



Third Quarter Fiscal 2026 Earnings Management's Pre-Recorded Remarks October 1, 2026

Corporate Participants

Faten Freiha - Vice President-Investor Relations

Brendan Foley - Chairman, President & Chief Executive Officer

Marcos Gabriel - Executive Vice President & Chief Financial Officer

Management Discussion Section

Faten Freiha

Vice President-Investor Relations

Good morning. This is Faten Freiha, VP of Investor Relations. Thank you for joining today's third quarter earnings call. To accompany this call, we've posted a set of slides on our IR website, ir.mccormick.com.

With me this morning are Brendan Foley, Chairman, President and CEO and Marcos Gabriel, Executive Vice President & CFO.

During this call, we will refer to certain non-GAAP financial measures. The nature of those non-GAAP financial measures and the related reconciliations to the GAAP results are included in this morning's press release and slides.

In our comments, certain percentages are rounded. Please refer to our presentation for complete information. Today's presentation contains projections and other "forward-looking statements." Actual results could differ materially from those projected. The Company undertakes no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or other factors. Please refer to our forward-looking statement on slide 2 for more information.

I will now turn the discussion over to Brendan.

Brendan Foley

Chairman, President & Chief Executive Officer

Good morning, everyone and thank you for joining us.

Our third quarter demonstrates the resilience and differentiated performance of our flavor-centric business model in a dynamic environment. We delivered strong sales growth, margin expansion, and increased earnings, supported by solid base business performance and accretion from the McCormick de Mexico acquisition. Organic growth reflected Consumer momentum in EMEA and Asia-Pacific, and improving trends in Consumer Americas. Global Flavor Solutions delivered strong organic growth, though volumes were slightly below our expectations, reflecting cyclical customer demand patterns and a muted food industry environment.



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Our productivity initiatives and operational discipline are helping us manage higher input, freight, and other ongoing inflationary costs while expanding margins. This strengthens our capacity to continue investing in our brands, innovation, and capabilities reinforcing sustainable growth and long-term value creation. Our fundamentals remain strong, supported by year-to-date results, advantaged categories and disciplined execution; we are confident in our ability to deliver on our 2026 outlook.

We remain confident in the strategic benefits of the proposed combination with Unilever Foods. Integration planning remains on track, and we continue to advance the work required to support a successful close and a strong transition.

Turning now to our results on slide 4, focusing on the topline.

In the third quarter, total sales grew by 17% in constant currency, reflecting acquisition contribution from McCormick de Mexico, and organic sales growth of 2%, reflecting growth across Consumer and Flavor Solutions.

In Global Consumer, volume trends improved relative to the second quarter, reflecting continued momentum in EMEA and Asia-Pacific, and early benefits in the Americas from our targeted actions. While U.S. category consumption is soft in select areas, our actions, including revenue growth management, value marketing, and innovation, alongside expanded distribution, are driving improvement. Importantly, the underlying business remains strong, our categories are well positioned for long-term growth, and we have capacity to continue investing behind our brands and growth initiatives.

In Global Flavor Solutions, organic growth reflected pricing and volume growth. Softer demand from CPG and QSR customers weighed on volume performance, with the cyclospora outbreak impacting QSRs in the U.S. In EMEA, lower QSR foot traffic also pressured volumes. These factors were offset by strong performance in Asia-Pacific, driven by new product launches and limited-time offers with our QSR customers.

Importantly, we delivered strong profit growth this quarter, supported by margin expansion and productivity initiatives, enabling continued investment in our long-term growth priorities.

Let's move to slide 5 and let me highlight for the quarter some of the key areas of success.

Starting with Global Consumer, we saw good consumption trends in select categories

In Herbs, Spices and Seasonings, unit or volume share gains in Canada, France, Poland, and China continue to support global performance. In the US, as expected, we are seeing improving dollar and unit consumption trends.



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In Recipe Mixes, in the UK and Australia, we drove unit and dollar share gains for the last three quarters, supported by expanded distribution and new customer wins.

In Mustard, US unit share gains were driven by enhanced distribution and promotional execution during the grilling season. Outside of the US, we continued to drive unit and dollar share gains in Poland and in the UK.

In hot sauce, we continue to strengthen our position across key markets. In the U.S., we delivered dollar and unit share gains for the fourth consecutive quarter, led by Cholula's expanded distribution, continued base business momentum, and increased household penetration. In Australia, Frank's and Cholula are gaining share, and we now hold a leading market position. In the UK, we also delivered unit and dollar share gains. These results reflect strong execution and continued brand momentum across key international markets.

In Asia Pacific, we delivered strong results in China, particularly through our retail business. Daqiao, our chicken bouillon brand, continued to perform well supported by expanded distribution, innovation, and brand marketing investments.

McCormick de Mexico delivered robust, volume-led quarterly growth, fueled by broad-based strength in the core Mayonnaise and Herbs and Spices categories.

Moving to Flavor Solutions, in Flavors, customer innovation activity continued to support sales growth across large CPGs, private label, and high-growth innovators. We are seeing opportunities in functional beverage innovation, supplements, hydration, better-for-you snacks, premiumization, and customer diversification.

In Branded Foodservice, we continue to see momentum across non-commercial channels, retail foodservice, and independent operators. Importantly, we delivered front-of-house share gains across Frank's, Cholula, French's, and McCormick.

In Asia-Pacific, we delivered strong volume growth that exceeded expectations, supported by new product launches and limited-time offers with QSR customers. Continued customer diversification should support solid volume growth for the balance of the year, though, at a more normalized rate than in the third quarter.

Let me now touch on some areas where we are seeing pressure and speak to the actions we are taking to address them:

Starting with Global Consumer, U.S. Herbs, Spices & Seasonings remained a growth category. Despite improving dollar and unit trends, we still have room to improve performance, especially in areas like Cooking Blends and Gourmet.



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Performance also reflects a value-conscious consumer environment. Within certain segments of the category consumption was pressured by increased seafood and beef prices. We are acting decisively to improve consumption and strengthen our competitive position, for example:

Portfolio and assortment optimization to better serve distinct consumer needs and improve shelf productivity;

Targeted pricing, promotional and revenue growth management actions to reinforce value across key segments;

Increased investment, including retailer search, holiday activation, precision marketing, and in-store execution; and

Continued scaling of high-growth platforms, including Finishing salts and sugars, to create new usage occasions and drive incremental category growth.

We have navigated similar consumer and competitive dynamics successfully in the past and we are already seeing the positive impact of our actions in herbs, spices and seasonings consumption. With these actions underway, we expect consumption trends to continue improving and strengthen share performance. In terms of volume shipments, we expect continued improvement in the fourth quarter.

In addition, in Consumer Americas, we are managing a short-term industry supply constraint on a specific type of packaging material. This may have a negative impact of up to one point on total company volume growth for the fourth quarter, potentially impacting the expected improvement in volume shipments. Our teams are working hard at mitigating its potential impact.

In Recipe Mixes, performance reflected pressure in select segments, partially offset by improving trends in Mexican flavor, and targeted pricing and promotional actions. We are confident that we are making progress to strengthen velocity across the core portfolio, expand consumer conversion behind McCormick Taco, and accelerate Cholula Recipe Mixes. Together, these actions are designed to improve near-term performance and build a stronger foundation for sustainable, profitable growth.

Moving to Flavor Solutions, in the Americas, as I mentioned earlier, we experienced softer demand as macroeconomic pressure affected select CPG and QSR customers.

In EMEA, QSR customer volumes, particularly in the UK, were pressured by softer foot traffic.

We expect some of these trends to be sustained in the fourth quarter, as foot traffic with QSRs remains soft and consumers remain pressured.



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To help offset these pressures, we are focused on diversifying our customer base and working with existing customers on new products that align with evolving consumer flavor preferences and focus on value.

Let me provide some context on the state of the consumer.

Geopolitical volatility, elevated fuel costs, and persistent inflation continue to influence consumer confidence and spending. In the U.S., higher gas prices and the Cyclospora outbreak have added pressure and contributed to softer traffic across foodservice and grocery channels.

Consumers continue to look for practical ways to manage their budgets, including using what's already in their pantry, repurposing leftovers, and seeking simple, affordable ways to add flavor at home. At the same time, flavor exploration, health and wellness, and affordable indulgence remain important priorities, supporting demand for flavorful, convenient meal solutions across retail and foodservice.

Within this environment, flavor remains a powerful constant. Consumers continue to cook at home as they seek affordable, healthier meal solutions, and flavor is the primary driver of purchase across occasions. The continued convergence of value-seeking behavior and health trends reinforces the central role of flavor and underscores our advantaged position across our flavor-focused portfolio.

Let's turn to slide 6 and our growth plans, which support our confidence in delivering our top-line outlook for the year and improving volume performance.

Starting with Consumer, we recognize that the improvement in Consumer Americas will be more gradual as certain categories are experiencing a more challenging demand environment:

However, we continue to view these pressures as cyclical. Our categories remain fundamentally healthy, and we are focused on actions that strengthen consumption and position the business for sustainable growth.

Ultimately, our priorities are clear: expanding distribution, accelerating portfolio renovation, and refining revenue growth management to address increased price sensitivity in select segments, including through optimized price-pack architecture. We are also increasing innovation and brand marketing investment, including precision marketing and in-store activation, to build purchase intent and drive velocity across our core categories. These actions are designed to support an improvement in consumption trends as well as our shipments.



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In Flavor Solutions, we expect the current pressures, particularly among certain QSRs, specifically in the Americas and in EMEA, and large CPG customers in the Americas, to persist through the balance of the year. At the same time, our customer innovation pipeline remains healthy, with opportunities across large CPG customers, private label, and high-growth innovators. We are leveraging our R&D, and product-development capabilities to help customers address evolving health and wellness preferences, premiumization, and demand for differentiated flavor experiences.

And finally, in Branded Foodservice, we expect to sustain the sales momentum we have seen year to date. The environment remains competitive and value-conscious... This is why our targeted investments in menu placements, innovation, and disciplined execution are expected to drive growth across customer channels

Together, these initiatives reinforce our confidence in the resilience of our flavor-focused portfolio and our ability to deliver sustainable, profitable growth over time.

Before turning it over to Marcos, I'd like to provide a brief update on the planned Unilever Foods transaction on slide 7.

Integration planning is advancing on schedule and is increasingly validating the strategic and financial rationale for the combination. Since announcing the transaction, we have made significant progress in preparing for the integration of Unilever Foods. We have established the planned future leadership team and operating model, mobilized a dedicated Integration Management Office and cross-functional teams, and put global transition service agreements in place to support business continuity from Day 1.

Detailed, bottom-up planning has also provided a clear view of the synergy opportunity and the actions, ownership, timing, and resources required to deliver it post-close. Lastly, we have made strong progress on regulatory approvals, with filings submitted on schedule and clear momentum across jurisdictions, reinforcing our confidence in a timely closing.

We are excited about the opportunity to bring these two flavor-focused companies together and look forward to sharing more on our integration plans as we approach close.

At the same time, we remain fully focused on delivering our standalone fiscal 2026 commitments as we prepare to unlock the growth, capability, and cost-synergy benefits of the combination.

Now, over to Marcos.



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Marcos Gabriel

Executive Vice President & Chief Financial Officer

Thank you, Brendan and good morning, everyone.

Let's start on slide 9 and review our topline results for the third quarter. Total net sales grew 17%, in constant currency, and included 2% in organic growth... with the balance driven by acquisition contribution from McCormick de Mexico. As we previously noted, we have substantially completed the integration of this acquisition.

Moving to our Consumer segment on slide 10, constant currency sales increased 24%, including a 1% increase in organic sales, with the remaining growth driven by acquisition contribution.

Consumer organic sales in the Americas were flat with pricing contribution of 2%, offset by volume decline. Volumes were pressured by the macro environment; we saw declines across certain categories, which were partially offset by growth in core herbs and spices for the quarter.

In EMEA, Consumer organic sales grew 5%, driven by a 2% increase in volume and a 3% contribution from pricing related to targeted actions taken as a result of increased commodity and freight costs. We are pleased with the sustained volume growth for the eleventh consecutive quarter in EMEA.

Consumer organic sales in the Asia-Pacific region increased by 4%. The increase was driven primarily by volume and reflects the continued gradual recovery in China. The strength in our retail business is more than offsetting the softness we continue to see in Foodservice. Outside of China, we delivered strong volume growth across Australia and Southeast Asia.

Turning to our Flavor Solutions segment on slide 11, third quarter constant currency sales grew by 6%, including 3% organic growth, driven by price and volume. The remaining growth was driven by acquisition contribution.

In the Americas, Flavor Solutions' organic sales increased 3%, reflecting a 3% price contribution and flat volumes. Volumes for the quarter were impacted by softer trends with QSR and CPG customers.

In EMEA, organic sales were up 1% driven by price offset by lower volume reflecting soft QSR customers' volumes, due to a decline in foot traffic, particularly in the UK.

In the Asia-Pacific region, Flavor Solutions organic sales increased by 8%, driven by strong volume growth of 10%, partially offset by price. The strong volume growth was driven by timing of new product innovation and limited time offers with our QSR customers in China and Southeast Asia.



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Moving to slide 12, adjusted gross profit margin expanded 180 basis points in the third quarter driven by accretion from McCormick de Mexico as well as improvements in our base business including pricing, and savings from our Comprehensive Continuous Improvement program, or CCI, partially offset by increased freight costs.

Selling, General and Administrative expenses, or SG&A, increased relative to the third quarter of last year, driven by the impact of consolidating McCormick de Mexico, and increased investments in technology and brand marketing. As a percentage of sales, SG&A was 110 basis points higher compared to the prior year.

For the quarter, Adjusted Operating Income increased by 22%, or 21% in constant currency. This increase was driven by strong topline growth and gross margin expansion, partially offset by higher SG&A.

Our third quarter adjusted effective tax rate was 22.6% compared to 16.1% in the prior year, driven by a greater level of favorable tax items in the prior year.

Turning to segment operational results on slide 13, Consumer Adjusted Operating Income increased 24% with minimal impact from currency, with flat adjusted operating margins. Benefits from acquisition accretion and productivity initiatives, were offset by increased inflation, higher logistics costs driven by the Middle East conflict, tighter freight capacity resulting from recent changes to U.S. federal regulations, and continued brand marketing investments.

Flavor Solutions Adjusted Operating Income increased by 18% or 16% in constant currency and adjusted operating margin expanded by 120 basis points, reflecting topline growth and our continued focus on improving Flavor Solutions' profitability, in line with our 2024 Investor Day commitment.

At the bottom line, as shown on slide 14, third quarter 2026 Adjusted Earnings per Share was \$0.86, up 1% compared to the year-ago period, reflecting increased adjusted operating income, partially offset by a higher tax rate.

On slide 15, we've summarized highlights for cash flow and balance sheet.

Cash flow from operations year to date was approximately \$600 million compared to \$420 million in the prior year, driven primarily by higher profitability and improved working capital.

This strong cash generation enabled us to return \$387 million of cash to shareholders through dividends and used \$131 million for capital expenditures, to expand capacity, advance digital transformation, and optimize our cost structure. We continue to expect strong performance in our cash flow from operations for the fiscal year.



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Our capital allocation priorities remain balanced. This means funding investments to drive growth, supporting our dividends, and maintaining a strong balance sheet. We remain committed to a strong investment grade rating. At the end of this quarter, our leverage ratio was approximately 2.9x. We expect to continue to make progress in paying down debt, positioning us well ahead of the Unilever Foods close.

As previously noted, at close of Unilever Foods, we expect to have industry-leading operating margins of 21% and working capital benefits that support 100% free cash flow conversion from net income, before any synergies. Post close, we expect to continue investing in the business while driving margin expansion, de-levering and supporting our dividend consistent with our history. Based on current estimates, after brand investments, costs to achieve synergies, and dividends, we anticipate having \$1.5 to \$2.0 billion available to pay down debt within the first two years and de-lever to 3 times. Longer term, we would target a leverage ratio of 2 to 3 times.

Turning to slide 16, to review our 2026 financial outlook, which remains broadly consistent with what we shared on our last earnings call.

A few call outs:

On Organic growth, we expect full year organic growth to reflect stable volumes and positive pricing contributions, primarily driven by Flavor Solutions. Overall, we expect organic growth to be between the low end and midpoint of our guidance range, including approximately a 30-basis point impact from the supply constraint mentioned earlier.

On Tariffs, our cost assumptions, primarily related to the global 10% tariff, remain unchanged based on the latest developments and information available today. At this time, we do not expect Canadian tariffs to have a meaningful impact on this year's results.

Moving to gross margin: Year-to-date performance has exceeded our implied guidance, benefiting from accretion from McCormick de Mexico, strong sales growth, as well as our productivity initiatives, including some that were pulled forward into the third quarter. Looking at the full year, we now expect cost inflation of 6 to 7%, compared to our prior expectation of a mid-single-digit year-over-year increase. Despite this increase, we are maintaining our full year expectations of 100 to 120 basis points of gross margin expansion versus 2025 and now expect to be at the high end of the range.

For the fourth quarter, we are implying some year-over-year margin compression, as we expect rising commodity and freight costs, as well as commercial investments in Consumer Americas to impact gross margin. Overall, our implied guide reflects a dynamic cost environment while maintaining our commitment to invest for growth.



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Lastly, on operating income growth and earnings per share, we expect to be at the midpoint of the range for the year. In addition, our implied guide for the fourth quarter reflects continued investment in technology, including our ERP implementation costs and brand marketing support. These costs remain consistent with the assumptions we initially included in our full-year guidance back in January of this year. Earnings per share in the fourth quarter, will be impacted by lapping a favorable tax rate in the prior year of 23.9%.

To close, we remain confident in the long-term resilience of our business and our ability to deliver on our 2026 outlook. Through disciplined execution, targeted investment in our growth priorities, and continued productivity progress we are well positioned to drive net sales and operating income growth while generating strong cash flow to support balanced capital allocation

Brendan Foley

Chairman, President & Chief Executive Officer

I would like to close with three key takeaways on slide 17.

First, our differentiated performance, flavor-focused portfolio, and geographic footprint continue to provide resilience in a dynamic environment. Third-quarter results reflect the strength of our base business, the contribution from McCormick de Mexico, and the benefits of disciplined productivity and cost management.

Second, we are actively managing through uneven category performance while investing to strengthen our competitive position. Our gross margin performance enables us to continue to invest in the business to drive topline growth and improved performance in Consumer Americas.

Third, we are executing against a clear value-creation agenda: delivering our 2026 commitments, investing behind advantaged growth platforms, and planning for the Unilever Foods combination. Strong cash generation, a balanced capital allocation framework, and continued deleveraging provide the financial flexibility to support both near-term execution and long-term profitable growth.

Finally, I want to thank all McCormick employees for their continued dedication, agility, and focus on delivering for our consumers, customers, and shareholders.