
McCormick & Company, Inc.
2nd Quarter 2017 Financial
Results and Outlook
June 29, 2017

The following slides accompany a June 29, 2017 presentation to investment analysts. This information should be read in conjunction with the press release issued on that date.



Forward-looking information

Certain information contained in these materials and our remarks 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 us, the expected impact of raw material costs and our pricing actions on our results of operations and gross margins, the expected productivity and working capital improvements, expectations regarding growth potential in various geographies and markets, expected trends in net sales and earnings performance and other financial measures, the expectations of pension and postretirement plan contributions, 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, our ability to issue additional debt or equity securities and our expectations regarding purchasing shares of our common stock under the existing repurchase authorizations.

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 our reputation or brand name; loss of brand relevance; increased use of private label or other competitive products; 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; our 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; issues affecting our supply chain and raw materials, including fluctuations in the cost and availability of raw and packaging materials; government regulation, and changes in legal and regulatory requirements and enforcement practices; global economic and financial conditions generally, including the availability of financing, and interest and inflation rates; 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 our 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 our intellectual property rights, and those of customers; litigation, legal and administrative proceedings; and other risks described in our filings with the Securities and Exchange Commission.

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

Lawrence Kurzius

*Chairman, President & Chief
Executive Officer*



2Q 2017 Financial results

Grew net sales 7%*

- Acquisitions added 3 percentage points
- Double-digit growth in Industrial segment*
- Strong growth across Americas region

Grew adjusted operating income 9%*

- Improved operating margin

Adjusted earnings per share \$0.82



** In constant currency*

Adjusted operating income and adjusted EPS exclude the impact of items affecting comparability in 2017 projections and 2016 actual results. See reconciliation of GAAP to non-GAAP financial measures on slides 31 to 34, including the impact of constant currency.

2017 outlook

Reaffirmed guidance for 2017 adjusted earnings per share of \$4.05 - \$4.13

Projected growth rates*

Sales	5% - 7%
Adjusted operating income	9% - 11%
Adjusted earnings per share	9% - 11%



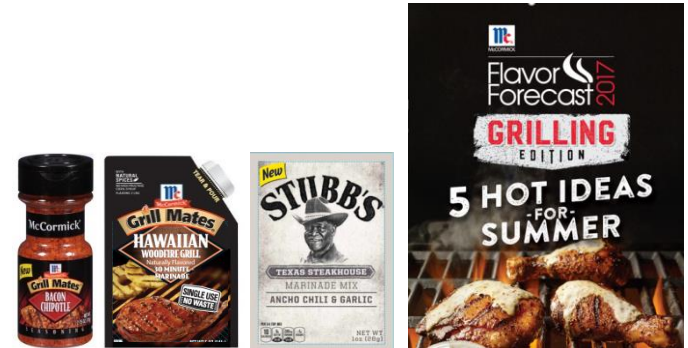
* In constant currency

Adjusted operating income and adjusted EPS exclude the impact of items affecting comparability in 2017 projections and 2016 actual results. See reconciliation of GAAP to non-GAAP financial measures on slides 31 to 34, including the impact of constant currency.

2Q 2017 Financial results – Consumer segment

Grew net sales 4%*

- Retail purchases of spices & seasonings category remains strong
- Double-digit growth in unmeasured channels
- Double-digit growth in China and India
- Challenging retail conditions in the U.K.
- Strength in Gourmet Garden, Grilling and Gourmet lines
- New product launches to drive future momentum



Increased adj. operating income 7%*

- Higher sales
- Cost savings led by Comprehensive Continuous Improvement (CCI)



* In constant currency

Adjusted operating income and adjusted EPS exclude the impact of items affecting comparability in 2Q 2017 and 2016. See reconciliation of GAAP to non-GAAP financial measures on slides 31 to 34, including the impact of constant currency.

2Q 2017 Financial results – Industrial segment

Grew net sales 12%*

- Double-digit growth of U.S. savory flavor products and strength in Americas snack seasonings and branded foodservice
- Giotti acquisition contributed to double digit sales growth in Europe, Middle East, Africa (EMEA)
- Asia-Pacific region grew sales to quick service restaurants



Increased adjusted operating income 13%*

- Cost savings led by CCI
- Favorable mix from more value-added and higher margin products



* In constant currency

Adjusted operating income and adjusted EPS exclude the impact of items affecting comparability in 2Q 2017 and 2016. See reconciliation of GAAP to non-GAAP financial measures on slides 31 to 34, including the impact of constant currency.



Business update: Product innovation

Robust line-up of 2H 2017 new products in U.S.

Spices & Extracts

Super Deals & Blends



Turkey Brine & Rub Kit



Specialty Extracts



Liquids

Simply Asia:
Broths & Noodles



Kitchen Basics:
Bone Broth line
extensions



Simply Better:
Wet Gravy



Breakfast

Good Morning:
Breakfast Platform



Business update: Product innovation

New products in international markets for 2H 2017

Canada:
Organic Recipe Mix & Honey



Canada:
Club House Sauces



Australia:
Gourmet Garden Finishing Drizzles



Latin America:
Hot Sauce & Salad Dressing



U.K.:
Gluten Free Recipe Mix



France:
Ducros & Vahine Organic





VISION AND MISSION

**OUR VISION IS TO BRING
THE JOY OF FLAVOR
TO LIFE**

**OUR MISSION IS TO
MAKE EVERY MEAL
AND MOMENT BETTER**

FIVE PRINCIPLES:

PASSION FOR FLAVOR

POWER OF PEOPLE

TASTE YOU TRUST

DRIVEN TO INNOVATE

PURPOSE LED PERFORMANCE



McCormick Global Enablement (MGE)

Align

Simplify

Grow



Build a scalable platform for future growth

- Expand end-to-end processes
- Reduce customization
- Enable more agile decision-making

Fuel for Growth

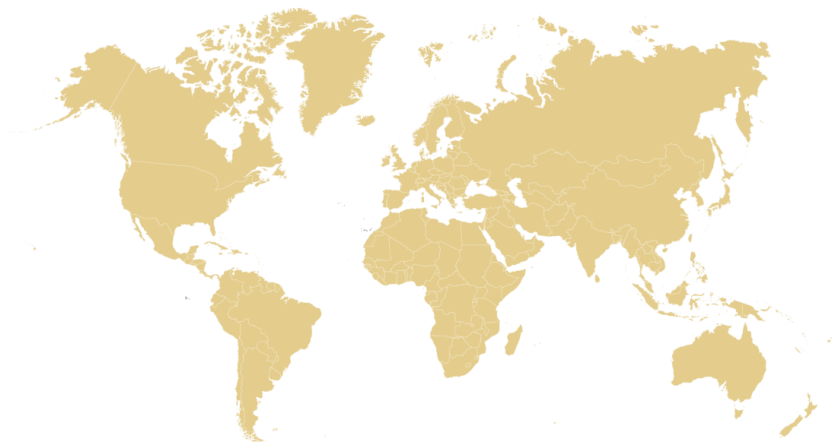
Annual Run
Rate Savings

\$30 - \$40
million

Special
Charges*

\$55 - \$65
million

* Over the three year initiative



Summary



Sustained momentum entering 2H17

- Remain confident in fiscal year outlook
- Uniquely positioned as a global leader in flavor
- Positioning for future growth with robust product innovation pipeline
- Driving sales growth... balanced with creating fuel for growth
- Employees driving momentum

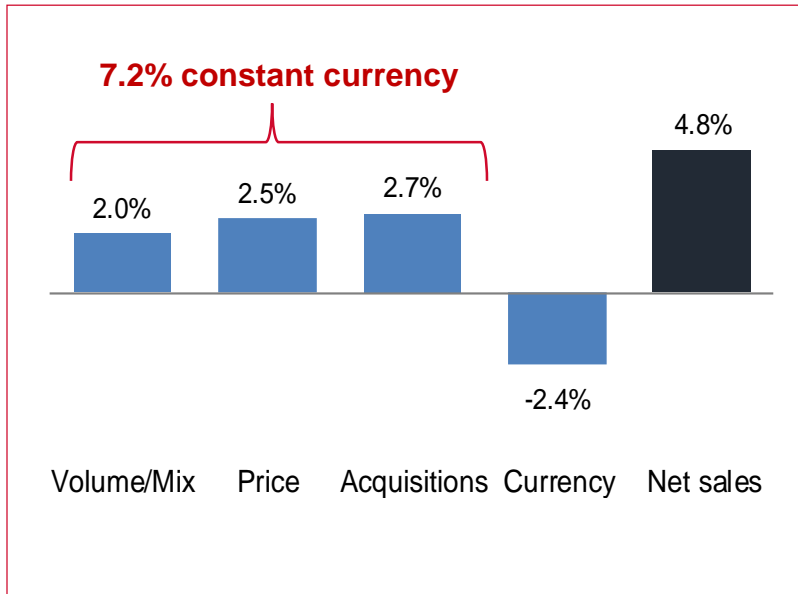
Mike Smith

Executive Vice President & CFO

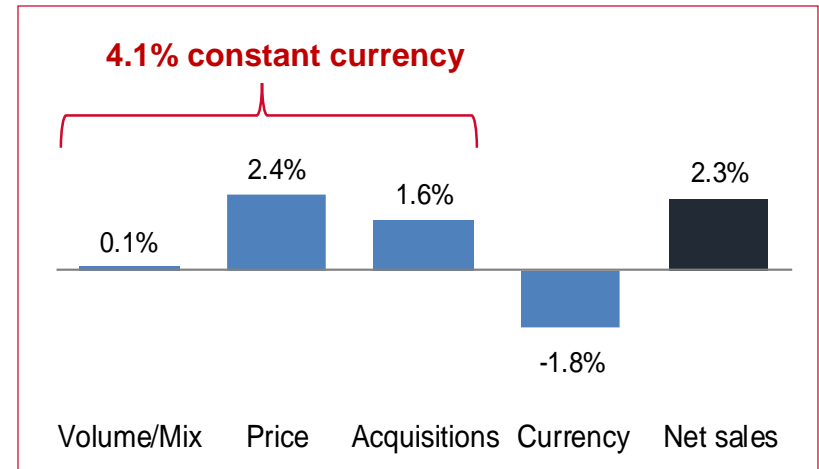


2Q 2017 Sales results

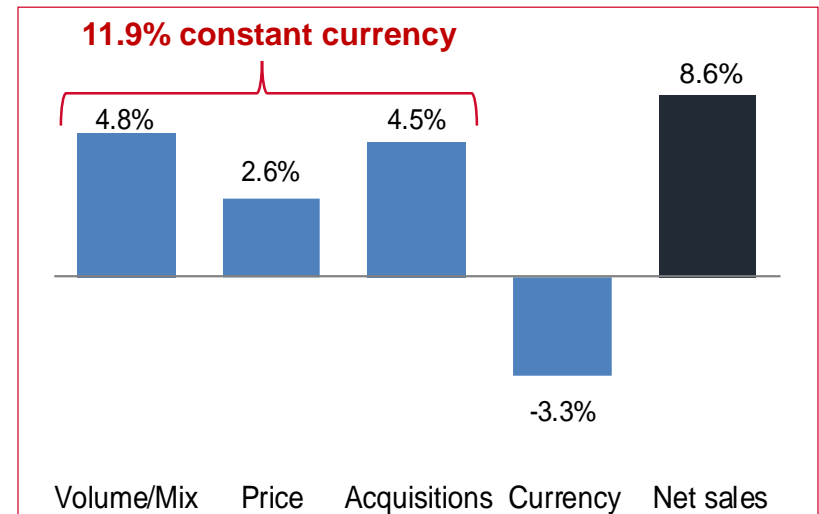
Total Company



Consumer



Industrial

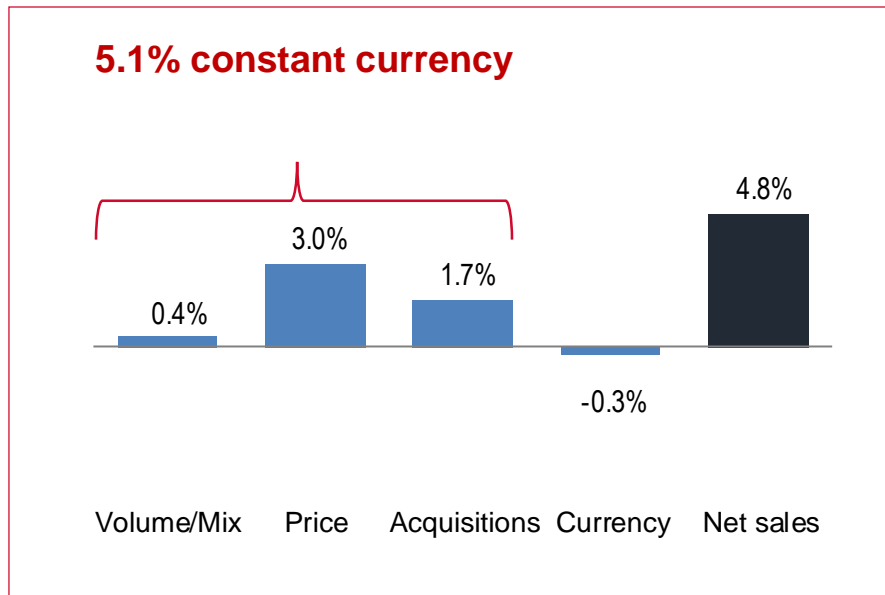


See reconciliation of GAAP to non-GAAP financial measures on slides 31 to 34, including the impact of constant currency.



2Q 2017 Sales results: Consumer segment

Americas

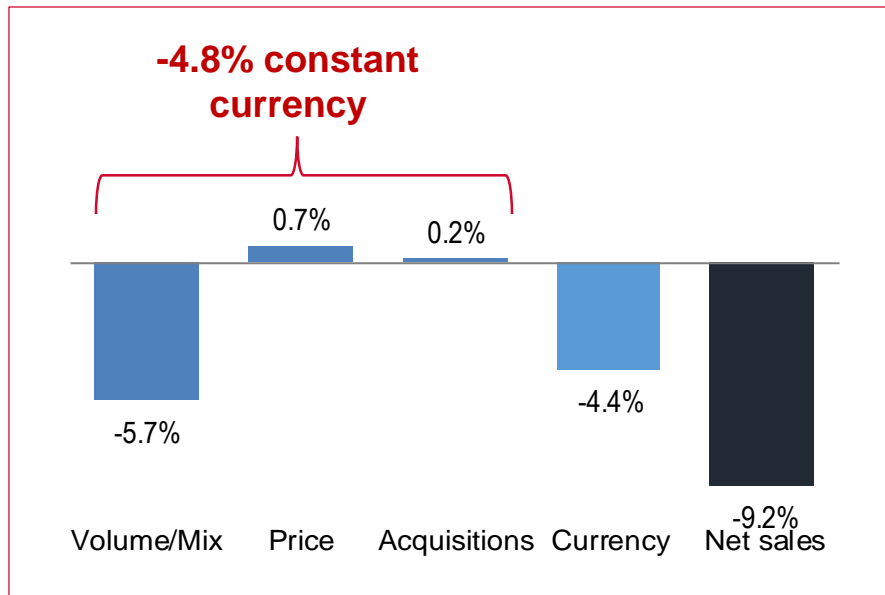


- Price increase to cover commodity inflation
- Acquisition of Gourmet Garden contributed to growth
- Volume/mix driven primarily by expanded distribution, innovation and strength in Grill Mates and Gourmet lines

See reconciliation of GAAP to non-GAAP financial measures on slides 31 to 34, including the impact of constant currency.

2Q 2017 Sales results: Consumer segment

EMEA

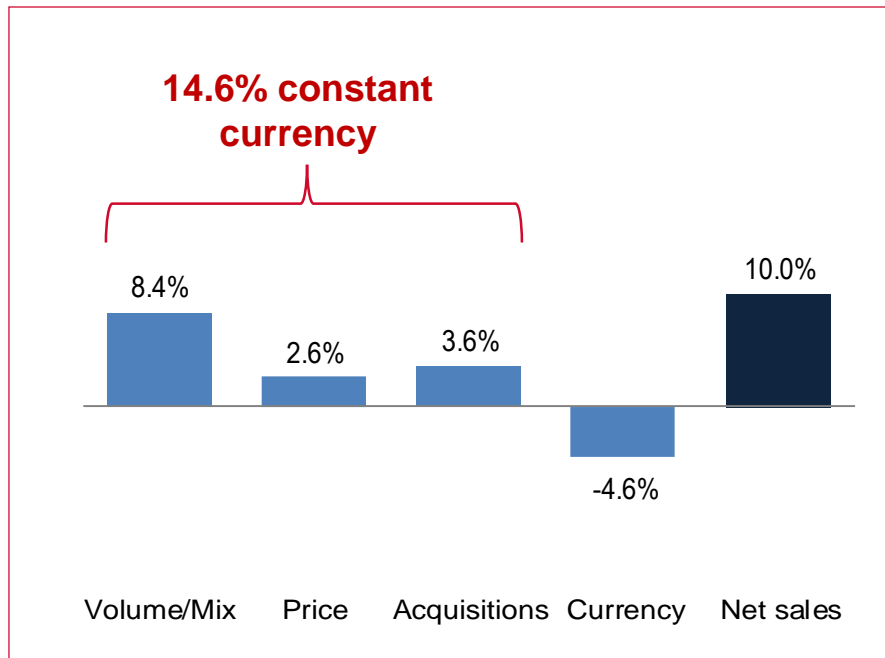


- Lower volume/mix primarily from challenging retail market in U.K. and reduction in shelf space at large U.K. retailer
- Difficult environment driven by persistent economic, political and competitive factors

See reconciliation of GAAP to non-GAAP financial measures on slides 31 to 34, including the impact of constant currency.

2Q 2017 Sales results: Consumer segment

Asia/Pacific



- Double-digit growth in China driven by holiday promotions and sustained momentum in e-commerce
- Double-digit sales increase in India
- Acquisition of Gourmet Garden contributed to growth

See reconciliation of GAAP to non-GAAP financial measures on slides 31 to 34, including the impact of constant currency.

2Q 2017 Operating income: Consumer segment

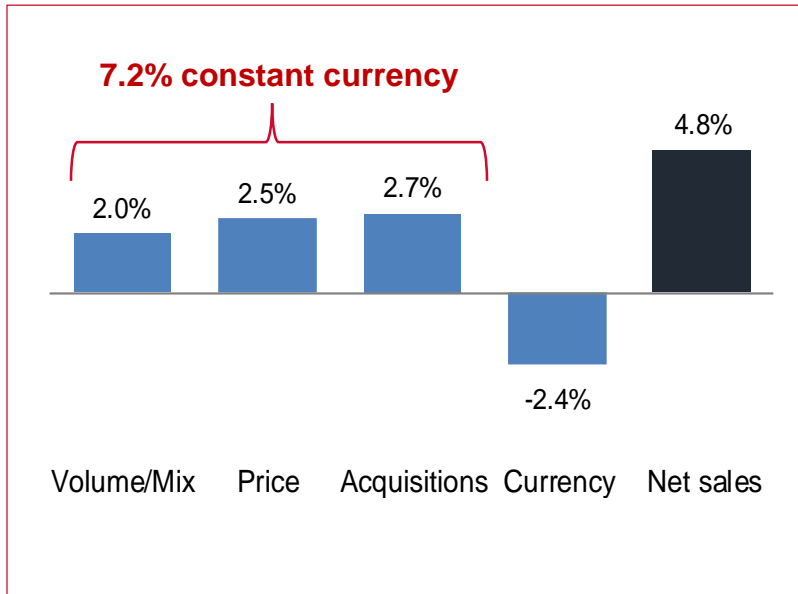
<i>(in millions)</i>	2Q 2017	2Q 2016	Fav (Unfav) Change
Operating income	\$88.3	\$82.9	7%
Operating income, excluding special charges*	91.3	86.4	6%

- In constant currency, adjusted operating income increased 7%*
- Sales growth and cost savings more than offset unfavorable impact of higher material costs

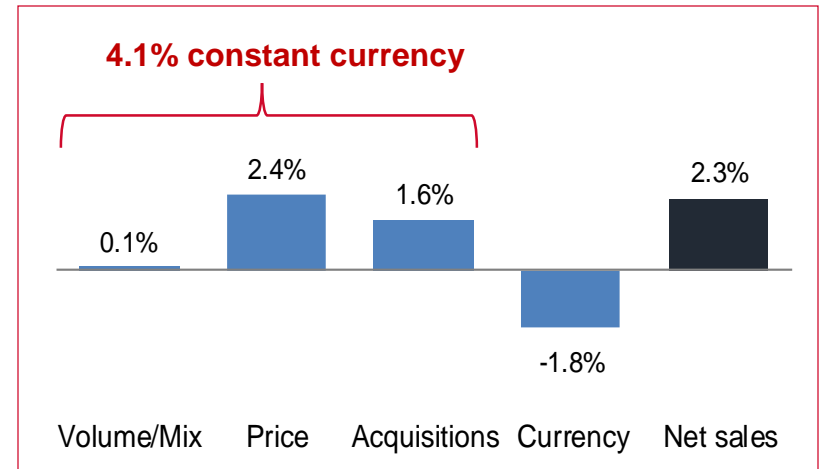
* Adjusted operating income and adjusted operating income growth rate exclude the impact of items affecting comparability in 2Q 2017 and 2Q 2016. See reconciliation of GAAP to non-GAAP financial measures on slides 31 to 34.

2Q 2017 Sales results

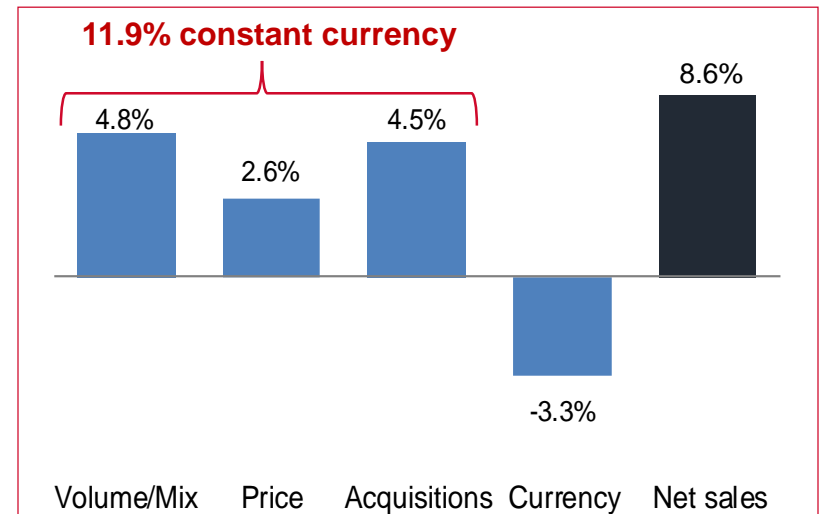
Total Company



Consumer



Industrial

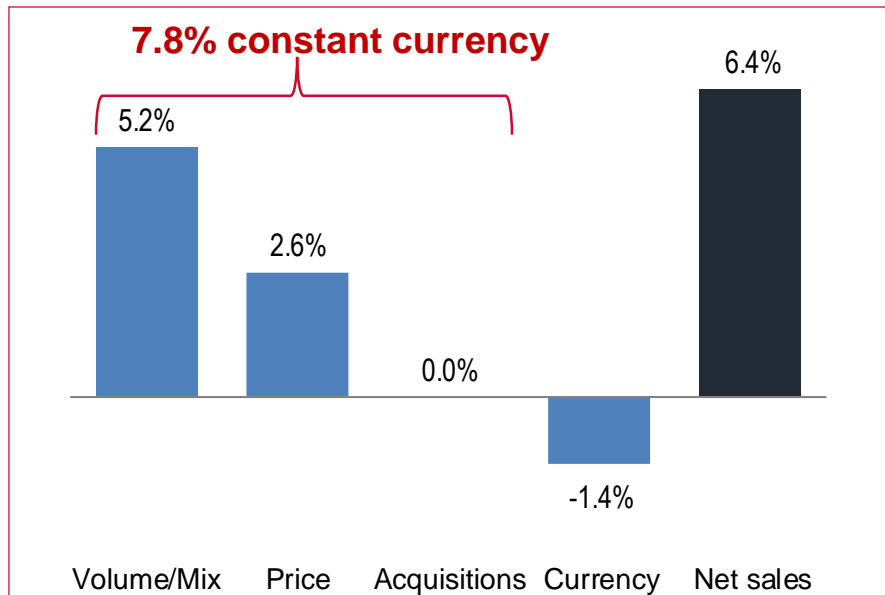


See reconciliation of GAAP to non-GAAP financial measures on slides 31 to 34, including the impact of constant currency.



2Q 2017 Sales results: Industrial segment

Americas

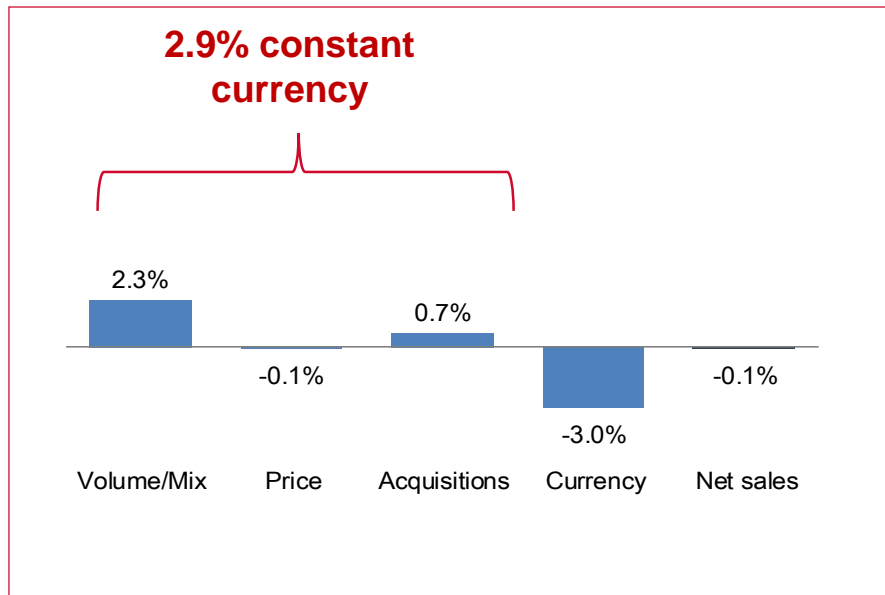


- Increased sales of savory flavor, branded foodservice and snack seasoning products
- Pricing to offset higher material costs
- Lower sales to quick service restaurants

See reconciliation of GAAP to non-GAAP financial measures on slides 31 to 34, including the impact of constant currency.

2Q 2017 Sales results: Industrial segment

Asia/Pacific



- Strong sales growth in China, Thailand and Australia with demand from quick service restaurant customers
- Acquisition of Gourmet Garden contributed to growth

See reconciliation of GAAP to non-GAAP financial measures on slides 31 to 34, including the impact of constant currency.

2Q 2017 Operating income: Industrial segment

<i>(in millions)</i>	2Q 2017	2Q 2016	Fav (Unfav) Change
Operating income	\$44.3	\$42.1	5%
Operating income, excluding special charges*	46.0	42.5	8%

- In constant currency, adjusted operating income increased 13%*
- Sales growth, cost savings and more favorable business mix more than offset unfavorable impact of higher material cost and increase in brand marketing

* Adjusted operating income and adjusted operating income growth rate exclude the impact of items affecting comparability in 2Q 2017 and 2Q 2016. See reconciliation of GAAP to non-GAAP financial measures on slides 31 to 34.

Operating income, gross profit, SG&A

<i>(in millions)</i>	2Q 2017	2Q 2016	Fav (Unfav) Change
Operating income	\$132.6	\$125.0	6%
Operating income, excluding special charges*	137.3	128.9	7%
Gross profit margin	39.9%	40.7%	(80 bps)
Selling, general & administrative expenses as percent of net sales	27.6%	28.6%	100 bps
Promotion & advertising	70.2	69.7	1%

- Grew adjusted operating income 9% in constant currency
- Special charges were \$5 million in 2Q 2017 and \$4 million in 2Q 2016
- Lower gross profit margin driven by unfavorable impact of currency exchange rates and timing of pricing actions
- Reduced selling, general and administrative expense as percentage of net sales due to leverage from sales growth and CCI-led savings

* Adjusted operating income and adjusted operating income growth rate exclude the impact of items affecting comparability in 2Q 2017 and 2Q 2016. See reconciliation of GAAP to non-GAAP financial measures on slides 31 to 34.

Income taxes

<i>(in millions)</i>	2Q 2017	2Q 2016
Income taxes	\$27.3	\$25.9
Income tax rate	23.0%	23.1%

- 2Q 2017 tax rate declined 10 bps vs the year-ago period
- Continue to expect tax rate of approximately 28% in 2017, including benefit of change in accounting for equity awards

Income from unconsolidated operations

<i>(in millions)</i>	2Q 2017	2Q 2016	Fav (Unfav) Change
Income from unconsolidated operations	\$8.4	\$7.7	9%

- Growth from Eastern joint venture in India
- Unfavorable impact from currency, particularly for joint venture in Mexico which grew sales at a high single-digit rate in constant currency
- Anticipate income from unconsolidated operations to be impacted by unfavorable currency headwinds throughout FY 2017

Earnings per share

	2Q 2017	2Q 2016	Fav(Unfav) Change
Earnings per share	\$0.79	\$0.73	8%
Adjusted earnings per share*	0.82	0.75	9%

Growth in adjusted operating income	\$0.05
Share decrease	0.01
Higher unconsolidated net income	<u>0.01</u>
Change in adjusted earnings per share*	\$0.07

- Adjusted earnings per share \$0.07 above year-ago period, including impact of unfavorable currency rates
- Increase driven by higher adjusted operating income, lower shares outstanding and higher unconsolidated net income

* Adjusted earnings per share excludes the impact of items affecting comparability in 2Q 2017 and 2Q 2016. See reconciliation of GAAP to non-GAAP financial measures on slides 31 to 34.

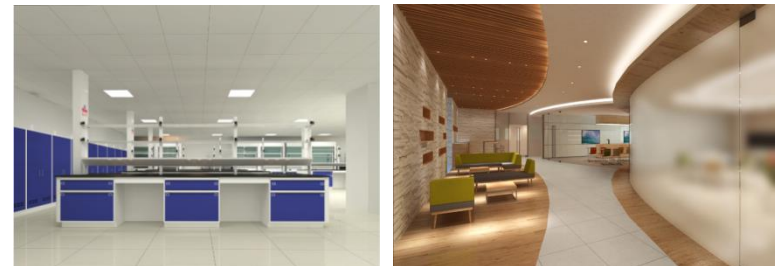
Balance sheet and cash flow

YTD cash flow from operations of \$177M vs \$213M in 2016

- Increase in net income offset by the timing of income tax payments and incentive compensation payments
- Capital expenditures of \$66M YTD; expect 2017 capital expenditures of \$170M to \$190M
- Returned \$253 million of cash to shareholders through dividends and share repurchases

Strong cash flow providing funds for continued investment in brand marketing, product innovation, acquisitions and other growth strategies

Low debt leverage positions McCormick to finance these investments



New Shanghai facility

2017 Financial outlook

		<u>Including currency impact</u>
Sales growth in constant currency	5% to 7%	4% to 6%
Impact of acquisitions ~ 2%, pricing ~ 3%, currency ~ (1%)		
Adjusted operating income increase in constant currency *	9% to 11%	8% to 10%
CCI and additional cost savings	at least \$100M	
Material cost inflation	mid single digit rate	
Gross profit margin increase	0 to 50 bps	
Brand marketing increase	mid to high single digit rate	
Income from unconsolidated operations	down from 2016	
Effective tax rate	approximately 28%	
Adjusted earnings per share **	\$4.05 - \$4.13	
Growth from 2016 adjusted EPS of \$3.78, excl currency **	9% to 11%	7% to 9%
Shares outstanding	~ 2% reduction	
Capital expenditures	\$170-\$190M	

* From adjusted operating income of \$657 million in 2016. See reconciliation of GAAP to non-GAAP financial measures on slides 31 to 31.

** See reconciliation of GAAP to non-GAAP financial metrics on slides 31 to 34.

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Non-GAAP Financial Measures

The tables below include financial measures of adjusted operating income, adjusted net income and adjusted diluted earnings per share, each excluding the impact of special charges for the periods presented. These represent non-GAAP financial measures which are prepared as a complement to our financial results prepared in accordance with United States generally accepted accounting principles. In our consolidated income statement, we include a separate line item captioned “special charges” in arriving at our consolidated operating income. Special charges consist of expenses 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, comprised of our Chairman, President and Chief Executive Officer; Executive Vice President and Chief Financial Officer; President Global Industrial Segment and McCormick International; President Global Consumer Segment and North America; and Senior Vice President, Human Relations. Upon presentation of any such proposed action (including details with respect to estimated costs, which generally consist principally of employee severance and related benefits, together with ancillary costs associated with the action that may include a non-cash component or a component which relates to inventory adjustments that are included in cost of goods sold; impacted employees or operations; expected timing; and expected benefits) 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.

We believe that these non-GAAP financial measures are important. The exclusion of special charges and the impact of foreign currency exchange rates provides additional information that enables enhanced comparisons to prior periods and, accordingly, facilitates the development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of our ongoing operations and analyze our business performance and trends.

These non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP, but 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

(in millions except per share data)	Three Months Ended		Six Months Ended	
	5/31/2017	5/31/2016	5/31/2017	5/31/2016
Operating income	\$ 132.6	\$ 125.0	\$ 266.8	\$ 254.1
Impact of special charges	4.7	3.9	8.3	5.5
Adjusted operating income	<u>\$ 137.3</u>	<u>\$ 128.9</u>	<u>\$ 275.1</u>	<u>\$ 259.6</u>
% increase versus prior period	6.5%		6.0 %	
Net income	\$ 100.0	\$ 93.8	\$ 193.5	\$ 187.2
Impact of special charges above (1)	3.4	2.7	5.9	4.0
Adjusted net income	<u>\$ 103.4</u>	<u>\$ 96.5</u>	<u>\$ 199.4</u>	<u>\$ 191.2</u>
% increase versus prior period	7.2%		4.3 %	
Earnings per share - diluted	\$ 0.79	\$ 0.73	\$ 1.53	\$ 1.46
Impact of special charges above	0.03	0.02	0.04	0.03
Adjusted earnings per share - diluted	<u>\$ 0.82</u>	<u>\$ 0.75</u>	<u>\$ 1.57</u>	<u>\$ 1.49</u>
% increase versus prior period	9.3%		5.4 %	

(1) Special charges of \$4.7 million and \$8.3 million for the three and six months ended May 31, 2017 and \$3.9 million and \$5.5 million for the three and six months ended May 31, 2016 are net of taxes of \$1.3 million, \$2.4 million, \$1.2 million and \$1.5 million, respectively.

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 and adjusted operating income 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. Constant currency growth rates follow:

	Three Months Ended May 31, 2017			Six Months Ended May 31, 2017		
	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis
Net sales						
Consumer segment						
Americas	4.8%	(0.3)%	5.1%	3.5%	—%	3.5%
EMEA	(9.2)%	(4.4)%	(4.8)%	(8.2)%	(3.5)%	(4.7)%
Asia/Pacific	10.0%	(4.6)%	14.6%	8.3%	(5.3)%	13.6%
Total consumer segment	2.3%	(1.8)%	4.1%	1.5%	(1.6)%	3.1%
Industrial segment						
Americas	6.4%	(1.4)%	7.8%	4.3%	(1.4)%	5.7%
EMEA	22.4%	(10.6)%	33.0%	11.5%	(11.4)%	22.9%
Asia/Pacific	(0.1)%	(3.0)%	2.9%	3.1%	(3.1)%	6.2%
Total industrial segment	8.6%	(3.3)%	11.9%	5.5%	(3.5)%	9.0%
Total net sales	4.8%	(2.4)%	7.2%	3.1%	(2.4)%	5.5%
Adjusted operating income						
Consumer segment	5.7%	(1.3)%	7.0%	4.7%	(1.1)%	5.8%
Industrial segment	8.2%	(5.2)%	13.4%	8.9%	(6.4)%	15.3%
Total adjusted operating income	6.5%	(2.6)%	9.1%	6.0%	(2.7)%	8.7%

Non-GAAP Financial Measures

To present the percentage change in projected 2017 sales, adjusted operating income and adjusted earnings per share on a constant currency basis, projected sales and adjusted operating income for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollars at the company's budgeted exchange rate for 2017 and are compared to the 2016 results, translated into U.S. dollars using the same 2017 budgeted exchange rate, rather than at the average actual exchange rates in effect during fiscal year 2016. This calculation is performed to arrive at adjusted net income (however, no adjustment is made for the company's share of income in unconsolidated operations that are denominated in currencies other than the U.S. dollar) divided by historical shares outstanding for fiscal year 2016 or projected shares outstanding for fiscal year 2017, as appropriate.

Fiscal year 2016 actual results and 2017 projections

(in millions except per share data)

	Twelve Months Ended	
	2017 Projection	11/30/16
Operating income		\$ 641.0
Impact of special charges		16.0
Adjusted operating income		<u>\$ 657.0</u>
Earnings per share - diluted	\$3.94 to \$4.02	\$ 3.69
Impact of special charges, including special charges attributable to non-controlling interests	0.11	0.09
Adjusted earnings per share - diluted	<u>\$4.05 to \$4.13</u>	<u>\$ 3.78</u>
Percentage change in sales	4% to 6%	
Impact of foreign currency exchange rates	(1)%	
Percentage change in sales on constant currency basis	<u>5% to 7%</u>	
Percentage change in adjusted operating income	8% to 10%	
Impact of foreign currency exchange rates	(1)%	
Percentage change in adjusted operating income on constant currency basis	<u>9% to 11%</u>	
Percentage change in adjusted earnings per share	7% to 9%	
Impact of foreign currency exchange rates	(2)%	
Percentage change in adjusted earnings per share on constant currency basis	<u>9% to 11%</u>	