
# BUILDING THE McCORMICK OF THE FUTURE

## McCormick & Company, Inc.
Barclays Global Consumer Staples Conference

September 4, 2019

# FORWARD-LOOKING INFORMATION

Certain information contained in this presentation, including statements concerning expected performance such as those relating to net sales, gross margins, earnings, cost savings, acquisitions, brand marketing support, special charges, income tax expense and the impact of foreign currency rates are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. These statements may be identified by the use of words such as “may,” “will,” “expect,” “should,” “anticipate,” "intend," “believe” and “plan.” These statements may relate to: the expected results of operations of businesses acquired by the company, including the acquisition of RB Foods; the expected impact of costs and pricing actions on the company's results of operations and gross margins; the expected impact of productivity improvements, including those associated with our CCI program and global enablement initiative; expected working capital improvements; expectations regarding growth potential in various geographies and markets, including the impact from customer, channel, category, and e-commerce expansion; expected trends in net sales and earnings performance and other financial measures; the expected impact of the U.S. Tax Act enacted in December 2017; the expectations of pension and postretirement plan contributions and anticipated charges associated with such plans; the holding period and market risks associated with financial instruments; the impact of foreign exchange fluctuations; the adequacy of internally generated funds and existing sources of liquidity, such as the availability of bank financing; the anticipated sufficiency of future cash flows to enable the payments of interest and repayment of short- and long-term debt as well as quarterly dividends and the ability to issue additional debt or equity securities; and expectations regarding purchasing shares of McCormick's common stock under the existing repurchase authorization.

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

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

# NON-GAAP FINANCIAL MEASURES

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

We believe that these non-GAAP financial measures are important. The exclusion of special charges, transaction and integration expenses, and the net income tax benefit associated with enactment of the U.S. Tax Act provide additional information that enables enhanced comparisons to prior periods and, accordingly, facilitates the development of future projections and earnings growth prospects or is a meaningful metric to investors in evaluating our financial leverage. This information is also used by management to measure the profitability of our ongoing operations and analyze our business performance and trends.

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

# OUR FOCUS IS GROWTH

We're a different kind of CPG company

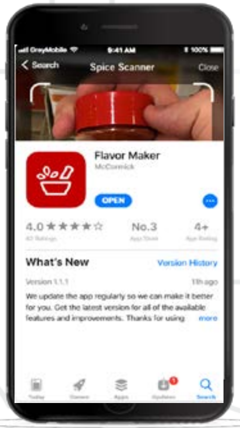
We're delivering against our objectives

We're building the McCormick of the future

OUR FOCUS IS GROWTH

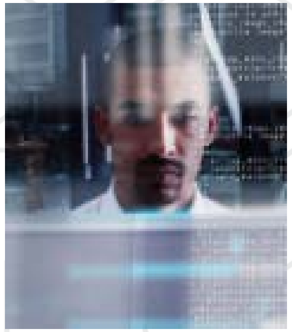
# BUILDING THE McCORMICK OF THE FUTURE

We're investing for the future


FlavorReal
CLEAN LABEL • NATURALLY CREATED

FlavorFull
MASKING • ENHANCING • BALANCING TASTE



We're sustainably advantaged for growth


ADVANTAGED
FOR
GROWTH

WE'RE A DIFFERENT KIND OF CPG COMPANY

# McCORMICK IS GLOBAL FLAVOR

61% Consumer /
39% Flavor Solutions

16,300 products

$5.3B 2018 Net Sales

Leading and iconic flavor brands in 150 countries and territories

Leader in clean flavor

69% Americas /
19% EMEA /
12% APZ

~5% of adjusted net income from joint ventures

Large and fast growing emerging markets penetration

Operations and joint ventures in 27 countries

~14,000 raw materials sourced from over 80 countries

WE'RE A DIFFERENT KIND OF CPG COMPANY

# McCORMICK CONSUMER & FLAVOR SOLUTIONS

## CONSUMER

Leading and iconic flavor brands in 150 countries and territories

Flavoring fresh, inspiring healthy choices

Products at every price point, from branded to private label

Category leadership

Digital leadership

10% of cost and 90% of flavor

## FLAVOR SOLUTIONS

Leader in clean label, organic, natural extracts and better-for-you solutions

Customer intimacy leadership

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

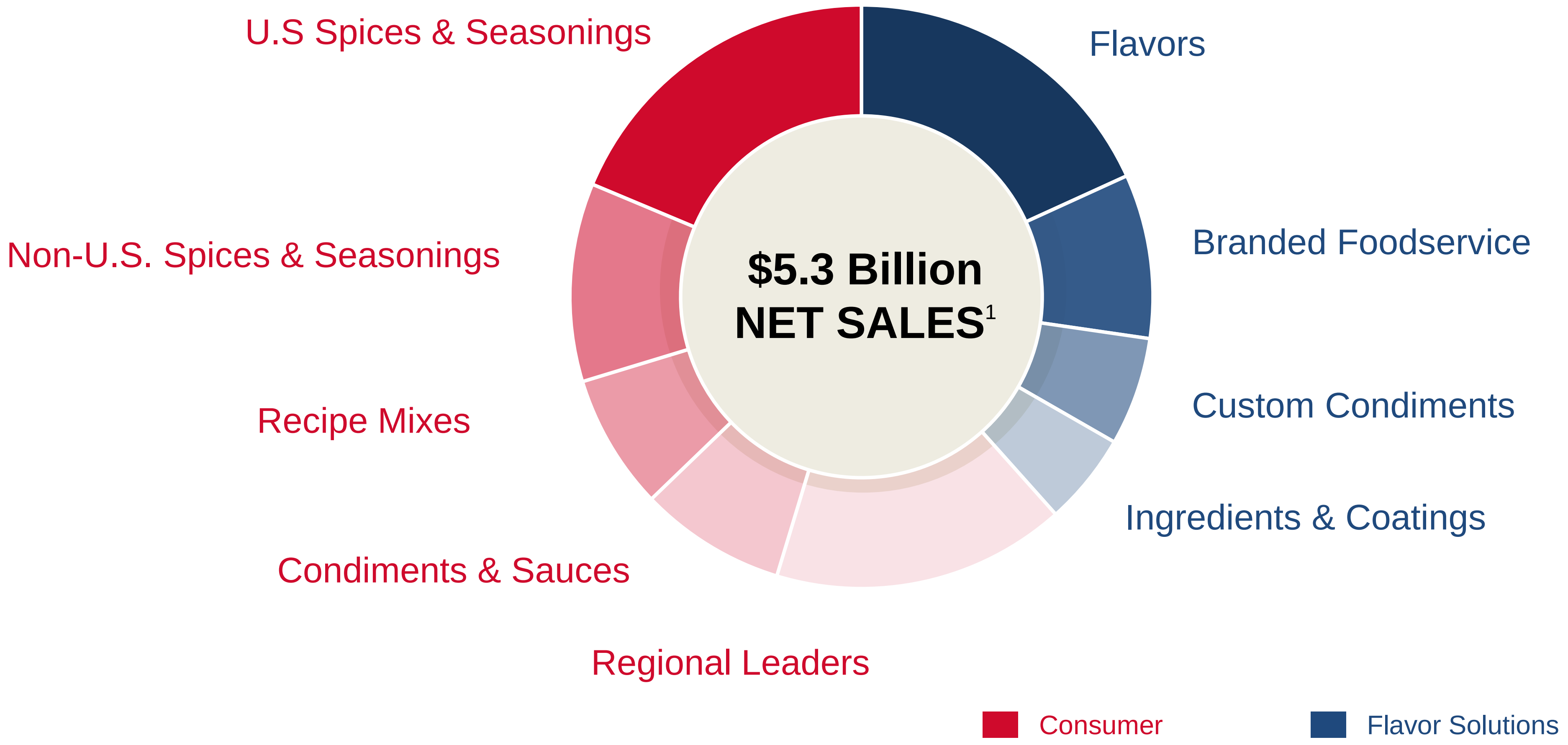
Culinary, real food, leadership

Innovation with deep in-market consumer & trend insight

Materials & application science, quality & regulatory leadership

WE’RE A DIFFERENT KIND OF CPG COMPANY

# BROAD AND ADVANTAGED GLOBAL FLAVOR PORTFOLIO



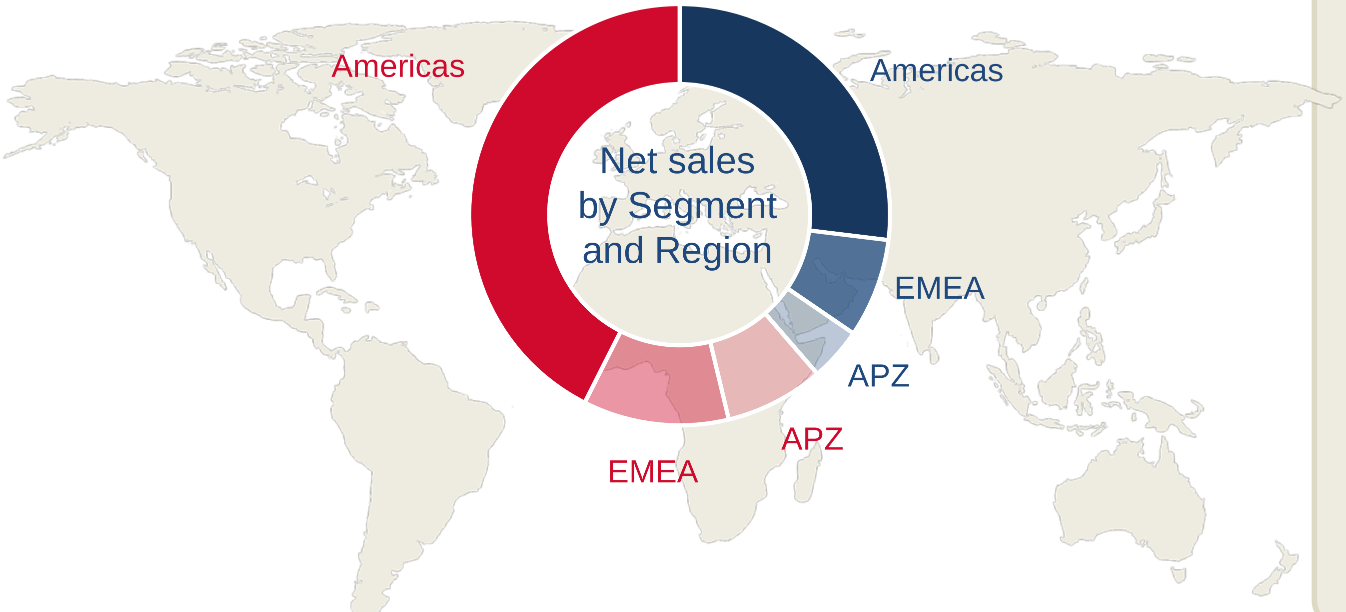



1) Approximation of category sizes

WE’RE A DIFFERENT KIND OF CPG COMPANY

# NO MATTER *WHERE* YOU EAT OR DRINK, YOU’RE LIKELY ENJOYING SOMETHING FLAVORED BY McCORMICK…

## ACROSS THE GLOBE




Consumer
Flavor Solutions

## ACROSS EVERY CHANNEL

**Consumer Segment**

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

**Flavor Solutions Segment**

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

STRONG PRESENCE IN DEVELOPING MARKETS

~20% of global sales[1]

1) Includes McCormick share of joint ventures

WE'RE A DIFFERENT KIND OF CPG COMPANY

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

## BROAD RANGE OF CONSUMER FORMATS


## BROAD RANGE OF CUSTOMER APPLICATIONS


Beverage


Savory


Bakery & Confectionary


Snack


Dairy


Other

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

Breakfast
Lunch
Dinner
Snacks
Beverage






## FLAVOR SOLUTIONS FOR EVERY TREND

Every cuisine and clean label, organic, natural extracts, and better-for-you


Flavor Forecast

# FLAVOR IS AN ADVANTAGED GLOBAL CATEGORY

## GLOBAL DEMAND FOR FLAVOR CONTINUING TO GROW

5% 5-year CAGR

79% of U.S. consumers add flavorful ingredients and spices[1]

81% of French consumers are interested in trying new food or flavors[2]

71% of Australian consumers love trying new spices, seasonings and flavors[3]

>60% of U.K. consumers like trying new recipes and ingredients[4]

Use of spicy condiments is on the rise in Europe. In the U.S. use is at 54% vs 46% in 2012[1]

U.S. consumer sauce use has doubled in past 6 years[1]

1) Source: NMI 2017, Health & Wellness Trends in America
2) Source: IPSOS 2017, Periscope (Irish Food Board)
3) Source: Gourmet Garden U&A Nov 2018
4) Source: Relish Research 2018, Project Puzzle

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# GEN Z IS HYPER FOCUSED ON FLAVOR

The most ethnically diverse generation in history[1]

85 MILLION STRONG – largest U.S. segment[2]

$500B in buying power[3]

Nostalgic for brands and flavors with heritage[4]







Seek function, authenticity, flavor and excitement from food[5]

Global flavor palate[4]

Like bold flavor[4]

Ethics-driven food choices[4]

Digital natives Phone eats first[4]

1) Source: Pew Research, 11/15/18
2) Source: Nielsen Total Audience Report, 2017
3) Source: is Package Facts, 7/5/18
4) McCormick proprietary learnings: Consumer Eyes Gen Z Immersion Experience, November 2018
5) Source: Mintel 7/6/18.

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# DRIVEN TO INNOVATE

## SCALEABLE, AGILE, RELEVANT, FOCUSED

### GLOBALLY-OPTIMIZED

### TECHNOLOGY-ENABLED

### INSIGHT-DRIVEN

### SUSTAINABLY-DRIVEN

### SCIENCE-EMPOWERED

### FORWARD-FOCUSED

# GROWTH

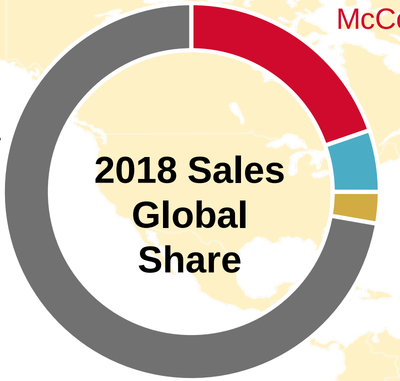
## OUR CONSUMER FLAVOR LEADERSHIP

WE'RE DELIVERING AGAINST OBJECTIVES

# STRENGTHENING OUR LEADERSHIP[1]

## SPICES & SEASONINGS

### **20%** GLOBAL CATEGORY SHARE LEADER




### **#1** POSITION

| | | | |
|---|---|---|---|
| U.S. | U.K. | Spain | Malaysia |
| Canada | France | Portugal | Philippines |
| Mexico | Belgium | Switzerland | Singapore |
| | Ireland | Ukraine | |

## RECIPE MIXES

### CATEGORY LEADERSHIP POSITION IN KEY MARKETS


**#1** U.S.


**#1** Canada


**#2** U.K.


**#1** China

**DRIVING GLOBAL LEADERSHIP** ✓ Strong brand equity ✓ Category management ✓ New products

1) Source: Syndicated retail consumption data 2018

WE'RE DELIVERING AGAINST OUR OBJECTIVES

# ACCELERATING CONDIMENTS AND SAUCES LEADERSHIP GLOBALLY WITH FRANK'S AND FRENCH'S

## STRONG U.S. GROWTH

Record high total distribution points & household penetration


Mustard consumption and share growth


Double digit Tabletop growth

## INTERNATIONAL MOMENTUM

Strong international growth

El Uhhhffss que redefine el sabor


#3 Direct to Consumer item for MKC China

Increased menu participation


U.K. customer promotion

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# DRIVING GROWTH WITH NEW PRODUCTS

## DELIVERING ON CONSUMER DEMAND FOR HEALTH AND TRANSPARENCY


Plant-based, High-protein and High Fiber Flavorful Meal


Resealable Tetra Package


Organic Gourmet Expansion in APZ

## RENOVATING BRANDS TO STRENGTHEN CONSUMER RELEVANCE


China Thick Texture Salad Dressing


EMEA Premium Grinders


Australia Paste Revitalization

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# DRIVING GROWTH WITH NEW PRODUCTS

## PROVIDING CONSUMERS WITH CONVENIENT SOLUTIONS


U.S. Zatarain’s
Frozen Meals


U.S Complete
Meal Seasonings


India Heat & Eat
Meals

## INSPIRING FLAVOR EXPLORATION & EXPERIMENTATION


U.S. Street Taco
Seasoning Blends


Street Food
Australia expansion


U.S. Flavor Maker
Herb & Spice Trios

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# SUCCEEDING ACROSS E-COMMERCE LANDSCAPE

## GREW GLOBAL E-COMMERCE SALES +43% 1H 2019

### GROWING PURE-PLAY ACROSS ALL REGIONS

+35% global growth

Enhanced content, paid media and improved search rank driving growth


### GAINING MOMENTUM WITH OMNI-CHANNEL RETAILERS

2/3 of global E-commerce sales from Omni-Channel retailers

+65% U.S. growth with omni-channel E-Commerce retailers


### BUILDING DIRECT CONSUMER RELATIONSHIPS

Delivering full brand experience via TMALL in China

Launched online McCormick Shop in U.S.

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# GAINING MOMENTUM WITH TASTY PARTNERSHIP & EXTENDING REACH TO YOUNGER GENERATION

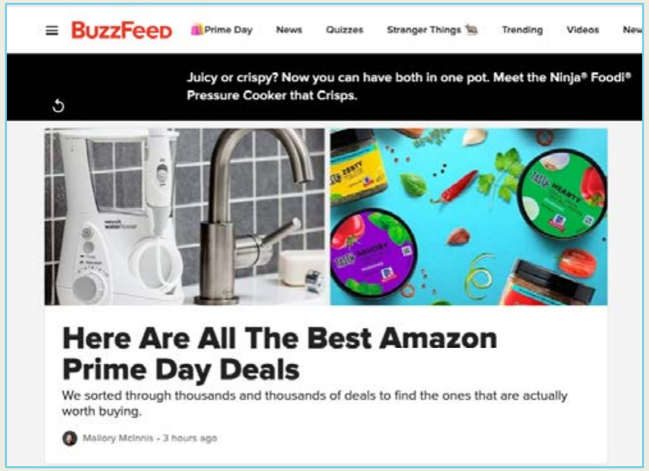
McCormick®

the official spice of


#1 DIGITAL FOOD NETWORK

## SUCCESSFUL LAUNCH OF CO-BRANDED PRODUCTS & EDITORIAL PARTNERSHIP

Co-branded products available in retail and on-line


#1 best seller in mixed spices & seasonings

Top 20 new release in grocery

Natural integration into Tasty’s everyday content


+67 new videos created

+90% positive sentiment

3x normal engagement rate

# GROWTH

## OUR FLAVOR SOLUTIONS LEADERSHIP

WE'RE DELIVERING AGAINST OUR OBJECTIVES

# DRIVING TOP LINE GROWTH AND EXPANDING MARGIN

## SALES GROWTH[1]

3-YEAR SALES CAGR[2]

Net sales +10%

Targeting Attractive Categories and Regions

+42% Beverage flavor

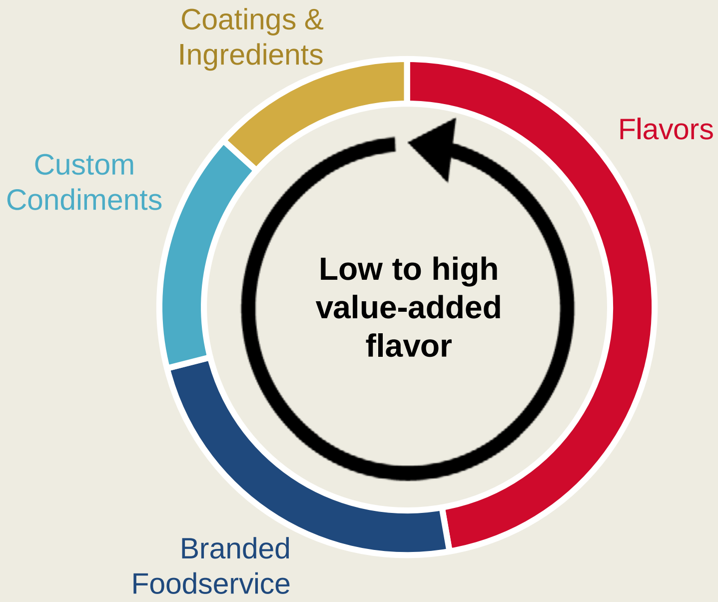
+21% USDA Savory

+9% Asia

+54% Latin America

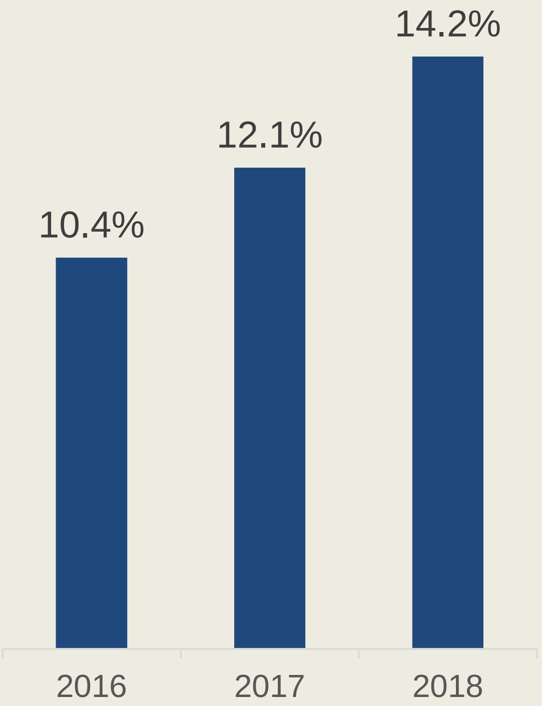
## GLOBAL PORTFOLIO SHIFT STRATEGY

Shifting To More Value-Add




## MARGIN EXPANSION

Expanding Adjusted Operating Margin




1) Sales growth based on net sales prior to recast for adoption of Revenue Recognition ASU. Recast growth percentages not expected to be materially different.
2) Using constant exchange rate

WE'RE SUSTAINABLY ADVANTAGED FOR GROWTH

# A DIVERSE PORTFOLIO OF PRODUCTS, CUSTOMERS & COMPETITION

McCormick Flavor Solutions – GENUINE FLAVOR • INSPIRED SOLUTIONS

VALUE ADD

| | COATINGS & INGREDIENTS | CUSTOM CONDIMENTS | BRANDED FOODSERVICE | FLAVORS |
|---|---|---|---|---|
| PRODUCT TYPES | ▪ **Bulk** herbs and spices<br>▪ **Coating systems** for proteins | ▪ **Sandwich** sauces<br>▪ **Dipping** sauces<br>▪ **Sweet syrups** | ▪ **Branded** herbs & spices, Seasoning blends, Sauces & condiments<br>▪ **Private label** herbs & spices & Seasoning blends | ▪ Flavor **Ingredients, Encapsulation & Modulation**<br>▪ **Specialty ingredients**<br>▪ **Seasoning blends** & **dry marinades** |
| PRIMARY CUSTOMER BASE | ▪ Quick service **Restaurants**<br>▪ **CPG** manufacturers | ▪ Quick serve & Casual dining **Restaurants** | ▪ Broadline & regional **Distributors**<br>▪ **Cash & Carry**<br>▪ **E-commerce** | ▪ **CPG** manufacturers<br>▪ **MKC** Internal |
| COMPETITIVE SET | ▪ **Ingredient manufacturers** | ▪ Condiment **manufacturers** | ▪ **Private label**<br>▪ **CPG** manufacturers | ▪ **Flavor houses**<br>▪ **Specialty ingredient manufacturers** |

# DIFFERENTIATED BY OUR LEGACY IN NATURAL & CULINARY

## BROAD PORTFOLIO OF NATURAL FLAVOR SOLUTIONS

### NATURAL EXTRACTS

Vanilla and a variety of spice and herb extracts

### NATURAL FLAVORS

Savory, fruit, sweet brown and citrus

### COMPLEX FLAVOR MIXTURES

Complex, dry blends that are sweet or savory flavor systems

### CULINARY SYSTEMS

Chicken, beef, seafood & vegetable broths, stocks and concentrates

### ICONIC INGREDIENTS

Naturally treated and dehydrated whole & ground spices & herbs

USDA ORGANIC

RAINFOREST ALLIANCE CERTIFIED

NON GMO Project VERIFIED

## CULINARY IS OUR FOUNDATION FOR FLAVOR CREATION

500 culinary, food scientist and flavor experts

Global Chef's Culinary Council

20 state-of-the-art Technical Innovation Centers

Flavor Forecast

WE'RE SUSTAINABLY ADVANTAGED FOR GROWTH

# FLAVORS DESIGNED FOR A WIDE RANGE OF CUSTOMER APPLICATIONS

## APPLICATIONS

### BEVERAGES
Alcoholic, Carbonated, Sport, Functional & Still Drinks

### SNACKS
Crisps & Savory Snacks

### DAIRY
Fresh Cheese, Ice Cream, Yogurt & Drinking Yogurt

### BAKERY/ CONFECTIONARY
Breakfast Cereals, Bars, Brioche, Cakes, Biscuits, Sweets & Chewing Gum

### SAVORY
Ready Meals, Sauces, Marinades, Soups & Stocks

### OTHER
Processed Meat & Seafood, Alternative Sources of Protein, Syrups & Supplements

## ENABLERS

- CULINARY
- ARTIFICIAL INTELLIGENCE
- GLOBAL SOURCING
- SENSORY
- ANALYTICAL & APPLICATION SCIENCES
- CONSUMER INSIGHTS
- REGULATORY
- TECHNOLOGY PLATFORM

# BROAD TECHNOLOGY PLATFORM WITH SOLUTIONS FOR EVERY APPLICATION

**Clean and natural** platform enabling clean label transparency

FlavorReal
CLEAN • NATURALLY CREATED

Developing on-trend organic, non-GMO and better-for-you products

**Proprietary modulation** technology solving common flavor challenges

FlavorFull
MASKING • ENHANCING • BALANCING TASTE

Meeting "low" and "no" challenges without sacrificing iconic flavor

**Controlled release encapsulation** to deliver flavor where, when and how needed

FlavorCELL
PROTECTING FLAVOR • CONTROLLING DELIVERY

Granted 15 patents - preserves flavor during intense manufacturing

**Flexible natural replacements** for ground spices and herbs

FlavorSpice
SPICE & HERB FLAVOR ALTERNATIVES

Delivers a combination of flavor and functionality

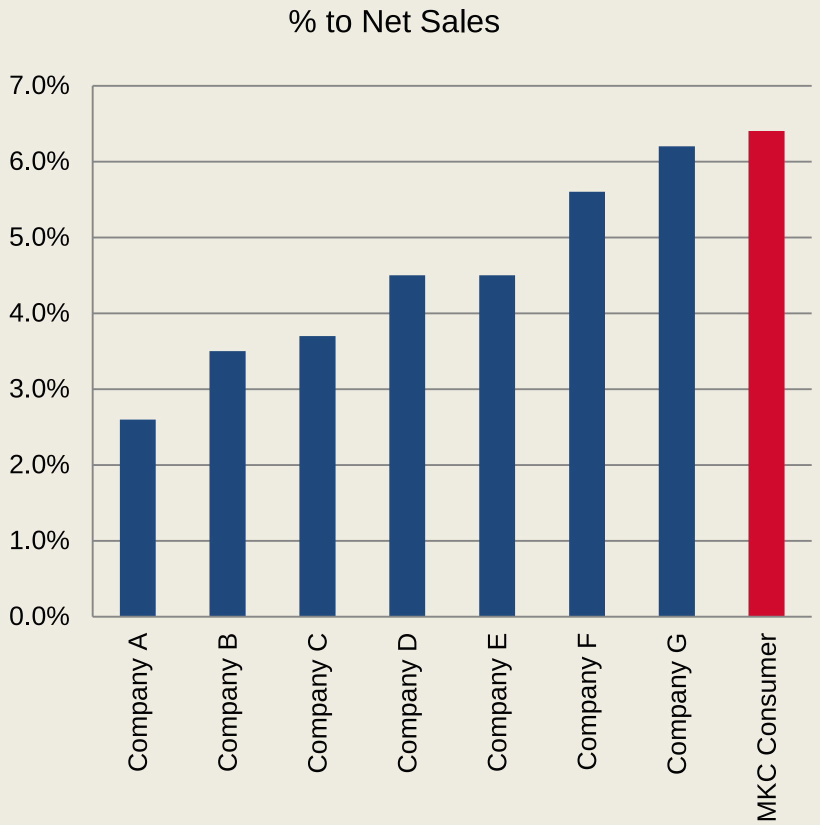
# GROWTH

## BRAND MARKETING

WE'RE INVESTING FOR THE FUTURE

# DRIVING RESULTS WITH DIFFERENTIATED BRAND MARKETING INVESTMENTS

## GLOBAL CONSUMER BRAND MARKETING INVESTMENT LEADS PEERS




## DELIVERING TOP MARKETING PERFORMANCE[1]

Increased total ROI **25%** since 2015

Over indexed to CPG Norms by more than **2x** in 2018.

Digital ~ **70%** of U.S. 2018 Advertising spend

**#1** digital Gartner L2 ranking across U.S. food brands

1) In U.S.

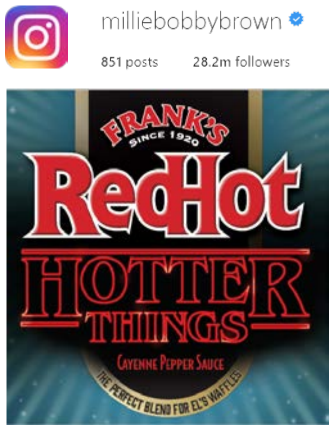
WE'RE SUSTAINABLY ADVANTAGED FOR GROWTH

# MARKETING EXCELLENCE : INCREASING AGILITY & EFFECTIVENESS ACROSS NORTH AMERICA

Pacing to create
~17,000
Pieces of content in FY19


75%
created in-house


**Faster** social media **response time**


**Scalable campaigns** across the portfolio



More than
**15x** media value **earned**
from spend on innovative campaigns



# PERFORMANCE

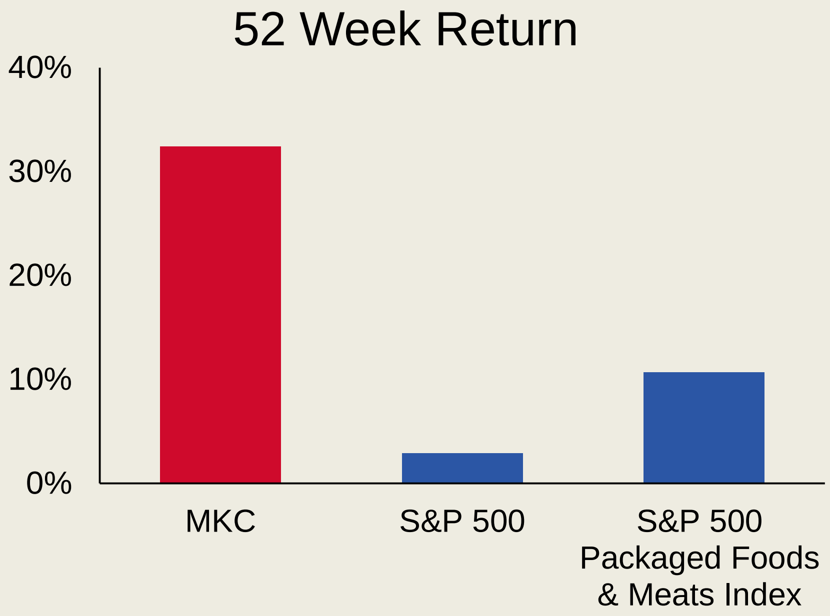
DELIVERING TODAY WHILE INVESTING FOR TOMORROW

WE’RE DELIVERING AGAINST OUR OBJECTIVES

# PURPOSE-LED PERFORMANCE

## DRIVEN TO DO WHAT’S RIGHT

### INDUSTRY-LEADING FINANCIAL PERFORMANCE




Source: FactSet; 52 weeks ended 8/30/19

*and*

### MAKE EVERY DAY BETTER FOR PEOPLE, OUR COMMUNITIES AND PLANET

2019 Most Sustainable Corporations in the World GLOBAL 100

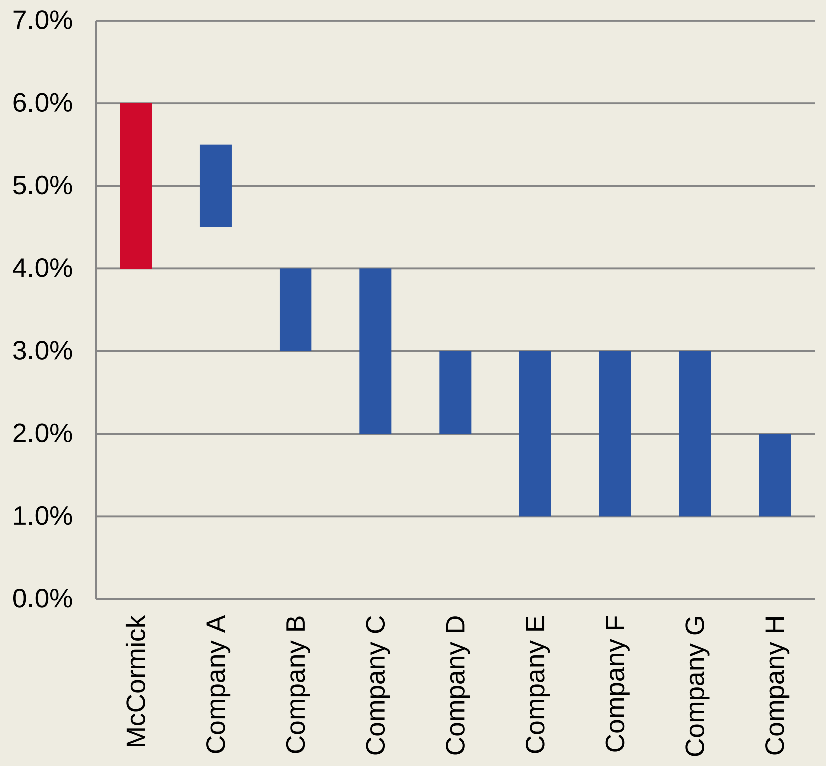
DiversityInc 2018 TOP 50 COMPANIES FOR DIVERSITY®

BARRON’S 2019 100 Most Sustainable Companies

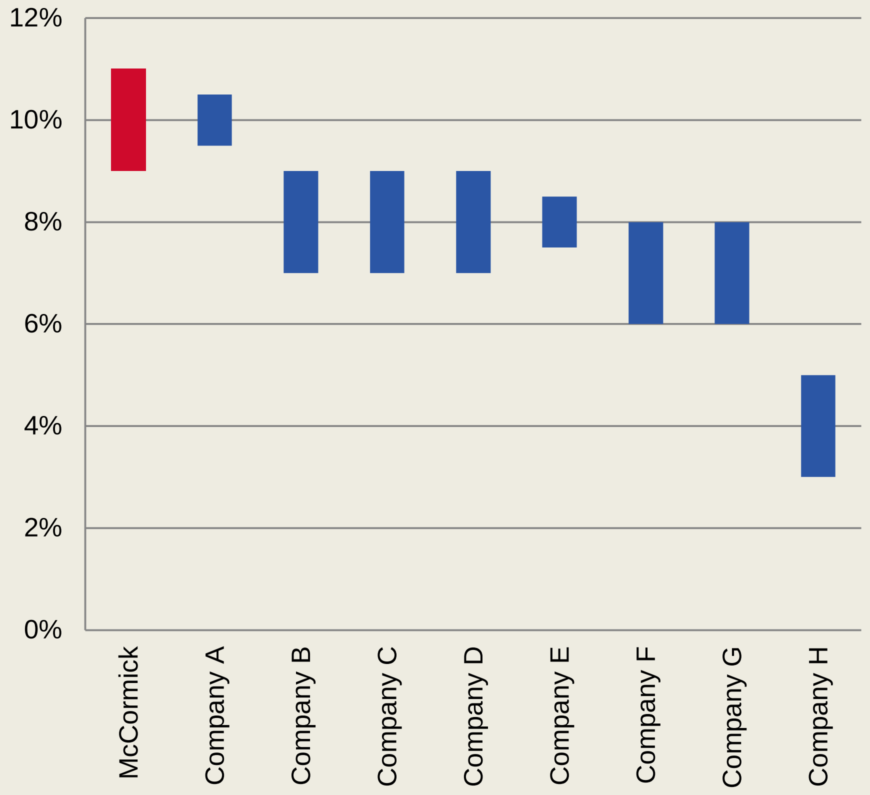
WE’RE A DIFFERENT KIND OF CPG COMPANY

# DIFFERENTIATED TOP-TIER GROWTH OBJECTIVES

## LONG-TERM SALES GROWTH TARGET



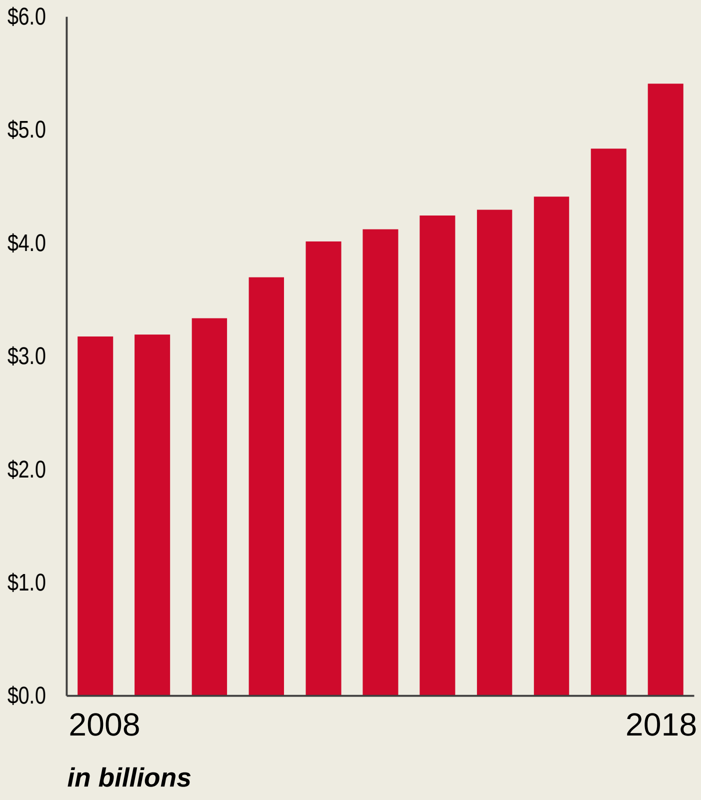

## LONG-TERM ADJUSTED EPS GROWTH TARGET



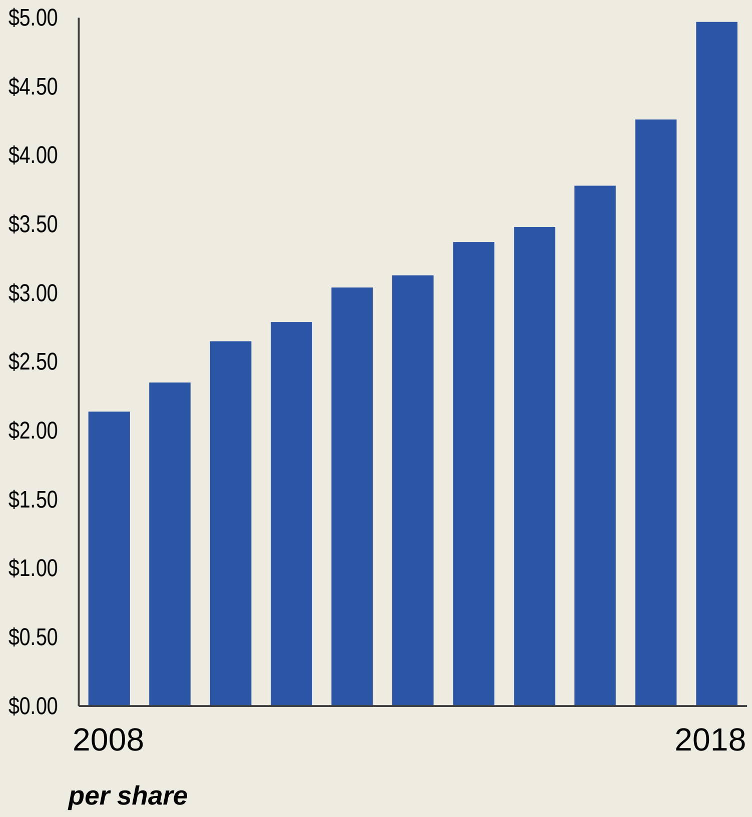
WE'RE DELIVERING AGAINST OUR OBJECTIVES

# ACHIEVING TOP-TIER BUSINESS PERFORMANCE

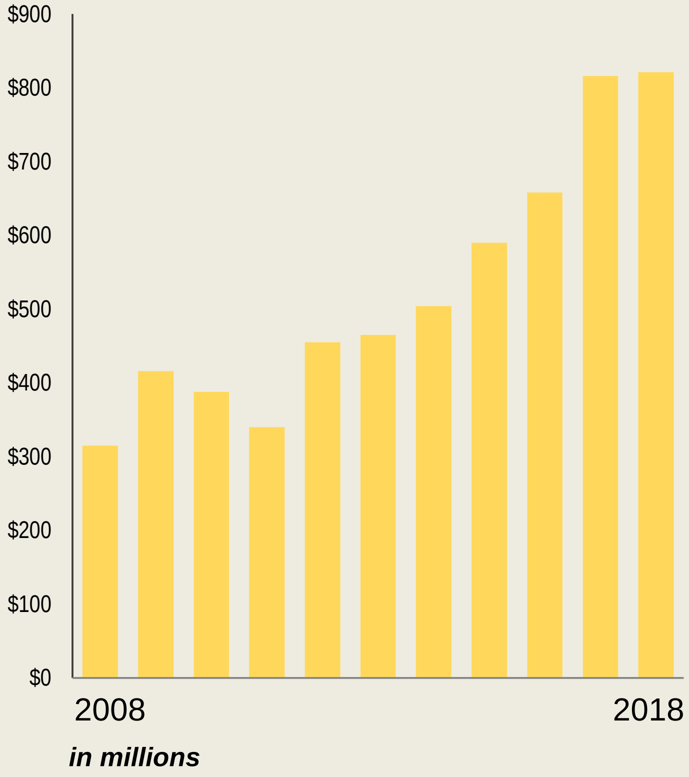
## NET SALES[1]




## ADJUSTED EPS




## CASH FLOW FROM OPERATIONS




1) Net sales amounts as reported prior to recast for adoption of Revenue Recognition ASU as recast information not available for earlier years [2008-2015]. Recast trend expected to be consistent.

# DELIVERING AGAINST OUR LONG TERM OBJECTIVES

## 3-YR PERFORMANCE PLUS GUIDANCE EXPECTED TO EXCEED LONG-TERM FINANCIAL OBJECTIVES

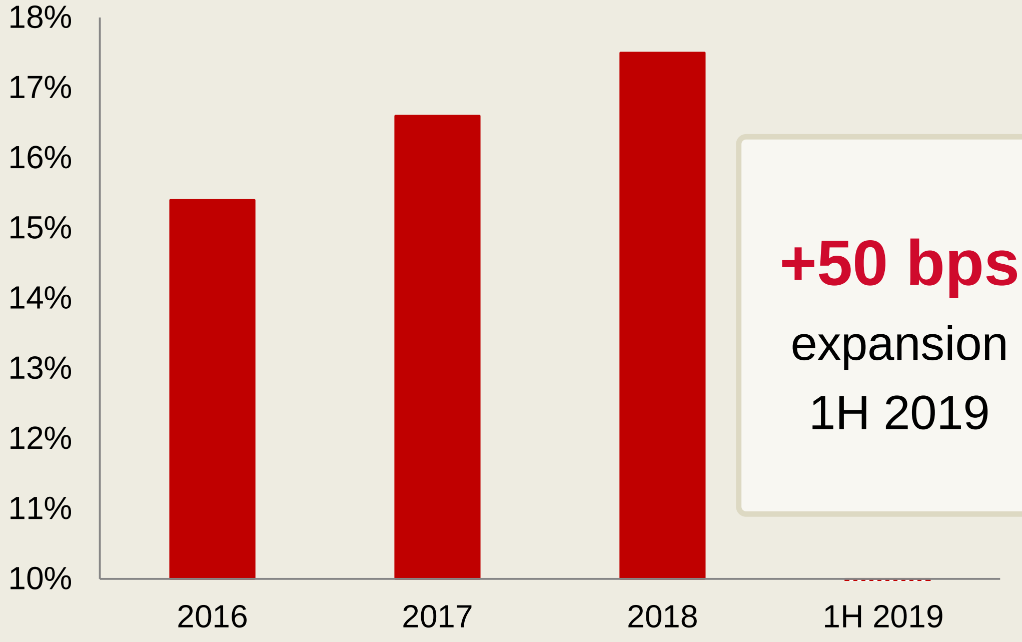
| | 3-YEAR CAGR PERFORMANCE | 2019 GUIDANCE | LONG TERM FINANCIAL OBJECTIVE |
|---|---|---|---|
| Sales growth[1] | 9% | 3 - 5% | 4 - 6% |
| Adjusted operating income[1] | 15% | 8 - 10% | 7 - 9% |
| Adjusted EPS growth[1] | 14% | 7 - 9% | 9 - 11% |
| Total shareholder return | 23% | | 11 - 13% |

1) In constant currency

WE'RE DELIVERING ON OUR OBJECTIVES

# EXPANDING ADJUSTED OPERATING MARGINS

## OPERATING MARGIN[1]




**+50 bps**

expansion

1H 2019

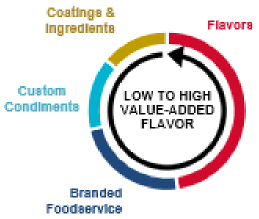
1) Adjusted operating margin as reported

## 2019 GUIDANCE[2]

Implies approximately **90 bps** operating income margin improvement annually

| | |
|---|---|
| Sales Growth | 3-5% |
| Adj Operating Income Growth | 8-10% |

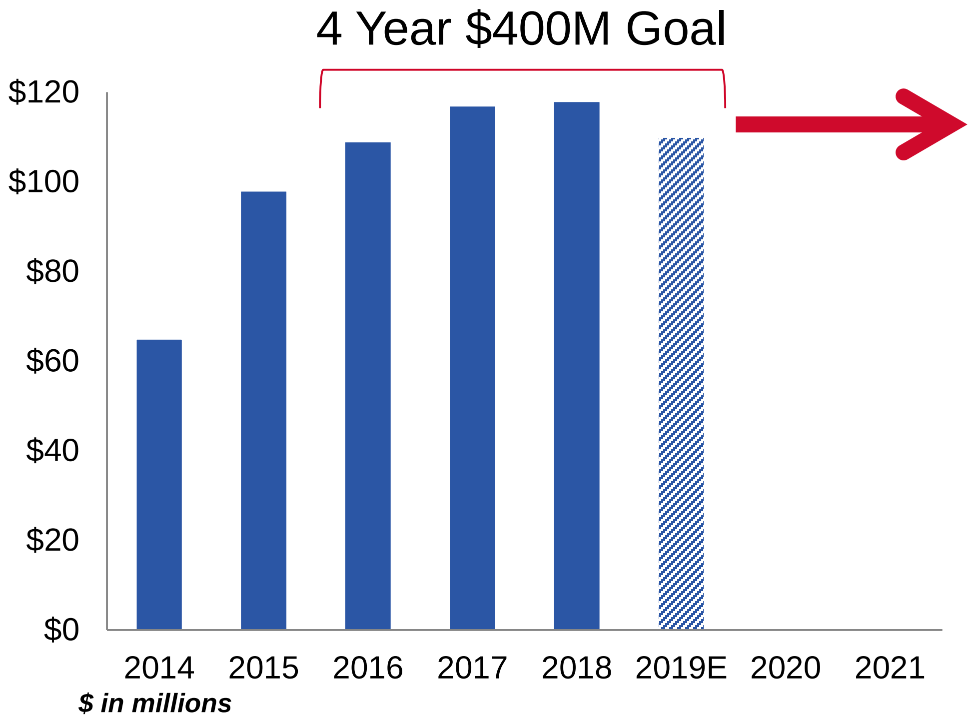
2) In constant currency



## WE'RE DELIVERING AGAINST OUR OBJECTIVES

# GENERATING FUEL FOR GROWTH

### ONGOING ANNUAL COST SAVINGS INITIATIVE




### EXCEEDING 4-YEAR COST SAVINGS GOAL

Nearly $350 million savings achieved 2016 –2018

2019 Guidance of ~$110 million cost savings

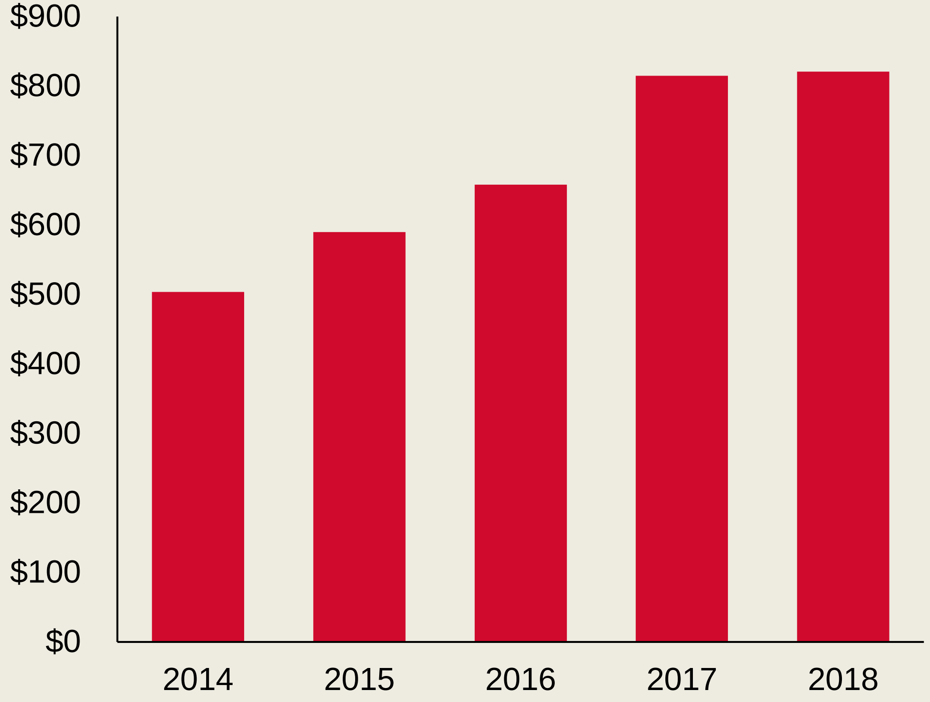
### LONG RUNWAY FOR FUTURE SAVINGS

WE'RE DELIVERING AGAINST OUR OBJECTIVES

# DRIVING RECORD CASH FLOWS WITH WORKING CAPITAL EFFICIENCIES

## 7TH CONSECUTIVE YEAR OF RECORD CASH FLOWS

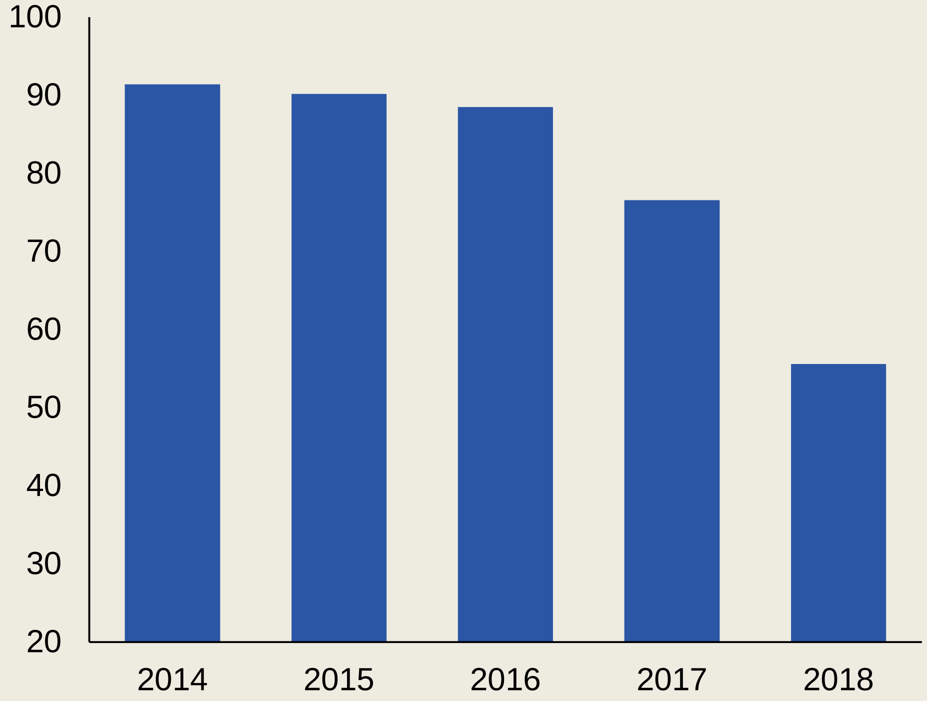
Cash Flow from Operations




***$ in millions***

## EXECUTED PROGRAMS TO ACHIEVE WORKING CAPITAL REDUCTIONS

Cash Conversion Cycle



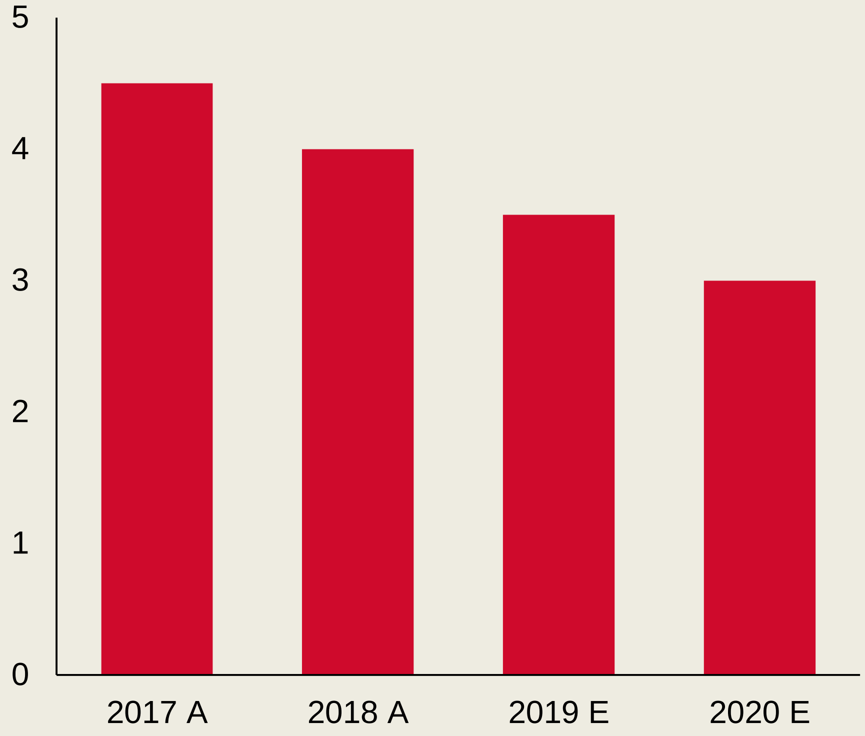

***in days***

WE'RE DELIVERING AGAINST OUR OBJECTIVES

# FOCUSING ON DEBT REPAYMENT AND DIVIDEND INCREASES

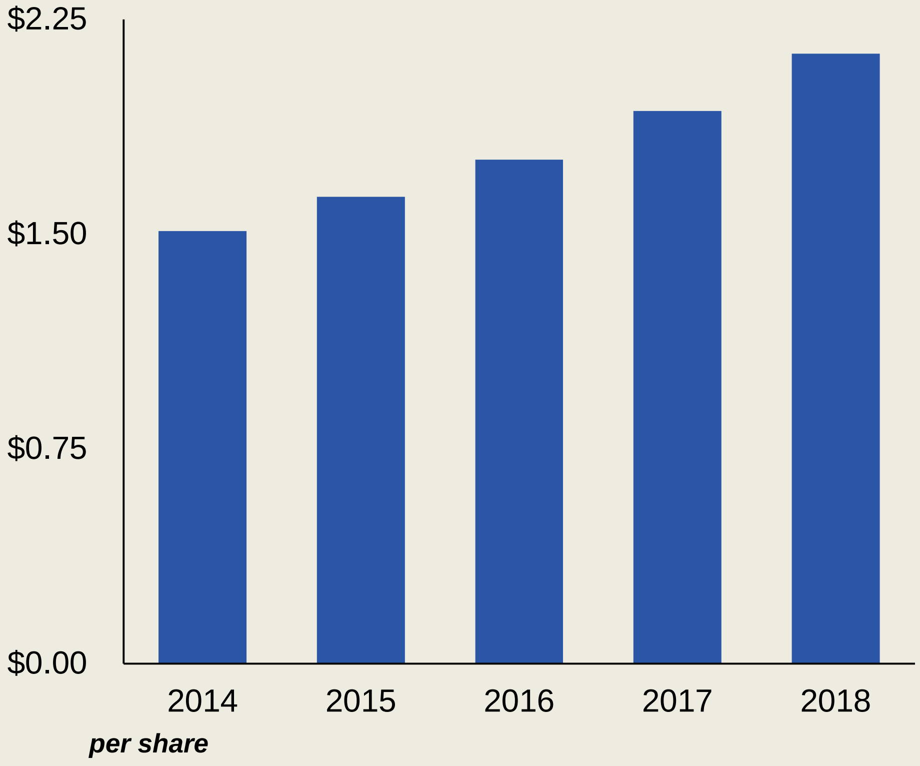
## PAID DOWN >$900 MILLION OF TERM LOANS

Net Debt to Adjusted EBITDA




## DIVIDEND ARISTOCRAT WITH 33 YEARS OF INCREASES

Dividends Declared



# DRIVING VALUE THROUGH ACQUISITIONS

## TRACK RECORD OF VALUE ENHANCING ACQUISITIONS

- Sales growth
- Margin expansion
- EPS accretion
- Deeper capabilities
- Category & geographic expansion
- Timely & successful integration

## PIPELINE STRATEGY

- Strengthen **leadership positions**
- Capability and category **expansion**
- Greater globalization to drive **scale**

### Broad Portfolio of Opportunities

Bolt-ons to drive 1/3 of long-term sales growth

+

Transformational to drive step change

## STRATEGY AND FINANCIAL DISCIPLINE

- Fit long-term strategic vision to be the leading flavor company
- Meet financial thresholds
- Drive greater shareholder value

WE’RE INVESTING FOR THE FUTURE

# BUSINESS TRANSFORMATION: BUILDING A SCALABLE PLATFORM FOR GROWTH

## GLOBAL ENABLEMENT

GLOBAL ENABLEMENT
Align. Simplify. Grow.

McCormick Shared Service Center in Lodz, Poland

**Align**

**ALIGN** our global operating model with end-to-end processes

**Simplify**

Radically **SIMPLIFY** everything we do

**Grow**

**GROW** at scale via increased digitization and automation

A step change in working globally

*We transform McCormick through globally aligned, innovative services, enabling the business to grow*

Further acceleration coupled with ERP modernization

WE'RE INVESTING FOR THE FUTURE

# BUSINESS TRANSFORMATION: BUILDING A SCALABLE PLATFORM FOR GROWTH

## ENTERPRISE RESOURCE PLANNING SYSTEM

### ERP Target State

*Next generation platform enabling global data and digital capabilities to support accelerated organic & inorganic growth*

*Align…Simplify…Grow*

Modernize and **HARMONIZE** global data and standards

Real-time **ACTIONABLE** insights

Achieve operational **EXCELLENCE**

**RAPID** acquisition integration

### Three-Year Implementation Program

*Replacing disparate ERP systems with a single platform before legacy SAP 2025 decommissioning*

**Investment ~ $150M - $200M**

Capital Spending - $90M - $120M

Operating Expense - $60M - $80M

**Phasing**

2019 - Plan & build

2020 & 2021 - Global deployment and stabilization



1) Over the 3 year initiative

WE'RE INVESTING FOR THE FUTURE

# CONTINUING TO INVEST IN OUR SUPPLY CHAIN

## EXPANDING OUR GLOBAL SUPPLY CHAIN CAPACITY

### NEW CAPABILITIES AND FACTORIES

Dubai
Thailand

U.S.
China

Poland
Mexico


### EXPANDED CAPABILITIES THROUGH ACQUISTIONS

Frank's & French's

Giotti

Gourmet Garden

## BUILDING A TECHNICALLY ADVANTAGED SUPPLY CHAIN

### SCIENCE OF AGRONOMY

Improving yield management while optimizing and increasing flavor profile

### LEVERAGING TECHNOLOGY

Locating highest quality ingredient

### GROWING IN A CONTROLLED ENVIRONMENT

Ensuring continuity of supply, cost, and consistent superior quality

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

## PLANET

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



## COMMUNITIES

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

## PEOPLE

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

# ADVANCING OUR SUSTAINABLE PRACTICES: NEW PLASTIC REDUCTION GOAL

## NEW 2025 GOAL AND ALLIANCES

100% Plastic Packaging that can be:

- Reused
- Recycled
- Repurposed BY 2025


7% carbon footprint reduction

**Joined Ellen MacArthur NEW Plastics Economy:**

ELLEN MACARTHUR FOUNDATION
Rethink the future

16% carbon footprint reduction, BPA-free, fully recyclable

# PURPOSE-LED PERFORMANCE IS A PRIORITY TO CONSUMERS & CUSTOMERS

## McCORMICK'S MESSAGE RESONATES WITH CUSTOMERS AND CONSUMERS

**SUSTAINABLE PRACTICES**

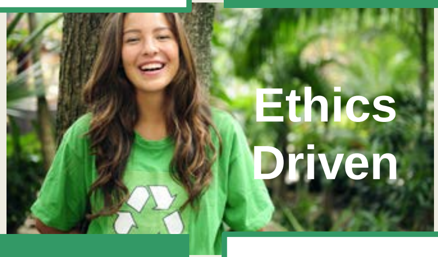

**ETHICAL SOURCING**


**COMMUNITY SUPPORT**


## MILLENNIALS AND GEN Z PRIORITIZE SUSTAINABILITY IN THE PRODUCTS THEY BUY[1]

*85% I can make a difference by purchasing sustainable products*

*74% I like to educate myself on ways I can reduce my carbon footprint*




*81% Making homemade meals helps reduce my environmental impact*

*60% I'm willing to pay more for products from a company engaged in…*

1) Percentage of consumers who agree with statement
Source: C Space Purpose Led Performance 2017 research

# PEOPLE

RIGHT PEOPLE AND RIGHT CULTURE

# WINNING WITH THE RIGHT PEOPLE AND RIGHT CULTURE

## POWER OF PEOPLE

C.P. McCormick legacy

## A HIGH PERFORMANCE CULTURE

- ✓ Multiple management philosophy
- ✓ Participation & inclusion

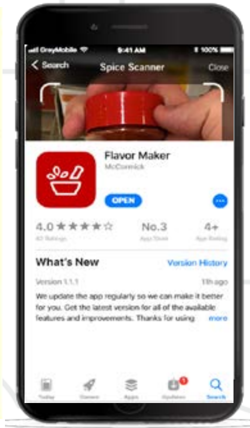
## WINNING WAYS OF WORKING

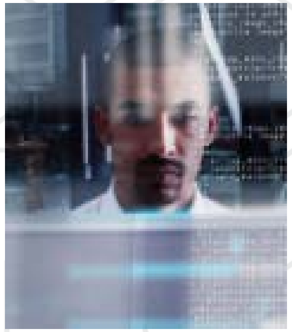
- ✓ Faster decisions
- ✓ More personal accountability
- ✓ Actionable insights

OUR FOCUS IS GROWTH

# BUILDING THE McCORMICK OF THE FUTURE

We're investing for the future

We're sustainably advantaged for growth


BUILDING THE McCORMICK
OF THE FUTURE

# Thank you

# NON-GAAP FINANCIAL MEASURES

The tables below include financial measures of adjusted operating income, adjusted operating income margin, adjusted income taxes, adjusted income tax rate, adjusted net income and adjusted diluted earnings per share, each excluding the impact of special charges for each of the periods presented. These financial measures also exclude in 2018 the impact of transition and integration costs associated with our acquisition of RB Foods in August 2017, as these items significantly impact comparability between years. These financial measures also exclude, for 2018, and the comparison of our results for 2019 to 2018, the net estimated impact of the effects of the one-time transition tax and re-measurement of our U.S. deferred tax assets and liabilities as a result of the U.S. Tax Act passed in December 2017 as these items may significantly impact comparability between years. Adjusted operating income, adjusted operating income margin, adjusted income taxes, adjusted income tax rate, adjusted net income and adjusted diluted earnings per share represent non-GAAP financial measures which are prepared as a complement to our financial results prepared in accordance with United States generally accepted accounting principles.

In our consolidated income statement, we include separate line items captioned “Special charges” and “Transaction and integration expenses” in arriving at our consolidated operating income. Special charges consist of expenses associated with certain actions undertaken by the company to reduce fixed costs, simplify or improve processes, and improve our competitiveness and are of such significance in terms of both up-front costs and organizational/structural impact to require advance approval by our Management Committee. Upon presentation of any such proposed action (including details with respect to estimated costs, expected benefits and expected timing) to the Management Committee and the Committee’s advance approval, expenses associated with the approved action are classified as special charges upon recognition and monitored on an on-going basis through completion.

Transaction and integration expenses consist of expenses associated with the acquisition or integration of the RB Foods business. These costs primarily consist of outside advisory, service and consulting costs; employee-related costs; and other costs related to the acquisition. We incurred these costs in 2018.

Income taxes associated with the enactment of the U.S. Tax Act in December 2017 consists of a net income tax benefit of $301.5 million recognized during the year ended November 30, 2018, which includes the estimated impact of the tax benefit from revaluation of net U.S. deferred tax liabilities based on the new lower corporate income tax rate and the tax expense associated with the one-time transition tax on previously unremitted earnings of non-U.S. subsidiaries.

We believe that these non-GAAP financial measures are important. The exclusion of special charges, transaction and integration expenses, and the net income tax benefit associated with enactment of the U.S. Tax Act provide additional information that enables enhanced comparisons to prior periods and, accordingly, facilitates the development of future projections and earnings growth prospects or is a meaningful metric to investors in evaluating our financial leverage. This information is also used by management to measure the profitability of our ongoing operations and analyze our business performance and trends.

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

# NON-GAAP FINANCIAL MEASURES

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

| | Year Ended November 30, 2018 | 2017 | 2016 |
|---|---|---|---|
| Operating income | $ 891.1 | $ 699.8 | $ 649.4 |
| Impact of special charges | 16.3 | 22.2 | 15.7 |
| Impact of special charges included in cost of goods sold | - | - | 0.3 |
| Impact of transaction and integration expenses included in cost of goods sold | - | 20.9 | - |
| Impact of other transaction and integration expenses | 22.5 | 40.8 | - |
| Adjusted operating income | $ 929.9 | $ 783.7 | $ 665.4 |
| Adjusted operating income margin (1) | 17.5% | 16.6% | 15.4% |

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

| | Year Ended November 30, 2018 | 2017 | 2016 |
|---|---|---|---|
| Operating income | $ 279.0 | $ 193.4 | $ 162.2 |
| Impact of special charges | 6.3 | 6.9 | 6.8 |
| Impact of transaction and integration expenses included in cost of goods sold | - | 7.3 | - |
| Impact of other transaction and integration expenses | 7.5 | 13.7 | - |
| Adjusted operating income | $ 292.8 | $ 221.3 | $ 169.0 |
| Adjusted operating income margin (1) | 14.2% | 12.1% | 10.4% |

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

# NON-GAAP FINANCIAL MEASURES

The following provides a reconciliation of our adjusted income tax expense, adjusted net income and adjusted earnings per share - diluted.

| | Year Ended November 30, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Income tax (benefit) expense | $ (157.3) | $ 151.3 | $ 153.0 |
| Non-recurring benefit, net, of the U.S. Tax Act | 301.5 | - | - |
| Impact of transaction and integration expenses | 4.9 | 23.6 | - |
| Impact of special charges | 3.8 | 6.4 | 2.7 |
| Adjusted income tax expense | $ 152.9 | $ 181.3 | $ 155.7 |
| Adjusted income tax rate (3) | 19.6% | 26.1% | 25.7% |
| Net income | $ 933.4 | $ 477.4 | $ 472.3 |
| Impact of total transaction and integration expenses (1) | 17.6 | 53.5 | - |
| Impact of total special charges | 12.5 | 15.8 | 13.0 |
| Impact of special charges attributable to non-controlling interests (2) | - | - | (1.9) |
| Non-recurring benefit, net, of the U.S. Tax Act | (301.5) | - | - |
| Adjusted net income | $ 662.0 | $ 546.7 | $ 483.4 |
| Earnings per share—diluted | $ 7.00 | $ 3.72 | $ 3.69 |
| Impact of total transaction and integration expenses (1) | 0.13 | 0.42 | - |
| Impact of total special charges | 0.10 | 0.12 | 0.10 |
| Impact of special charges attributable to non-controlling interests (2) | - | - | (0.01) |
| Non-recurring benefit, net, of the U.S. Tax Act | (2.26) | - | - |
| Adjusted earnings per share—diluted | $ 4.97 | $ 4.26 | $ 3.78 |

(1) Transaction and integration expenses related to the acquisition of RB Foods are recorded in our consolidated income statement as follows for the years ended November 30, 2018 and 2017 (in millions):

| | 2018 | 2017 |
|---|---|---|
| Transaction and integration expenses included in cost of goods sold | $ - | $ 20.9 |
| Reflected in transaction and integration expenses | 22.5 | 40.8 |
| Transaction and integration expenses included in operating income | 22.5 | 61.7 |
| Transaction and integration expenses included in other debt costs | - | 15.4 |
| Total pre-tax transaction and integration expenses | 22.5 | 77.1 |
| Less: Tax effect | (4.9) | (23.6) |
| Total after-tax transaction and integration expenses | 17.6 | 53.5 |

(2) Represents the portion of the total special charge of $2.8 million, net of tax of $0.9 million, associated with our exit of a consolidated joint venture in South Africa, attributable to our former joint venture partner.

(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, or $780.1 million, $694.1 million, and $605.2 million for the years ended November 30, 2018, 2017 and 2016, respectively.

# NON-GAAP FINANCIAL MEASURES

The following provides a reconciliation of our estimated increase in adjusted earnings per share for 2019 and actual results for 2018:

| | 2019 Projection | 2018 |
|---|---|---|
| Earnings per share - diluted | $5.09 to $5.19 | $ 7.00 |
| Impact of special charges and transaction and integration expenses | 0.11 | 0.23 |
| Non-recurring benefit, net, of the U.S. Tax Act | - | (2.26) |
| Adjusted earnings per share - diluted | $5.20 to $5.30 | $ 4.97 |

# NON-GAAP FINANCIAL MEASURES

Because we are a multi-national company, we are subject to variability of our reported U.S. dollar results due to changes in foreign currency exchange rates. Those changes have been volatile over the past several years. The exclusion of the effects of foreign currency exchange, or what we refer to as amounts expressed “on a constant currency basis”, is a non-GAAP measure. 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, adjusted operating income, and adjusted earnings per share expressed in “constant currency” 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 prior fiscal 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 prior fiscal year.

A reconciliation of our actual CAGR and constant currency CAGR through 2018 follows:

| | |
|---|---|
| 3-Year CAGR - Net sales | 8% |
| Impact of foreign currency exchange rates | 1% |
| 3-Year CAGR - Net sales on a constant currency basis | 9% |
| | |
| 3-Year CAGR - Adjusted operating income | 14% |
| Impact of foreign currency exchange rates | 1% |
| 3-Year CAGR - Adjusted operating income on a constant currency basis | 15% |
| | |
| 3-Year CAGR - Adjusted earnings per share | 13% |
| Impact of foreign currency exchange rates | 1% |
| 3-Year CAGR - Adjusted earnings per share on a constant currency basis | 14% |

A reconciliation of our Flavor Solutions actual CAGR and constant currency CAGR through 2018 follows:

| | |
|---|---|
| 3-Year CAGR - Net sales | 7% |
| Impact of foreign currency exchange rates | 3% |
| 3-Year CAGR - Net sales on a constant currency basis | 10% |

# NON-GAAP FINANCIAL MEASURES

In addition to the above non-GAAP financial measures, we use a leverage ratio which is determined using non-GAAP measures. A leverage ratio is a widely-used measure of ability to repay outstanding debt obligations and is a meaningful metric to investors in evaluating financial leverage. We believe that our leverage ratio is a meaningful metric to investors in evaluating our financial leverage and may be different than the method used by other companies to calculate such a leverage ratio. We determine our leverage ratio as net debt (which we define as total debt, net of cash in excess of $75.0 million) to adjusted earnings before interest, tax, depreciation and amortization (Adjusted EBITDA). We define Adjusted EBITDA as net income plus expenses for interest, income taxes, depreciation and amortization, less interest income and as further adjusted for cash and non-cash acquisition-related transaction and integration expenses, special charges and stock-based compensation expenses. Adjusted EBITDA and our leverage ratio are both non-GAAP financial measures. Our determination of the leverage ratio is consistent with the terms of our $1.0 billion revolving credit facility and our term loans which require us to maintain our leverage ratio below certain levels.

The following table reconciles our net income to Adjusted EBITDA for the trailing twelve-month period ended May 31, 2019:

| | 31-May-19 |
|---|---|
| Net income | $ 684.9 |
| Depreciation and amortization | 155.6 |
| Interest expense | 174.0 |
| Income tax expense (benefit) | 134.9 |
| EBITDA | $ 1,149.4 |
| Adjustments to EBITDA (1) | 44.9 |
| Adjusted EBITDA | $ 1,194.3 |
| Net debt | $ 4,606.3 |
| Leverage ratio | 3.9 |

(1) Adjustments to EBITDA are determined under the leverage ratio covenant in our $1.0 billion revolving credit facility and term loan agreements and includes special charges, stock-based compensation expense and transaction and integration costs (related to the RB Foods acquisition), including other debt costs.