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PRESENTATION

Joyce Brooks *- McCormick & Company, Inc. - VP IR*

Good morning, this is Joyce Brooks, Vice President of Investor Relations. Thank you for joining today's call for a discussion of McCormick's third-quarter financial results and our current outlook for 2015. To accompany our call we've posted a set of slides at ir. McCormick.com. (Operator Instructions)

With me this morning are Alan Wilson, Chairman and CEO; Lawrence Kurzius, President and Chief Operating Officer; Gordon Stetz, Executive Vice President and CFO; and Mike Smith, Senior Vice President, Corporate Finance.

During our marks we will refer to non-GAAP financial measures. These include adjusted operating income and adjusted earnings per share, and exclude the impact of special charges as well as information in constant currency. Reconciliations to the GAAP results are included in this morning's press release and slides.

As a reminder today's presentation contains projections and other forward-looking statements. Actual results could differ materially from those projected. The Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or other factors.

As seen on slide 2, our forward-looking statement also provides information on risk factors that could affect our financial results.

It's now my pleasure to turn the discussion over to Alan.

Alan Wilson *- McCormick & Company, Inc. - Chairman, CEO*

Thank you, Joyce. Good morning, everyone, and thanks for joining us.

McCormick's third-quarter and year-to-date financial performance reflects the effectiveness of our growth strategies and engagement of our employees around the world. With a mid-single-digit sales increase in constant currency on our base business and added momentum for our latest acquisitions, we are tracking well toward the upper end of our fiscal-year 2015 sales growth targets. At the bottom line, despite some added headwinds we still expect to deliver an increase in adjusted earnings per share for the fiscal year, including the impact of unfavorable currency.

Taking a look at the third quarter we had a particularly strong broad-based increase at the top line, growing sales 7% in constant currency. We are driving this growth through innovation, brand marketing, and the expansion of distribution in current consumer markets like Poland and Latin America, and expanded support for our industrial customers as they move into new parts of Asia and the Middle East. The three acquisitions completed this year -- the latest being Stubbs in August -- are providing an added boost to McCormick's sales and will have a full impact in the fourth quarter.

I mentioned some added 2015 headwinds, and these specifically affected our third-quarter profit results. In constant currency, adjusted operating income rose 1% from the year-ago period compared to a 4% increase through the first half.

Kohinoor results lowered our growth rate by 2 percentage points. I'll come back to this topic in a minute. Aside from this impact, our strong sales and the savings related to our stepped-up cost reduction programs are more than offsetting increases in material costs and employee benefit expenses.

Moving to adjusted earnings per share, if you recall, at the time of our call back in early July we guided to a double-digit decline from the year-ago period due to a projected year-on-year increase in the tax rate resulting from the favorable discrete tax items in the third quarter of 2014. Our guidance also anticipated some added pressure from currency.

Our actual result for the quarter at $0.85 of adjusted earnings per share was down about 10% from the year-ago period, right in line with our guidance. We continue to generate strong cash flow and continue to have a balanced use of cash in 2015, with similar amounts invested in the business through acquisitions and return to McCormick shareholders through dividends and share repurchases.

Before I update you on our latest outlook, I want to recognize McCormick employees and our leadership team for their focus on growth, driving high performance, and engaging in our success. We are one month into our fourth quarter and have a positive view for this last and largest quarter of fiscal-year 2015. Gordon is going to provide some specific financial guidance, but let me share a few remarks.

Given our year-to-date results and momentum and the added benefit of our acquisitions, we are tracking toward the upper end of our 4% to 6% sales growth target. An important factor in this outlook is a continued strength in the category growth for spices and seasonings in the US and our progress in improving our consumer business in this market. Lawrence will have more to share on this.

We have a more conservative outlook for adjusted earnings per share than we had back in early July, reflecting the impact of Kohinoor and the recent decline in the Mexican peso, which affects income from our McCormick de Mexico joint venture. We recognize our profit growth in 2015 is below our long-term target of 9% to 11%, but overall we feel good about our performance this year and our ability to address these specific headwinds.

As we shared in this morning's press release, we've raised our expected cost savings and will use this fuel for growth for more aggressive brand marketing support during the fourth-quarter holiday period.

Let's move on to my comments about Kohinoor. As many of you recall, in 2011 McCormick purchased a majority interest in India, entering the basmati rice business with a strong category share, well-established and extensive route to market, and a great brand name. Our intent was to continue to drive the growth of basmati rice sales in India and use this business as a springboard into other branded products, such as seasoned rice mixes and herbs and spices.

Since 2011 we've built a capable leadership team, increased our distribution, and introduce several new products. However, certain parts of this business have led to underperformance.

We recently made a decision to exit certain low-margin product lines and bring greater focus to higher-margin items and our expansion plans. This decision triggered a non-cash impairment charge and some additional costs recorded in the third quarter that Gordon will discuss.

We continue to regard India as a compelling long-term growth market for McCormick. With this action we expect to improve our Kohinoor business and, with our other two joint ventures, more fully participate in the enormous growth potential in this market.

Let me circle back with a remark about our stepped-up cost reduction programs. Across functions and in countries around the world, McCormick employees are working to lower costs, and we've added leadership resources behind this effort.

We now expect to deliver at least $75 million from our Comprehensive Continuous Improvement program. This is an increase of $10 million from our initial guidance.

Together with $20 million of projected savings from our streamlining actions, we now anticipate total cost savings of at least $95 million in 2015. This is a significant increase from last year's record $69 million in annual cost savings.

Before I turn it over to Lawrence, I want to point to the strong momentum underway as we head into the fourth quarter and our 2016 fiscal year. My enthusiasm and confidence in this business starts with our advantaged categories and engaged employees.

Our products are on trend with today's consumer. Across nearly all of our markets people are exploring new flavors, seeking fresh, simple ingredients, focused on source and quality, and working to improve their wellness.

Keep these trends in mind as Lawrence provides a business update, and you'll see how they continue to shape our growth strategies, including innovation, brand positioning, and acquisitions. I will turn it over to Lawrence.

Lawrence Kurzius - *McCormick & Company, Inc. - President, COO*

Thank you, Alan; and good morning, everyone. Consumer trends are indeed setting our direction for both of our segments, consumer and industrial. Investors continue to be interested in progress with our US consumer business, and that will be the focus of my initial remarks; and then I will move on to several other key consumer markets, followed by an update on McCormick's industrial business.

For our US consumer business, we have had actions underway to improve this business for nearly two years now that include accelerating innovation, building our brand equity, and winning at retail. Our quarterly business results in 2015 are showing steady progress with these actions.

Our largest category, spices and seasonings, remains strong with consumption up 5% during the third quarter. The same data indicates we grew consumption of McCormick brand spices and seasonings 2% this period, which is a sequential improvement from a 1% increase in the second quarter. We will continue to work toward a growth rate that is at parity with the category.

Within this broader category we are particularly pleased with the performance of our gourmet line. Relaunched about six months ago, consumption results for the fourth quarter show a 4% increase, maintaining the strong pace we set last quarter.

For recipe mixes, our next largest category, we achieved a 23rd consecutive month of share gain, driven by innovation and effective marketing for both new products and core items. Our liquid McCormick Skillet Sauces, in the market for a year now, have reached a category share of 10% and continue to grow. During this period we also had standout sales results with Zatarain's, Grill Mates, and Kitchen Basics.

On the innovation front, we discussed most of our new second-quarter products back in the July call, including additional varieties of gluten-free recipe mixes, new slow cooker skillet sauces, and Kitchen Basics stock cubes. Our latest breakthrough innovation is herb grinders, which are just starting to appear on retail shelves. Herb grinders conveniently deliver the flavor and aroma of fresh herbs. The herbs are in larger pieces and gently dried through a proprietary process that protects color and flavor.

We are excited about the results of this product in consumer testing. Two-thirds of consumers used the grinder every three days, both before and during meal preparation as well as at the table. As you can appreciate, we've created a significant opportunity to confer consumers that currently purchase packaged fresh herbs to our new grinders.

In building brand equity, our 2015 emphasis has been on easy ways to prepare healthy meals, new product news, and freshness and purity. You'll be hearing a lot from us this quarter, as brand marketing increase of nearly 10% is planned across all markets, with a portion here in the US to support a new purity campaign.

We are introducing a distinct consumer-facing message on freshness and purity, one that lets consumers know that McCormick purchases the best spices and herbs from around the world, we know the origin, and we control the quality. In a recent large industry recall of ground cumin, we were able to reassure consumers of the purity of McCormick's cumin.

We also have additional news on wellness as it relates to our products. Last quarter we shared with you that the US Dietary Guidelines Advisory Committee recommended to the federal government that the 2015 dietary guidelines encourage the use of spices and herbs as a flavor alternative to sodium.

This summer the USDA issued a recommendation to school nutritionists to use herbs and spices for more appealing taste and as a way to reduce sodium. In fact, the new tagline of their program is Spice It Up. Also, for people 65 and older the USDA recommended using spices and herbs to compensate for changes in the sense of smell and taste.

Wellness is top of mind for a lot of consumers these days, and many of them are equating this with certain attributes like gluten-free, non-GMO, and organic. To continue to shape our product portfolio for the evolving consumer we recently committed to labeling more than 70% of our McCormick brand spices, herbs, and extracts in the US non-GMO within one year. Appearing on retail shelves right now is our first product to carry the non-GMO designation: McCormick brand vanilla extract.

In addition, by the end of 2016 80% of our gourmet line will be organic, up from 10% today. This news is being well received by our consumers. We're eager to get these products in front of consumers and are continuing to evaluate related initiatives in the US and other markets.

In addition to high-impact brand marketing messages, we need an effective means of delivery, which includes digital marketing. McCormick is not alone in this shift toward digital marketing as a better way to reach consumers and to achieve a higher ROI on our spending.

In 2015 we are planning for digital marketing to reach one-third of our global advertising, up from 11% in 2010. We put a lot of effort and resources into staying at the forefront of digital and e-commerce, and these investments are paying off.

I'm proud to share that McCormick ranked number five out of 114 food brands in the US market on L2's latest Digital IQ Index. This firm scores companies on several key factors, including digital marketing presence and social media community size, content, and engagement. The Digital IQ Index also considers e-commerce effectiveness.

For the e-commerce channel we are equally proud of the recent award from Amazon, which named McCormick Supplier of the Year for grocery.

Just as important, if not more so, are our efforts and resources devoted to partnering with our retail customers. Slide 15 shows a timeline of activity that has been underway for about two years now, and leading up to our latest investment in category management tools and resources. Compared to last year we have increased this investment fivefold, focusing on price modeling and assortment optimization across our top categories.

This quarter, with an expanded team, we are mobilizing our insights and tools to optimize sales and profit for us and for our customers. We are in the very early stages of this activity and just beginning to share insights with retail customers. I'm excited about the potential for these new tools and customer discussions as we head into 2016.

Another area of investor interest has been our consumer business in China. We continue to achieve double-digit constant currency sales growth in this market, in contrast to some other consumer products companies.

Given the broader impact of the economy on consumer retail purchases, to date our business has seen less of an impact, and our leadership in China is cautiously optimistic. In our top three categories, average spend per household has continued to grow and McCormick is gaining share through brand marketing, in-store execution, and continued geographic expansion including cross-selling of our McCormick brand in Central China following the acquisition of Wuhan Asia-Pacific Condiments.

Moving to our Europe, Middle East and Africa region, EMEA, we had strong 18% constant-currency sales growth in the third quarter despite some challenging retail environments, especially in the UK. We achieved increases in both the UK and France, with a significant increase in brand marketing and from innovation including grilling products and Vahine brand dessert items.

In both Poland and Russia the big driver has been expanded distribution, including with new retailers. And our acquisition of Drogheria & Alimentari gave a further boost to sales, adding 11 percentage points of our increase.

Turning now to our industrial business, I'm going to start as I did last quarter, with our results in EMEA. The third quarter of 2015 marked another period of outstanding sales growth as our team in this market is winning on all fronts, particularly with quick-service restaurants.

We are winning with product innovation, distribution gains, and supporting the geographic expansion of these customers. Likewise we're expanding into new markets along with the food manufacturers we supply, including the new facility we have under construction in the Middle East.

In the Americas region we had a solid performance, but mixed results. Growth this quarter came from pricing, our Brand Aromatics acquisition, and sales from our operation in Mexico. However, these gains were partially offset by lower sales to quick-service restaurant customers that are working through a period of weak consumer demand in the US. We're partnering with these customers on ways for them to drive their sales growth and are also selectively building relationships with other food-service customers in the US.

In our Asia-Pacific region we had a strong increase in new industrial products shipped from our operation in Australia. In China the recovery in base sales to quick-service restaurants has continued from the year-ago period when these customers were adversely impacted by consumer concerns regarding a quality issue from a supplier of protein.

To wrap up my remarks, employees and business leaders throughout the Company are driving our success. We have good momentum heading into the fourth quarter and beyond with new products, incremental marketing, distribution expansion opportunities, and tools for a better retail partnership.

Our acquisition pipeline is strong. We have aggressive cost savings programs underway and a culture of participation and high performance.

Thank you. It's my pleasure to turn it over now to Gordon.

Gordon Stetz - *McCormick & Company, Inc. - EVP, CFO*

Thanks, Lawrence; and good morning, everyone. As both Alan and Lawrence indicated, we had some very strong performance in parts of our business along with significant headwinds. Aside from the Kohinoor performance, our overall results were generally in line with the guidance we shared with you back in June.

Let's start with a closer look at McCormick's third-quarter sales and profit, followed by comments on our cash flow and balance sheet, and then the details of our latest guidance. On a constant-currency basis the underlying growth in sales was a step up from what we have seen year-to-date, with a 7% increase that included 2 percentage points from our acquisitions.

Taking a look at our consumer business, slide 21 shows that we grew third-quarter consumer business sales 7% in constant currency, driven by higher volume and product mix for our base business as well as a full quarter of sales from the Drogheria & Alimentari acquisition and about two weeks of Stubbs.

We grew sales in the Americas, with our largest increases in recipe mixes, Grill Mates, Kitchen Basics, and Zatarain's in the US. Product innovation and brand marketing support, particularly in digital as Lawrence described, are driving these results. We are pleased with our progress, based on the latest consumption data.

While still a small part of our business, sales in Latin America had another quarter of double-digit sales growth as we expand distribution across a number of markets from our production base in El Salvador.

In EMEA, we continued to achieve strong sales performance and had the added benefit of D&A sales this quarter. The core business growth was broad based, with increases in each of our top markets, driven by our higher brand marketing, our new product innovation, and expanded distribution.

In constant currency we grew consumer business sales in the Asia-Pacific region at a double-digit rate in both China and Australia again this quarter. In China, sales of bullion products were particularly strong. In India, lower pricing more than offset a slight increase in volume and product mix.

For the consumer business in total, our third-quarter adjusted operating income was down from the year-ago period. In constant currency, adjusted operating income declined 3% from the year-ago period, with the impact of sales growth and cost savings offset by the unfavorable impact of material costs and benefit expense. In addition, operating income from Kohinoor was down $3 million from the third quarter of 2014.

Turning to our industrial business, we grew third-quarter sales a robust 8% in constant currency from the year-ago period. This increase was led by higher volume and product mix, followed by pricing actions taken in response to higher material costs, and by sales of Brand Aromatics that we acquired earlier this year.

As shown on slide 27, sales of Brand Aromatics contributed 2.5 percentage points to our growth in the Americas. We also had higher pricing for a total sales increase of 5% in constant currency. In the third quarter, strong sales from our operation in Mexico were largely offset by continued weakness in US sales to quick-service restaurant customers.

Our industrial business in EMEA continues to post impressive growth, with sales this period up 15% in constant currency. Higher volume along with our CCI actions is driving greater profitability for this business too. As we indicated, this is a third year of exceptional performance as we support the growth and geographic expansion of leading quick-service restaurants and food manufacturers in this region.

We grew industrial business sales in the Asia-Pacific region 12% in constant currency. In China, we are benefiting from further recovery in demand from quick-service restaurants. In Australia, our growth includes new product wins with these customers.

Adjusted operating income for the industrial business rose 5% from the third quarter of 2014. In constant currency the growth reached 12%, with the benefit of higher sales and our CCI program more than offsetting the unfavorable impact of material costs and increased employee benefit expense.

Let's turn to slide 31. While adjusted operating income excluding special charges declined 4%, if we also exclude the impact of unfavorable currency our third-quarter result was up slightly from the year-ago period. This is despite the $3 million decline in Kohinoor profit.

Gross profit margin declined 50 basis points. Included in this result is the impact of Kohinoor, which lowered the gross profit margin by 54 basis points. So we are seeing an underlying sequential improvement from the first half of 2015 as the benefit of our cost savings actions build and pricing actions are implemented.

The 54 basis point reduction to gross profit from Kohinoor was comprised of $3 million of special charges included in cost of goods sold, which represents in inventory write-down directly related to the decision to discontinue the sales of certain low-margin product lines, along with a $2 million year-on-year decline in Kohinoor's gross profit prior to that special charge. Even with this third-quarter result, we still expect our fiscal-year 2015 gross profit margin to be comparable to 2014.

As a percentage of net sales our selling, general, and administrative expense rose 60 basis points due in part to increased employee benefit expense. In addition to higher retirement benefit expense, there were increases in incentive compensation for those parts of the business performing ahead of plan. Also, the percentage increase in brand marketing this period, at 5% or $2 million, exceeded our rate of sales growth this quarter.

As described in this morning's press release, there were three components for the special charges we reported in the third quarter: $10 million for the non-cash impairment of the Kohinoor brand name; $3 million for special charges in cost of goods sold, as I just described; and $2 million of charges that related to previously announced streamlining actions in EMEA and North America. For the fiscal year we now estimate total charges of $65 million. This assumes $2 million of additional charges in the fourth quarter.

Below the operating income line, the tax rate this quarter was 30%, an increase from 21% in the third quarter of 2014, which was a primary reason why we guided to a double-digit year-on-year decline in adjusted earnings-per-share this period. If you recall, in the third quarter of 2014 we had a significant favorable impact from discrete tax items. We continue to expect a tax rate of approximately 29% in the fourth quarter of 2015 based on our current outlook.

Income from unconsolidated operations rose this quarter. This increase was largely the net result of three factors: underlying growth in our unconsolidated income, led by our joint venture in Mexico; the unfavorable impact of a dramatic decline in the Mexican peso; and a favorable $2 million impact related to an allocation of the $13 million in special charges to Kohinoor's minority interest. As a result of the increased weakness in the Mexican peso, we now anticipate our income from unconsolidated operations for the fiscal year to be up slightly versus our previous estimate of at least 10%.

At the bottom line, third-quarter 2015 adjusted earnings per share was $0.85. As you can see on slide 34, this was a $0.10 decline from the year-ago period (technical difficulty) $76 million in the year-ago period.

This year we have returned 226 (technical difficulty) for our three acquisitions, and our debt to adjusted EBITDA ratio was at 2.0 at quarter end, slightly above our target of 1.5 to 1.8.

Our balance sheet remains sound. We are generating strong cash flow, and we are well positioned to fund investments to drive growth, including future acquisitions.

I will wrap up with our latest financial outlook for fiscal-year 2015. Alan already provided perspective on this, so let me quickly run through the numbers.

We reaffirm our expectation to grow sales in constant currency at the upper end of a 4% to 6% range. Acquisitions will contribute about 1 percentage point to this increase, and we continue to estimate that currency will reduce our sales growth rate by 5 percentage points in 2015. We now expect to be at the lower end of a 6% to 7% constant-currency growth rate for adjusted operating income from a 2014 base of $608 million.

We now anticipate that unfavorable currency rates will reduce operating income growth by 4 percentage points, up from 3 percentage points.

For operating income on a reported basis we expect a 7% to 8% decline from $603 million in 2014. This includes a $65 million estimated impact from special charges, up from our prior estimate of $54 million, with the increase due to the third-quarter charges.

We also expect to be at the lower end of $3.47 to $3.54 in adjusted earnings per share. This range assumes a $0.13 unfavorable impact on operating income from currency. On a reported basis we expect Earnings per share of $3.11 to $3.18, including a $0.36 impact from special charges.

For fiscal-year 2015 we continue to expect another year of strong cash flow. This is providing funds for our dividend payments, our acquisition activity, debt paydown, and share repurchase activity.

Let's turn now to your questions and then some closing remarks from Alan. Operator, we are ready for the first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Andrew Lazar, Barclays.

Andrew Lazar - *Barclays Capital - Analyst*

Two quick questions for me. I guess the first, with McCormick now looking for full-year EPS towards the lower end of the range and consensus being more in the middle of the range currently, I guess it seems like with the incremental CCI savings you now expect you probably could have made up that profit shortfall had you decided to let those savings flow through to the bottom line, rather than reinvesting a good chunk of it in the fourth quarter as you've talked about.

So maybe can you talk a little bit about that trade-off and the decision to up marketing in the fourth quarter, and more specifically what that's going behind?

Alan Wilson - *McCormick & Company, Inc. - Chairman, CEO*

Yes. We're investing both in the US and in Europe behind our brands, and we think that's really important and critical as we're trying to build share and support the new products that we've introduced. So we think that is a good investment.

We are really happy with our CCI program, that we have the ability to provide that fuel, as opposed to trying to offset some of these headwinds.

Andrew Lazar - *Barclays Capital - Analyst*

Okay. Lawrence, if we think about some of the progress that you're continuing to make in the core consumer business in the US, I know that you're to starting to have some more of those -- let's call it robust discussions with customers, given the capabilities that you've got now. But one of the key, I guess, efforts the last couple quarters was getting those price points in the right place on some of those top key items, right? In the herb and spice space.

Is there any way you can share a couple of metrics with us on maybe where you are on that process? Do you now have those at the right price points? Are you most of the way there, and is that what's driving the improved sequential consumption trends we're seeing?

Alan Wilson - *McCormick & Company, Inc. - Chairman, CEO*

Thanks, Andrew. I think that that's a good part of it, and we're really pleased with the progress that we've made on our management of price points with our customers. When I talk about being at the beginning of a process here, in our prepared remarks, it was really in reference to the use of the new tools that we added in the middle of third quarter.

We have time set up with most of our leading customers in the US to work through analytics with them around both pricing and on assortment. The two really need to work together.

We've added new modeling tools for both pricing and assortment. They work together in tandem, and we expect to get through about 50% of the ACV of our customers by the end of the fourth quarter of this year. So that's pretty good progress.

In terms of implementing what we've done so far on the price points on those key items, we've made a lot of progress. And that is part of the reason for the strength of our business, but we don't want to underestimate the value of the other things that we're doing in terms of innovation and in A&P to drive our core business.

So one of the other things that you're starting to see now is innovation in the core part of our business with things like the herb grinders. You're seeing renovation of our core business to take away the reason-for-being for some of the smaller brands that have made some inroads against us.

So the extension of -- the expansion of organic within our gourmet line, the non-GMO labeling on our coarse spice line, these are all important consumer elements that go beyond price to get at the consumer and build the strength of our core brands. We're very committed to getting -- not only growing that core business but to winning market share in that business as well.

Andrew Lazar - *Barclays Capital - Analyst*

Thanks very much.

Operator

Alexia Howard, Bernstein.

Alexia Howard - *Bernstein - Analyst*

Good morning, everyone. A couple of quick questions. As a follow-up to Andrew, are you able to actually quantify what the organic ex-acquisition sales growth was for the US consumer business?

And then as a follow-up on a different topic, you mentioned acquisitions a couple of times. Obviously you've moved into the wet sauce business with the Stubbs acquisition in a very small way. Could you give us an idea of geographically and by category what your priorities are there? Thank you.

Alan Wilson - *McCormick & Company, Inc. - Chairman, CEO*

Sure. Let me take the acquisition real quickly, and then I will ask Lawrence to talk more about the US consumer business. But where we're targeting with our acquisitions is, again, in adjacent categories where flavor can matter. You've seen with the Stubbs acquisition an example of that, where we're moving into some areas that are more closely related to what we do, but not directly, so we have room to grow there.

Stubbs specifically puts us into more of a natural and interesting category. Our Stubbs business doesn't have high-fructose corn syrup, it's gluten-free, and so it differentiates itself and is premium in the category. So we feel good about that.

The other acquisitions that we're making and we're continuing to target are those leading companies in markets where we have either a small presence or no presence. So that's what we did with D&A this year.

We're also targeting more flavor acquisitions for our industrial business. So while we have done very few over the last 10 years, we see that as an opportunity to really build and grow our business. And I will let Lawrence answer the question -- I'm sorry, Gordon answer the question on (multiple speakers)

Gordon Stetz - *McCormick & Company, Inc. - EVP, CFO*

Alexia, in terms of how much -- the only acquisition in the Americas that would've contributed to any consumer growth would have been Stubbs. And since it was just the last couple of weeks of the quarter it's very small. It was 0.2% on the total Americas; and the US drives that number, as you can imagine, given the size of our market. So the 2.4% volume/mix Americas would also be directionally correct for the US since it's a big part of it.

Alexia Howard - *Bernstein - Analyst*

Great. Thank you very much; I will pass it on.

Operator

David Driscoll, Citigroup.

David Driscoll - *Citigroup - Analyst*

Thank you, good morning. Could you talk a little bit about the sales guidance, the 4% to 6%? Can you break it down, price and volume?

Then most importantly, just talk to me about what's driving the upside here. Because obviously when the foreign exchange gets more negative we would assume that you would try to raise price in response to it. So I'm really just trying to get a sense as to what's driving the upside on that organic? Or, it's not organic -- it's the constant-currency sales growth.

Gordon Stetz - *McCormick & Company, Inc. - EVP, CFO*

Hi, David; it's Gordon. Pricing, our outlook on that hasn't really changed for the year. Of the 4% to 6% we've said all along it's going to be in the 1% to 2% range, especially as we pass through the commodity cost increases on the industrial side; and those adjustment mechanisms have been reading through.

When we first started to guide towards the upper end of that range, part of that was based on the acquisitions that we were completing during the year. So that helps us contribute about another 1% to the growth of that number.

But I would also point to the fact that also the confidence is in the underlying base business, where we've seen strong organic growth -- pretty broad-based, candidly. So that's also allowing us to feel good about the upper end of that range.

David Driscoll - *Citigroup - Analyst*

It of I could just follow on, on this, on the consumer side: so profits are down here. You've got the issue on the Indian business.

But what was the description in terms of -- if its profits are down something like $8 million, $7.5 million year-on-year, what's the driver here? Again, just many of your comments are extremely positive, but then when you just look at the OI line on consumer it's down.

So what's the simple one-liner here beyond the Indian business problem, in terms of why OI goes down in consumer?

Gordon Stetz - *McCormick & Company, Inc. - EVP, CFO*

Well, FX obviously is a large headwind on a reported basis, because that obviously has been a factor on both the reported top line and bottom line. So that obviously is one we continue to wrestle with.

As you heard in my comments, it's gotten slightly worse on the operating income line, as we've upped the negative impact on the total Company to 4% versus the prior 3%. So FX; Kohinoor.

And part of this also in terms of profit realization has been the commodity cost environment, where commodity costs have been hitting us hard earlier in the year. As we've indicated the CCI program was going to help offset that as we progress through the year, so we are seeing the sequential improvement in the gross profit margin with the expectation that fourth quarter we see a rebound in both gross profit and operating income. So part of it is also the timing of material cost increases and how those are being offset by the CCI program itself.

David Driscoll - *Citigroup - Analyst*

Okay. Thank you. I will pass it along.

Operator

Robert Moskow, Credit Suisse.

Robert Moskow - *Credit Suisse - Analyst*

Thank you. I had two questions. How big is India today in terms of sales and profit? I think when you bought it, it was about $85 million in sales. Just you might help us model for next year.

Then secondly for Lawrence, the pricing trends for the Company are a little below what we had expected. We were thinking pricing would be up about 2% this year, especially considering the higher commodity costs.

You said you'd be 50% done by fourth quarter with all the category management efforts; but are you tracking a little behind where you thought you would be at this point in terms of pricing? And maybe it's also a question for Gordon: is the pricing for the Company a little behind, given the commodity cost environment?

Gordon Stetz - *McCormick & Company, Inc. - EVP, CFO*

In terms of the size of the business it's about a $50 million business. And while we don't disclose specific profitability I would say it's not in a strong profit position now, clearly by some of the actions we're taking. So it's not a strong profit generator and has teetered on loss positions in the current year.

So it's been in a loss position this year, and that's part of the reason for us taking the actions that we did. I don't know if Lawrence, you --

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Lawrence Kurzius - *McCormick & Company, Inc. - President, COO*

I'll take the second question. Rob, on the category management effort, I want to separate that from the idea of price increase. We are working to manage to get our key items to the critical price points within our existing spend on and promotion, by managing the use of promotional funds and directing them towards the most productive purpose.

In our US business we have not taken a price increase in 2014 or 2015. So what is reading through maybe in the Nielsen as movement in price is more the way Nielsen reports units and the amount of weight per package. But there hasn't been any kind of pricing action in the US either last year or this year, and our promotional spending is pretty much in line with what it has been historically.

All of that category management work has redirected existing promotional funds.

Robert Moskow - *Credit Suisse - Analyst*

Gordon, is the pricing trends for the Company overall in line with expectations for the year?

Gordon Stetz - *McCormick & Company, Inc. - EVP, CFO*

Yes. I would say yes, and also in terms of the gross margin. Other than the events surrounding Kohinoor, we've talked about the sequential improvement in the timing and it is lining up with the expectations that we had as we've talked to you throughout the year.

Robert Moskow - *Credit Suisse - Analyst*

Okay. Thank you.

Operator

(Operator Instructions) Brett Hundley, BB&T.

Brett Hundley - *BB&T Capital Markets - Analyst*

Good morning, guys. Alan, I wanted to push back a little bit on an answer you gave earlier in the Q&A here on elevated brand marketing expense. You talked about pursuing share, looking to support new innovation. Presumably that would have been planned out ahead of time, I am guessing.

So I want to drill in a little bit further and get a sense of whether Q3 was running a little bit more than expected and you are upping Q4, whether that might be macro-related in the US and Europe, expectations on the macro maybe due to your own performance thus far.

Or maybe it's additive to your performance. Maybe your performance has been good thus far and you really want to push hard against some of your competitors. I was just looking for a bit little more clarity there, if you don't mind.

Alan Wilson - *McCormick & Company, Inc. - Chairman, CEO*

Yes, we are seeing good top-line performance as we've talked about. But we're also investing behind a purity campaign, which is fundamentally that fresh tastes better and our pure tastes better. So we believe that's a message that's resonating with consumers, and we want to make sure that we have enough engine in the tank for what is our most important quarter of the year.

This is where a lot of our purchases come, and so this is the time to invest. While we did have good plans going in, we've seen the opportunity to invest a little more.

Brett Hundley - *BB&T Capital Markets - Analyst*

Thank you; I appreciate that. Then Gordon, a question for you just on CCI. You can correct me if I'm wrong, but I believe CCI got off to a slower start this year; and I am curious if you have any sense on, A, how efficiencies and cost savings can pace as we move into fiscal 2016. So that's the first part of the question.

Then secondly, I'm also curious what the bottom-line drop looks like relative to other years, on a percentage basis. The reason I ask that is just given your organic announcement on gourmet; I am curious if there's added cost to tracing and tracking your capabilities there, and what that means for potential cost saves falling to the bottom line. So a two-part question there, if that makes sense.

Alan Wilson - *McCormick & Company, Inc. - Chairman, CEO*

I'm going to ask Mike Smith to take the CCI question.

Mike Smith - *McCormick & Company, Inc. - SVP Finance, Capital Markets & CFO North America*

Good morning. I'd also like to echo Alan's thanks to McCormick employees for really helping us provide more fuel for growth this year. It's their efforts that we've been able to do that.

You are right: we did say earlier in the year that CCI was going to build as we addressed the commodity increases we saw coming into 2015. A lot of our programs are really hitting now and into the fourth quarter.

We did the North American Effectiveness Initiative, which as you will remember we've added more resources at the leadership position and elsewhere to drive more CCI programs. And we're seeing success there.

We're also seeing additional -- I think the units are working together, more collaboration across functions, and really driving more savings. It's setting us up well for next year, as you alluded to. We are very comfortable with the $95 million in total for CCI and the special projects.

Lawrence Kurzius - *McCormick & Company, Inc. - President, COO*

(multiple speakers) comment on the organic. McCormick is already the number-one brand of organic herbs and spices in the grocery store. So the action that we're taking on our gourmet line to make it 90% organic by this time next year just builds on a capability that we've really got.

So this is not going to add to our fixed-cost structure in any meaningful way. We've already got a great deal of capability around organic.

The raw materials themselves are undeniably more expensive than regular spices, and that's reflected in the premium price that organic products command in the marketplace. It's not just a scarcity issue: it costs more money to produce organic ingredients and products.

And the same is true for us. This is why we are starting really with the gourmet end of our line, because the gourmet products can support a premium price.

Brett Hundley - *BB&T Capital Markets - Analyst*

Okay. Very clear. Alan, if I can just sneak in one yes or no question for you, you talked about potential M&A and you named industrial with flavors. We understand that there might be a global natural colors portfolio for sale, and I am just curious if natural colors are an area that you might want to get into.

Alan Wilson - *McCormick & Company, Inc. - Chairman, CEO*

We look for areas more where flavor can matter. And this isn't -- it's hard to do a yes or no question, because in almost every deal we look at there are some things we like and some things we don't.

So rather than say yes or no to that particular opportunity, I would say we are looking to expand our industrial portfolio to better serve our customers. And it's really geared around where flavor matters.

Brett Hundley - *BB&T Capital Markets - Analyst*

Thanks, guys.

Operator

Jonathan Feeney, Athlos Research.

Jonathan Feeney - *Athlos Research - Analyst*

Good morning; thanks very much. I wanted to -- a little bit of a follow-up on a question Rob asked about pricing; but maybe bigger picture about the earnings guidance, maybe if it tells us something. When you go back to -- when I look at the -- below your 9% to 11% earnings growth that we've seen for the past few years, couple of years anyway, currency has clearly played a huge role in that. Then I would go back to digging through -- you had about three or four quarters back in 2008, 2009 where currency just crushed you at like twice the magnitude.

The difference, it seems to me, is that -- I know you had some more acquisition tailwind back then, but you priced a lot more aggressively. So it leads me -- I guess two questions.

First would be, I guess, what's different this time? It seems like especially in overseas markets that are affected by currency it seems like you're a little bit more shy to price to that currency -- and cost obviously, as I know a lot of these costs wind up being denominated in something like dollars, if not explicitly dollars.

I guess secondly, when you look at that 9% to 11% earnings algorithm, it seems like it's the right thing to do for your business, to balance volume and pricing like that in the face of currency headwinds. Do you think that maybe 9% to 11% earnings-wise, is that a signal that maybe that's too much as far as what the core business should be able to sustain prudently?

Those are my questions. Thanks.

Alan Wilson - *McCormick & Company, Inc. - Chairman, CEO*

Thanks. I will answer the pricing question then we can get into more of the long-term discussion. But specifically to pricing, what we saw in 2009, 2010, and 2011, and 2012 was extreme commodity inflation; and so we were trying to respond to that.

We've had some of that in this year. And we recognize that what we really focused on is getting our price thresholds right in the marketplace. That's not unique to the US; it's around the world.

So we've taken a pause a bit on pricing. We've taken some pricing to offset currency in some of our markets, but our focus has been more on getting the right price thresholds and making sure that we are not giving consumers or customers a reason to go somewhere else. That's really what we've seen more this year.

Around the overall EPS guidance of 9% to 11%, we still feel pretty confident that over time that is an achievable target. Obviously year-to-year we have to make adjustments based on what's happening. This year we had the particular headwinds around pension costs and around currency, while we offset some commodity inflation.

But we still feel over time that that's the right targets. Remember, that includes some contribution from acquisitions in the years. And this year while we've made a couple acquisitions they have a minimal impact on the earnings for the year; but we'll see those flow through next year.

Jonathan Feeney - *Athlos Research - Analyst*

Great. Well, thank you very much.

Operator

Eric Katzman, Deutsche Bank.

Eric Katzman - *Deutsche Bank - Analyst*

Good morning, everybody. A couple of questions; hopefully we can kick through them quickly. Did you say whether in the US you lost share in consumer, or did you maintain it?

I think, Lawrence, you may have said our goal is to maintain share. I always thought it was to increase the share, albeit even within a growing category. Maybe you could just clarify a couple of those things.

Lawrence Kurzius - *McCormick & Company, Inc. - President, COO*

Sure, Eric. In our two core categories, in herbs and spices we did have a share decline in this quarter. It was less than a share point.

We continue to improve in this area. And although the prepared remarks did say we want to get to parity growth with the category, that's a milepost along the way in a journey.

It's hard to talk to -- the real conversation we want to have with retailers ultimately is about driving category growth and driving consumers to the segment -- to the section of the store. And it's hard to have that conversation until our growth rate catches up with that of the category.

So, yes, we went to get to parity growth with the categories. But certainly that is not where we want to stop.

On recipe mixes it's a different story. That's where we started out, but we've really turned the tide there pretty convincingly.

We did have a share gain on recipe mixes, our second core category, during the quarter. I think in our remarks we said we've had 23 consecutive months now of share gains in that category.

Eric Katzman - *Deutsche Bank - Analyst*

Okay. Then on the -- just to switch up again, on the industrial it seems as if some of the US QSRs, for example, are doing a bit better. I think you noted some weakness there.

Is that a function of menus and product introductions or something? Maybe just touch a little bit on that, and then I have then the last question.

Alan Wilson - *McCormick & Company, Inc. - Chairman, CEO*

Yes, it's more a function of what we sell to -- what the products we sell to them go in and where their growth is coming from. For instance, one of our customers launched all-day breakfast. We have very little that goes in there for that customer; so even if they're doing a little better it doesn't impact us.

We tend to be in the US on the core menu items and outside the US more on the product innovation and limited-time offers. Which is why we seeing a little bit of a disparity in the results.

Eric Katzman - *Deutsche Bank - Analyst*

Okay. Then just like the CCI figure, it sounds like -- remind me, Gordon. That's a -- like I know you look at it very conservatively versus other companies in their quotes. So the $95 million is obviously for this fiscal year.

But does the fact that it's ramping up -- I think there was a previous question in this regard. Does the fact that it's ramping up as the year progresses suggest that fiscal 2016 can also be quite a good year?

And then related to that, Alan -- maybe I'm crazy, but did you mention earlier in the year about a certain level of SG&A savings into fiscal 2016? And how does CCI figure into that, if my memory is correct?

Alan Wilson - *McCormick & Company, Inc. - Chairman, CEO*

Yes, your memory is correct. We talked about leveraging SG&A, and that's a lot of what we expect to get from -- and are getting -- from our restructurings. I will let Gordon talk specifically about that.

Gordon Stetz - *McCormick & Company, Inc. - EVP, CFO*

There is a wraparound effect of CCI from the current-year programs into next year. You alluded to the SG&A, which indeed we talked about a 100 basis point improvement. Some of that started this year, but there will be the full-year benefit going into next year, because some of the actions that we took and announced this year only had a partial-year impact. So you certainly have that wraparound benefit.

Then there are the programs within the year that go into the base and then we start all over again next year and there is a new hill to climb. Our teams every year find a way and -- to Mike's earlier comment, they find a way to get the savings targets that we need.

So we're still developing what those programs are for next year, but certainly there's going to be wraparound from the actions we've taken this year.

Eric Katzman - *Deutsche Bank - Analyst*

Okay. That's helpful. I will pass it on. Thanks.

Operator

Thank you. There are no further questions at this time. I would like to turn the call over to Mr. Alan Wilson for closing remarks.

Alan Wilson - *McCormick & Company, Inc. - Chairman, CEO*

I want to thank everybody for your questions and for participating in the call today. Consumer demand for flavor is rising and driving demand for our products. Our geographic presence and product portfolio are expanding and aligned with the move towards healthier eating, fresh ingredients, ethnic cuisine, and bold taste.

In 2015 we are achieving strong sales growth and significant cost savings. We look forward to reporting to you on our continued progress as we wrap up 2015 and continue to build momentum for the future.

Joyce Brooks - *McCormick & Company, Inc. - VP IR*

Thank you, Alan, and thanks to everyone for joining us today. If you have additional questions regarding today's information, please give us a call at 410-771-7244. This concludes this morning's call.
