Exchange Commission on November 6, 2015.

(vii) Form of 3.40% Notes due 2027, incorporated by reference from Exhibit 4.4 of McCormick's Form 8-K dated August 7, 2017, File No. 1-14920, as filed with the Securities and Exchange Commission on August 11, 2017.

(viii) Form of 4.20% Notes due 2047, incorporated by reference from Exhibit 4.5 of McCormick's Form 8-K dated August 7, 2017, File No. 1-14920, as filed with the Securities and Exchange Commission on August 11, 2017.

(ix) Form of 2.50% Notes due 2030, incorporated by reference from Exhibit 4.2 of McCormick's Form 8-K dated April 13, 2020, File No. 1-14920, as filed with the Securities and Exchange Commission on April 16, 2020.

(x) Form of 0.90% Notes due 2026, incorporated by reference from Exhibit 4.2 of McCormick's Form 8-K dated February 11, 2021, File No. 1-14920, as filed with the Securities and Exchange Commission on February 11, 2021.

(xi) Form of 1.85% Notes due 2031, incorporated by reference from Exhibit 4.3 of McCormick's Form 8-K dated February 11, 2021, File No. 1-14920, as filed with the Securities and Exchange Commission on February 11, 2021.

(xii) Form of 4.95% Notes due 2033, incorporated by reference from Exhibit 4.2 of McCormick's Form 8-K dated April 6, 2023, File No. 1-14920, as filed with the Securities and Exchange Commission on April 6, 2023.

(xiii) Description of Securities of McCormick & Company, Incorporated, incorporated by reference from Exhibit 4(xiii) of McCormick's Form 10-K for the fiscal year ended November 30, 2021, File No. 1-14920, as filed with the Securities and Exchange Commission on January 27, 2022.

(10) Material Contracts

(i) Deferred Compensation Plan, as restated on January 1, 2000, and amended on August 29, 2000, September 5, 2000 and May 16, 2003, in which directors, officers and certain other management employees participate, a copy of which Plan document and amendments was attached as Exhibit 10(viii) of McCormick's Form 10-Q for the quarter ended August 31, 2003, File No. 1-14920, as filed with the Securities and Exchange Commission on October 14, 2003, and incorporated by reference herein.*

(ii) 2004 Long-Term Incentive Plan, in which officers and certain other management employees participate, is set forth in Exhibit A of McCormick's definitive Proxy Statement dated February 17, 2004, File No. 1-14920, as filed with the Securities and Exchange Commission on February 17, 2004, and incorporated by reference herein.*

(iii) Non-Qualified Retirement Savings Plan, with an effective date of February 1, 2017, in which directors, officers and certain other management employees participate, a copy of which Plan document was attached as Exhibit 10(v) of McCormick's Form 10-Q for the quarter ended February 28, 2017, File No. 1-14920, as filed with the Securities and Exchange Commission on March 28, 2017, and incorporated by reference herein.*

(iv) The 2007 Omnibus Incentive Plan, in which directors, officers and certain other management employees participate, is set forth in Exhibit A of McCormick's definitive Proxy Statement dated February 20, 2008, File No. 1-14920, as filed with the Securities and Exchange Commission on February 20, 2008, and incorporated by reference herein, as amended by Amendment No. 1 thereto, which Amendment is incorporated by reference from Exhibit 10(xi) of McCormick's 10-K for the fiscal year ended November 30, 2008, File No. 1-14920, as filed with the Securities and Exchange Commission on January 28, 2009.*

(v) The Amended and Restated 2013 Omnibus Incentive Plan, in which directors, officers and certain other management employees participate, is incorporated by reference from Exhibit A of McCormick's definitive Proxy Statement dated February 14, 2019, File No. 1-14920, as filed with the Securities and Exchange Commission on February 14, 2019.*

(vi) The 2022 Omnibus Incentive Plan, in which directors, officers and certain other management employees participate, is incorporated by reference from Exhibit A of McCormick's definitive Proxy Statement dated February 17, 2022, File No. 1-14920, as filed with the Securities and Exchange Commission on February 17, 2022.*

(vii) Amendment No. 1 to the 2022 Omnibus Incentive Plan is incorporated by reference from Exhibit 10(vii) of McCormick's Form 10-Q for the quarter ended May 31, 2022, File No. 1-14920, as filed with the Securities and Exchange Commission on June 29, 2022.*

(viii) Form of Long-Term Performance Plan Agreement, incorporated by reference from Exhibit 10(i) of McCormick's Form 8-K/A, as amended, dated March 30, 2022, File No. 1-14920, as filed with the Securities and Exchange Commission on April 5, 2022.*

(ix) Form of Restricted Stock Units Agreement, incorporated by reference from Exhibit 10(ii) of McCormick's Form 8-K/A, as amended, dated March 30, 2022, File No. 1-14920, as filed with the Securities and Exchange Commission on April 5, 2022.*

(x) Form of Restricted Stock Units Agreement for Directors, incorporated by reference from Exhibit 10(iii) of McCormick's Form 8-K/A, as amended, dated March 30, 2022, File No. 1-14920, as filed with the Securities and Exchange Commission on April 5, 2022.*

(xi) Form of Non-Qualified Stock Option Agreement, incorporated by reference from Exhibit 10(iv) of McCormick's Form 8-K/A, as amended, dated March 30, 2022, File No. 1-14920, as filed with the Securities and Exchange Commission on April 5, 2022.*

(xii) Form of Non-Qualified Stock Option Agreement for Directors, incorporated by reference from Exhibit 10(v) of McCormick's Form 8-K/A, as amended, March 30, 2022, File No. 1-14920, as filed with the Securities and Exchange Commission on April 5, 2022.*

(xiii) Form of Stock Option Agreement for the Value Creation Acceleration Program, incorporated by reference from Exhibit 99.1 of McCormick's Form 8-K, File No. 1-14920, as filed with the Securities and Exchange Commission on December 3, 2020.*

(xiv) Form of Indemnification Agreement, incorporated by reference from Exhibit 10(xv) of McCormick's Form 10-Q for the quarter ended February 28, 2014, File No. 1-14920, as filed with the Securities and Exchange Commission on March 26, 2014.*

(xv) Employment Agreement between McCormick (UK) Limited and Malcolm Swift, incorporated by reference from Exhibit 10.1 of McCormick's Form 8-K, File No. 1-14920, as filed with the Securities and Exchange Commission on January 29, 2015.*

(xvi) Severance Plan for Executives, incorporated by reference from Exhibit 10(xix) of McCormick's Form 10-Q for the quarter ended February 28, 2015, File No. 1-14920, as filed with the Securities and Exchange Commission on March 31, 2015.*

(31) Rule 13a-14(a)/15d-14(a) Certifications Filed herewith

(i) Certification of Lawrence E. Kurzius, Chairman and Chief Executive Officer, pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

(ii) Certification of Michael R. Smith, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

(32) Section 1350 Certifications Filed herewith

(i) Certification of Lawrence E. Kurzius, Chairman and Chief Executive Officer, pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(ii) Certification of Michael R. Smith, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(101) The following financial information from the Quarterly Report on Form 10-Q of McCormick for the quarter ended May 31, 2023, filed electronically herewith, and formatted in Inline XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheet; (ii) Condensed Consolidated Income Statement; (iii) Condensed Consolidated Statement of Comprehensive Income; (iv) Condensed Consolidated Cash Flow Statement; (v) Condensed Consolidated Statement of Stockholders' Equity; and (vi) Notes to the Condensed Consolidated Financial Statements.

(104) Inline XBRL for the cover page from the Quarterly Report on Form 10-Q of McCormick for the quarter ended May 31, 2023, files electronically herewith, included in the Exhibit 101 inline XBRL Document Set.

* Management contract or compensatory plan or arrangement.

McCormick hereby undertakes to furnish to the Securities and Exchange Commission, upon its request, copies of additional instruments of McCormick with respect to long-term debt that involve an amount of securities that do not exceed 10 percent of the total assets of McCormick and its subsidiaries on a consolidated basis, pursuant to Regulation S-K, Item 601(b)(4)(iii)(A).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	McCORMICK & COMPANY, INCORPORATED
June 29, 2023	By: /s/ Michael R. Smith Michael R. Smith Executive Vice President & Chief Financial Officer
June 29, 2023	By: /s/ Gregory P. Repas Gregory P. Repas Vice President & Controller Principal Accounting Officer

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)

I, Lawrence E. Kurzius, certify that:

1. I have reviewed this report on Form 10-Q of McCormick & Company, Incorporated (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: June 29, 2023

/s/ Lawrence E. Kurzius

Lawrence E. Kurzius
Chairman & Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)

I, Michael R. Smith certify that:

1. I have reviewed this report on Form 10-Q of McCormick & Company, Incorporated (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: June 29, 2023

/s/ Michael R. Smith
Michael R. Smith
Executive Vice President & Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of McCormick & Company, Incorporated (the “Company”) on Form 10-Q for the period ending May 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Lawrence E. Kurzius, Chairman & Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 29, 2023	/s/ Lawrence E. Kurzius
	Lawrence E. Kurzius
	Chairman & Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of McCormick & Company, Incorporated (the "Company") on Form 10-Q for the period ending May 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael R. Smith, Executive Vice President & Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 29, 2023

/s/ Michael R. Smith

Michael R. Smith
Executive Vice President & Chief Financial Officer