



# McCormick & Company, Inc.

Bernstein Strategic Decisions Conference

June 3, 2016

*McCormick Brings Passion to Flavor™*

## McCormick's Executive Leadership Team



**Lawrence Kurzius**  
President and Chief Executive  
Officer



**Lisa Manzone**  
Senior Vice President  
Human Relations



**Malcolm Swift**  
President, Global Industrial  
and International Business



**Gordon Stetz**  
Executive Vice President  
and Chief Financial Officer



**Brendan Foley**  
President Global Consumer  
Business and North America



**Jeffery Schwartz**  
Vice President, General  
Council & Secretary



**Nneka Rimmer**  
Senior Vice President Corporate  
Strategy & Development



**Michael Smith**  
Senior Vice President  
Corporate Finance

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## 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,” “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 different geographies and markets, expected trends in net sales and earnings performance and other financial measures, 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, our ability to issue additional debt or equity securities and our expectations regarding purchasing shares of our common stock under the existing 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 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, the threat of data breaches and cyber attacks; 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 the company’s filings with the Securities and Exchange Commission.

Actual results could differ materially from those projected in the forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law. Unless otherwise indicated herein, information provided in these materials represents our consolidated business activities consistent with the standards of US GAAP and does not represent any of the activities of any one particular legal entity that is part of the consolidated enterprise.

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## McCormick's key messages

Business **aligned with consumer demand** for flavor, healthy eating, purity

Building business with **effective growth strategies**

**Fueling investment** with CCI program

Driving shareholder return with focus on **growth, performance, people**



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## Global portfolio aligned with direction of today's consumer



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# Global portfolio aligned with direction of today's consumer

**DIETARY  
GUIDELINES  
FOR AMERICANS  
2015-2020  
EIGHTH EDITION**

*“Shift food choice to reduce sodium intake....flavoring foods with herbs and spices instead of salt.”*



## Tip: Spice it up!

ChooseMyPlate.gov sent this bulletin at 05/21/2016 10:30 AM EDT



## TIP OF THE DAY

### Spice it up!

Make foods tasty using less salt. To punch up the flavor in dishes - try adding ginger, oregano, paprika, rosemary, sage, tarragon, or thyme.

Flavorful recipe options:

- Chicken Curry Casserole
- Greek Pork Chops



Inspiring Healthy Choices



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## Global portfolio aligned with direction of today's consumer

# The Taste you Trust

Top spice & herb quality assurance

Working with farmers on sustainable growing practices

Traceability



Cardamom



Vanilla



Black Pepper



Nutmeg

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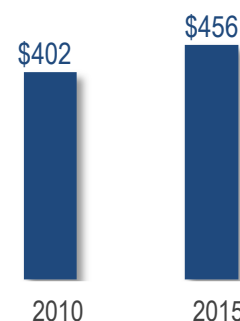
## Consumer segment leadership

**Leading, iconic  
spice, herb &  
regional favorite  
brands**

Net sales  
(in billions)



Adjusted operating income  
(in millions)



Products at every  
price point—from  
premium gourmet  
to value-priced

**>140**

We have brands in more than  
140 countries and territories

Our Leading Brands Stand for Flavor



For adjusted operating income see reconciliation of GAAP to non-GAAP financial measures on last 2 slides of presentation.

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## Industrial segment leadership



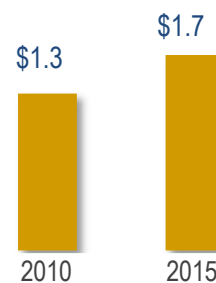
Globally, sell to 9 of the top 10 food and beverage companies and each of the top 10 foodservice and restaurant chains

**ONE OF THE BROADEST RANGES OF FLAVOR SOLUTIONS IN THE INDUSTRY,**

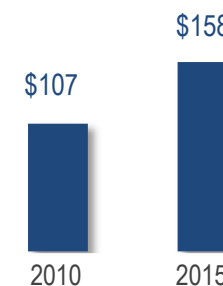
# 47%

Grew sales 24% and adjusted operating income 47% since 2010

Net sales  
(in billions)



Adjusted operating income  
(in millions)



For adjusted operating income see reconciliation of GAAP to non-GAAP financial measures on last 2 slides of presentation.

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# McCormick's strategic roadmap



***“Our Mission is to save the world from boring food”***



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## McCormick's strategic roadmap

### Growth

#### → Drive base business

- Accelerate scalable & differentiated innovation
- Expand availability & footprint
- Excel in customer intimacy & consumer insights

Algorithm for long-term sales growth

Long-term goal 4 – 6 %



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## Growth: Driving base business

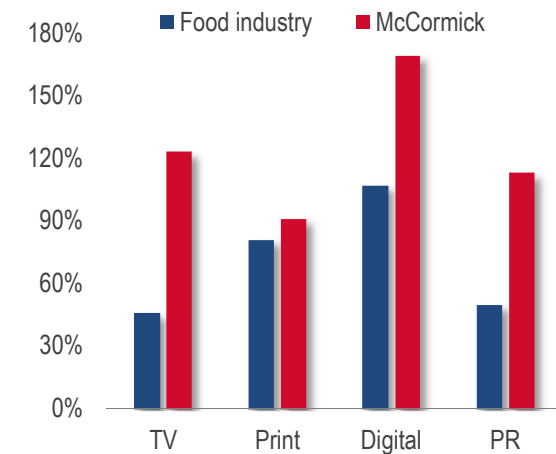
Brand Marketing up **44%** since 2010

Category-leading share of voice with  
**\$241 million spend** in 2015



U.S. media spend **ROI >**  
**industry average** across  
TV, Print, Digital & PR

ROI on brand marketing (U.S.)



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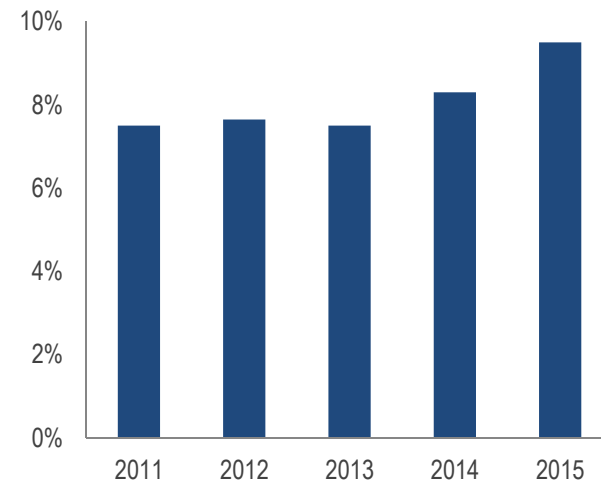


## Growth: Driving base business

Shift toward more value-added products in industrial portfolio



Industrial adjusted operating income margin



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## Growth: Accelerate scalable & differentiated innovation



# 18

**Innovation centers and product development labs worldwide**



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## Growth: expand availability and footprint





## Growth: expand availability and footprint

**Global leader** in chilled convenient packaged herbs merchandised with fresh produce



Annual sales ~\$53M; **double-digit sales growth** expected next several years

- Increase household penetration
- Expand distribution in current and new markets
- Leverage marketing expertise

Purchase price of \$114M at approximately **12x EBITDA** multiple



Stir-in pastes and seasonings



Lightly dried herbs and spices

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## Growth: expand availability and footprint



## McCormick's strategic roadmap

### Growth

- Drive **base business**
  - Accelerate scalable & differentiated **innovation**
  - **Expand** availability & footprint
- Excel in customer **intimacy & consumer insights**

- Category management tools spend up **500%** over prior year
- Recently ranked Global Flavor Supplier by **3** top food & beverage companies
- Won **>80%** of new product briefs with top industrial customer

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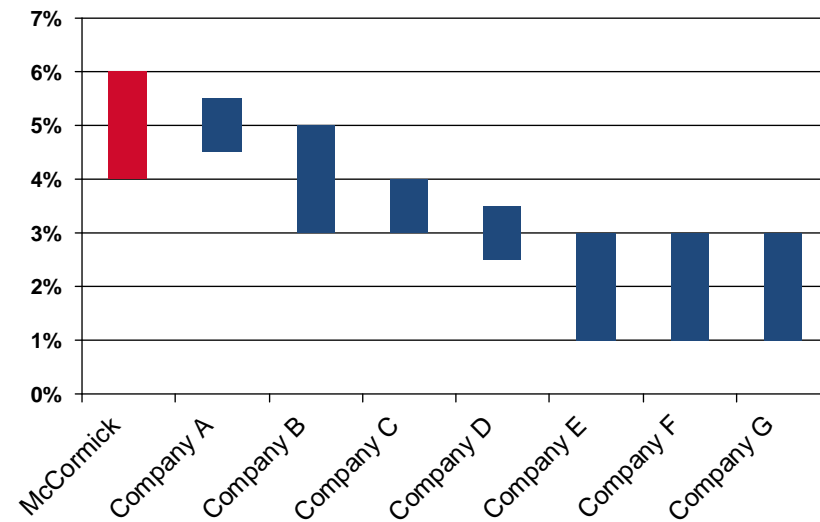


## McCormick's strategic roadmap

### Growth

- Drive base business
- Accelerate scalable & differentiated innovation
- Expand availability & footprint
- Excel in customer intimacy & consumer insights

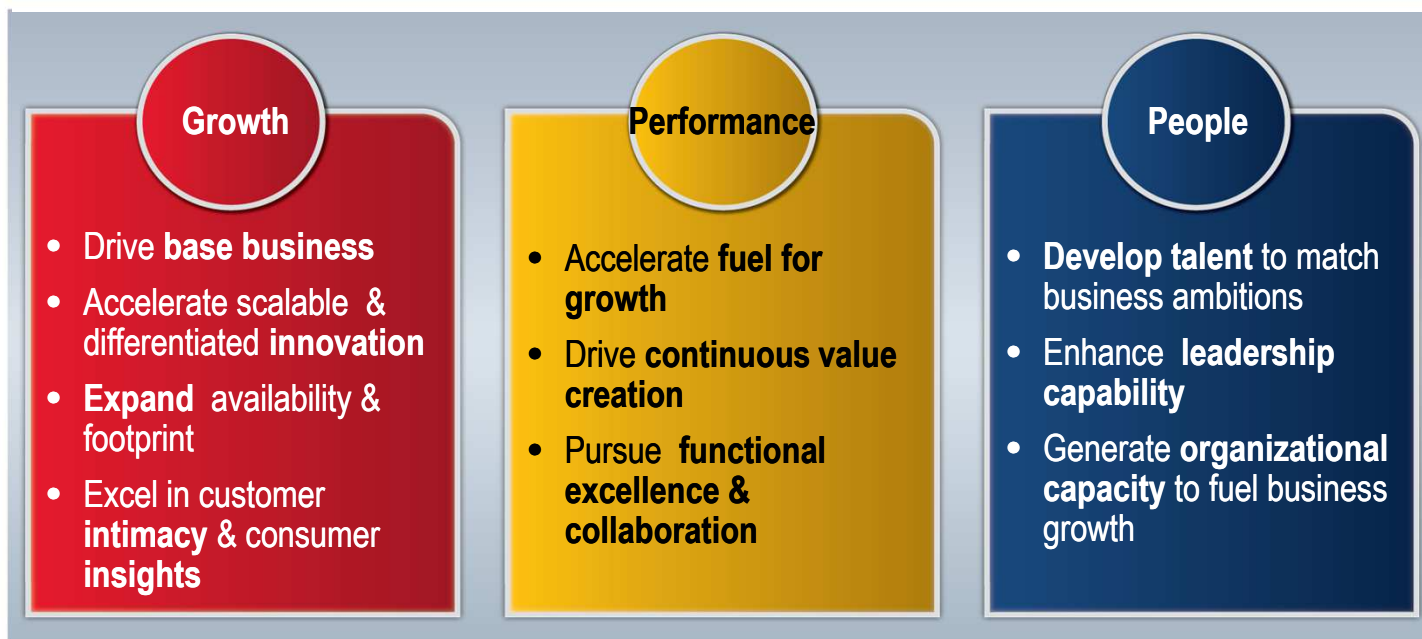
**Long-term 4 – 6% sales growth goal is at the top end of peers**



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## McCormick's strategic roadmap



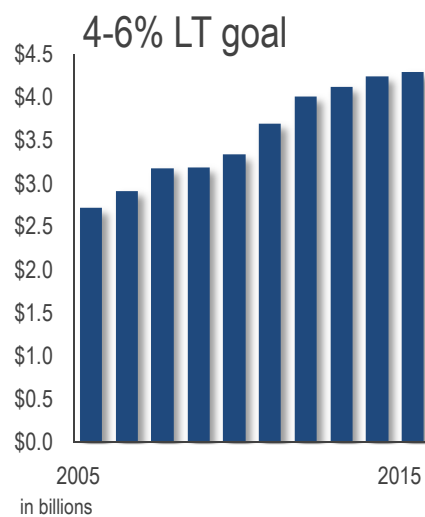
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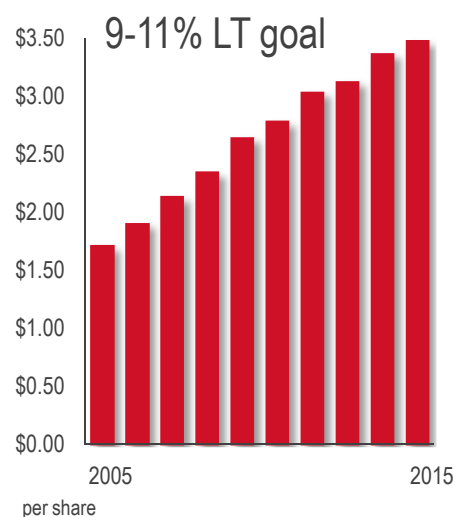


## Performance: strong 10-year track record

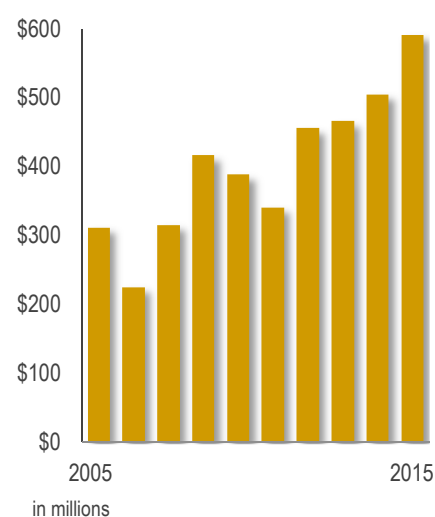
### Net sales



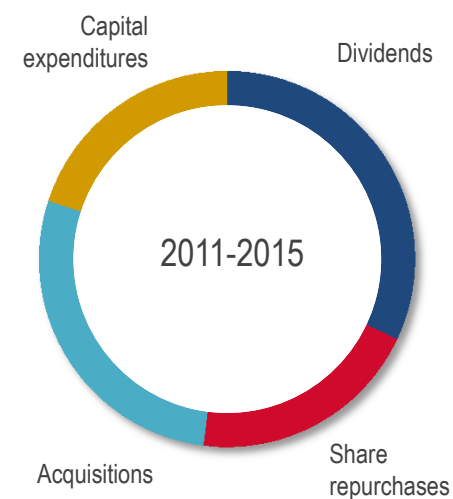
### Adjusted EPS



### Cash flow



### Balanced Use of Cash



For adjusted EPS see reconciliation of GAAP to non-GAAP financial measures on last 2 slides of presentation.

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## Performance: increased confidence in long-term objectives

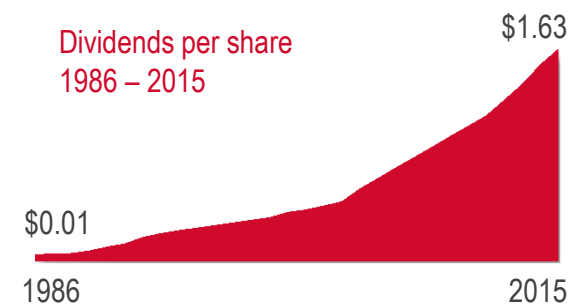
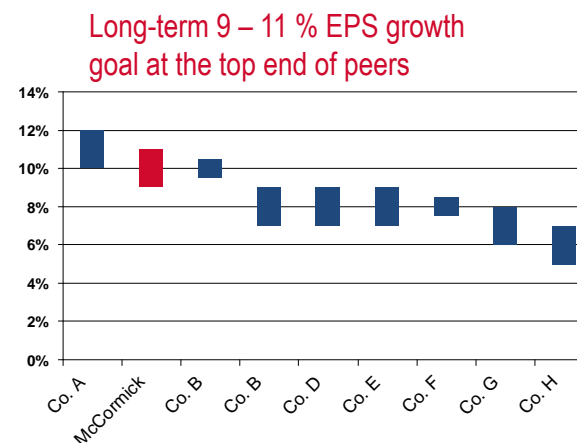
### Long-term financial objectives

Sales growth 4-6%

Operating income 7-9%

Earnings per share 9-11%

Total shareholder return 11-13%



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## Performance: Accelerate fuel for growth

New 4-year \$400 million target

Vendor consolidation

High-speed equipment and automation

Process reliability

Streamline selling, general & administration

System technology

Sustainability



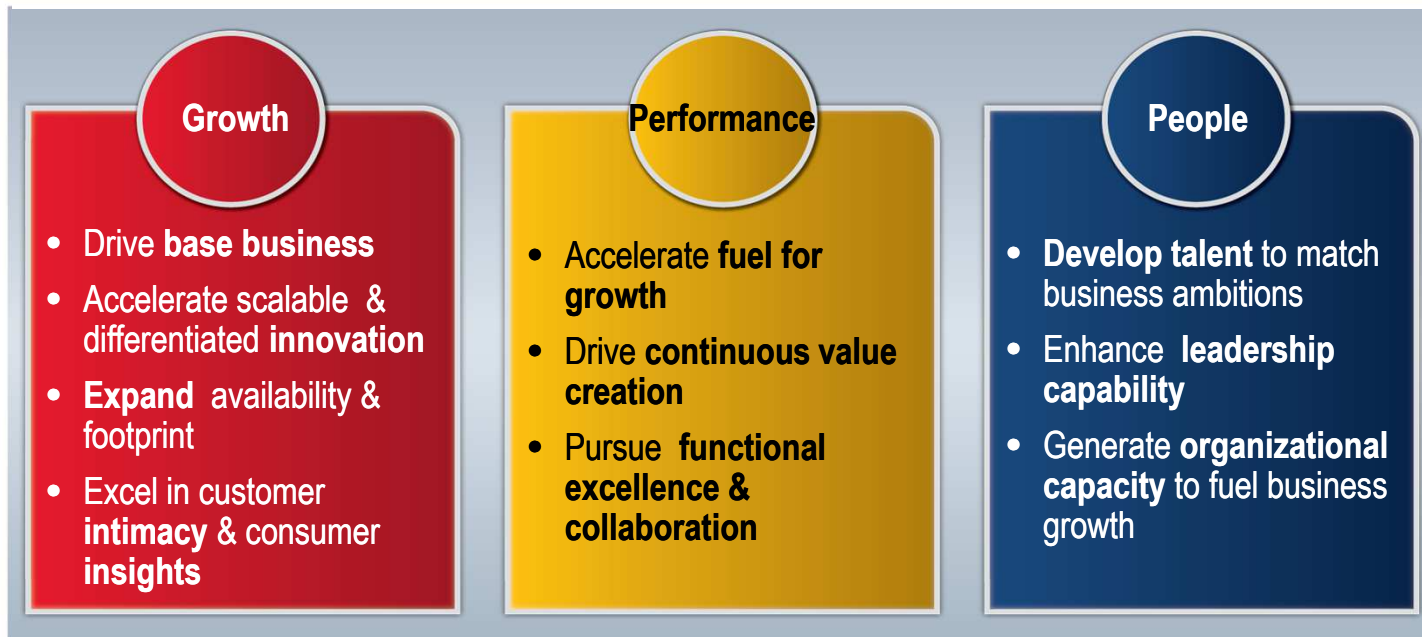
~2% of sales

~3.5% of cost of goods sold

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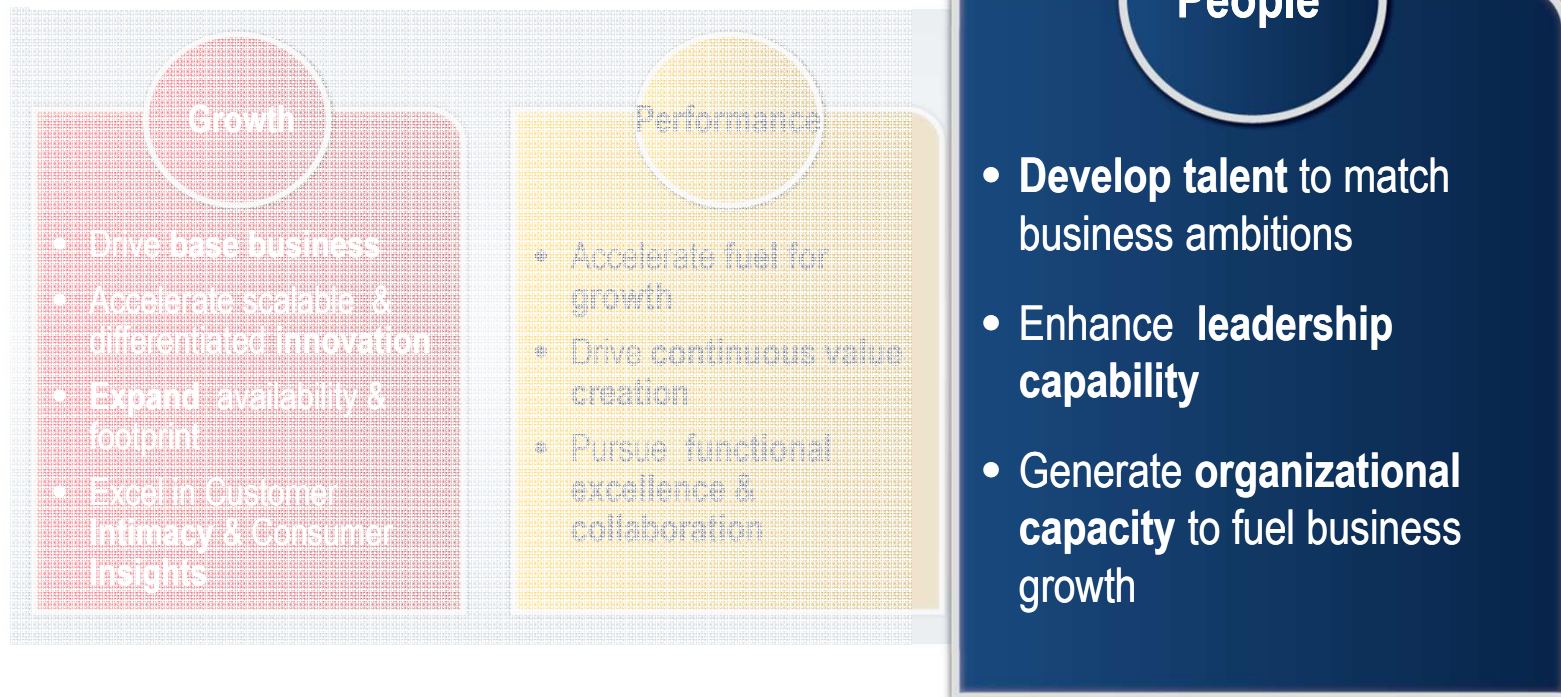
## McCormick's strategic roadmap



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## McCormick's strategic roadmap



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## Summary

Executing on strategies to drive sales and profit growth

McCormick “flavor advantage”:  
Flavor is on-trend and growing

Becoming higher performance  
organization



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## McCormick & Company, Inc. Historical Financial Summary

The financial information contained in this summary should be read in conjunction with the Company's audited financial statements contained in its annual reports.

<i>(millions except per share and ratio data)</i>	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>For the Year</b>											
Net sales	\$ 4,296.3	\$ 4,243.2	\$ 4,123.4	\$ 4,014.2	\$ 3,697.6	\$ 3,336.8	\$ 3,192.1	\$ 3,176.6	\$ 2,916.2	\$ 2,716.4	\$ 2,592.0
Percent increase	1.3%	2.9%	2.7%	8.6%	10.8%	4.5%	0.5%	8.9%	7.4%	4.8%	2.6%
Operating income	548.4	603.0	550.5	578.3	540.3	509.8	466.9	376.5	354.2	269.6	343.5
Income from unconsolidated operations	36.7	29.4	23.2	21.5	25.4	25.5	16.3	18.6	20.7	17.1	15.9
Net income	401.6	437.9	389.0	407.8	374.2	370.2	299.8	255.8	230.1	202.2	214.9
<b>Per Common Share</b>											
Earnings per share - basic	\$ 3.14	\$ 3.37	\$ 2.94	\$ 3.07	\$ 2.82	\$ 2.79	\$ 2.29	\$ 1.98	\$ 1.78	\$ 1.53	\$ 1.60
Earnings per share - diluted	3.11	3.34	2.91	3.04	2.79	2.75	2.27	1.94	1.73	1.50	1.56
Common dividends declared	1.63	1.51	1.39	1.27	1.15	1.06	0.98	0.90	0.82	0.74	0.66
Closing price, non-voting shares - end of year	85.92	74.33	69.00	64.56	48.70	44.01	35.68	29.77	38.21	38.72	31.22
Book value per share	13.25	14.10	14.85	12.83	12.17	11.00	10.19	8.17	8.57	7.20	6.25
<b>At Year-End</b>											
Total assets	\$ 4,507.8	\$ 4,414.3	\$ 4,449.7	\$ 4,165.4	\$ 4,087.8	\$ 3,419.7	\$ 3,387.8	\$ 3,220.3	\$ 2,787.5	\$ 2,568.0	\$ 2,272.7
Current debt	343.0	270.8	214.1	392.6	222.4	100.4	116.1	354.0	149.6	81.4	106.1
Long-term debt	1,052.7	1,014.1	1,019.0	779.2	1,029.7	779.9	875.0	885.2	573.5	569.6	463.9
Shareholders' equity	1,686.9	1,809.4	1,947.7	1,700.2	1,618.5	1,462.7	1,343.5	1,062.8	1,095.0	936.9	829.1
<b>Other Financial Measures</b>											
Percentage of net sales											
Gross profit	40.4%	40.8%	40.4%	40.3%	41.2%	42.5%	41.6%	40.6%	40.9%	41.0%	40.0%
Operating income	12.8%	14.2%	13.4%	14.4%	14.6%	15.3%	14.6%	11.9%	12.1%	9.9%	13.3%
Capital expenditures	\$ 128.4	\$ 132.7	\$ 99.9	\$ 110.3	\$ 96.7	\$ 89.0	\$ 82.4	\$ 85.8	\$ 78.5	\$ 84.8	\$ 66.8
Depreciation and amortization	105.9	102.7	106.0	102.8	98.3	95.1	94.3	85.6	82.6	84.3	74.6
Common share repurchases	145.8	244.3	177.4	132.2	89.3	82.5	—	11.0	157.0	155.9	185.6
Average shares outstanding											
Basic	128.0	129.9	132.1	132.7	132.7	132.9	130.8	129.0	129.3	131.8	134.5
Diluted	129.2	131.0	133.6	134.3	134.3	134.7	132.3	131.8	132.7	135.0	138.1

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**Notes to Historical Financial Summary**

The historical financial summary includes the impact of certain items that affect the comparability of financial results year to year. In 2015, 2014 and 2013, we recorded special charges related to the completion of a reorganization in EMEA and streamlining actions in the U.S. and Australian businesses. Also in 2015, we recognized an impairment related to our Kohinoor consumer business in India. In 2013, we also recognized a loss on voluntary pension settlement in the U.S. In 2010, we had the benefit of the reversal of a significant tax accrual for a closed tax year. This tax accrual was recorded in a prior period based on uncertainties about the tax aspects of transactions related to the reorganization of our European operations and divestment of certain of our joint ventures. From 2006 to 2009, restructuring charges were recorded. Also, in 2008 an impairment charge of \$29.0 million was recorded to reduce the value of the Silvo brand. Related to the acquisition of Lawry's in 2008, the Company recorded a net gain of \$7.9 million.

The net impact of these items is reflected in the following table:

<i>(millions except per share data)</i>	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating income	\$ (65.5)	\$ (5.2)	\$ (40.3)	—	—	—	\$ (16.2)	\$ (45.6)	\$ (34.0)	\$ (84.1)	\$ (11.2)
Net income	(47.9)	(3.7)	(29.2)	—	—	\$ 13.9	(10.9)	(26.2)	(24.2)	(30.3)	(7.5)
Earnings per share - diluted	(0.37)	(0.03)	(0.22)	—	—	0.10	(0.08)	(0.20)	(0.18)	(0.22)	(0.05)

The reconciliation below shows earnings per share excluding the items in the above table:

**Non-GAAP reconciliation (per share data)**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Earnings per share - diluted											
Continuing operations	\$ 3.11	\$ 3.34	\$ 2.91	\$ 3.04	\$ 2.79	\$ 2.75	\$ 2.27	\$ 1.94	\$ 1.73	\$ 1.50	\$ 1.56
Items affecting comparability	(0.37)	(0.03)	(0.22)	—	—	0.10	(0.08)	(0.20)	(0.18)	(0.22)	(0.05)
Adjusted earnings per share from continuing operations - diluted	\$ 3.48	\$ 3.37	\$ 3.13	\$ 3.04	\$ 2.79	\$ 2.65	\$ 2.35	\$ 2.14	\$ 1.91	\$ 1.72	\$ 1.61

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