



McCORMICK

*McCormick Brings  
Passion to Flavor*

Second Quarter 2013 Financial Results and Business Outlook

June 27, 2013

The following slides accompany a June 27, 2013 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,” “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, 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 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 external factors such as: damage to our reputation or brand name, business interruptions due to natural disasters or similar unexpected events, actions of competitors, customer relationships and financial condition, the ability to achieve expected cost savings and margin improvements, the successful acquisition and integration of new businesses, fluctuations in the cost and availability of raw and packaging materials, changes in regulatory requirements, and global economic conditions generally which would include the availability of financing, interest and inflation rates and investment return on retirement plan assets, as well as foreign currency fluctuations, risks associated with our information technology systems, the threat of data breaches or cyber attacks, 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.

*McCormick Brings Passion to Flavor™*



## Second quarter 2013 results and business update



**Alan Wilson**  
*Chairman, President & CEO*

*McCormick Brings Passion to Flavor™*



## Second quarter 2013 overview

### ❖ Strong sales growth for consumer business

- Grew sales 5% in local currency with volume and product mix increases
- Particular strength in U.S., U.K., France, China and Russia, driven by innovation, brand marketing support and distribution gains

### ❖ Industrial sales comparable to year-ago

- Lower demand from quick service restaurants in Americas, China
- Remain cautious, but expect improvement in 4Q 2013

### ❖ Operating income \$116 million, compared to \$121 million in 2Q 2012

- Included \$4 million of WAPC transaction costs, \$5million of increased retirement benefit costs

### ❖ EPS of \$0.59, compared to \$0.60 in 2Q 2012

- Included \$0.02 from WAPC transaction costs
- Excluding this impact, EPS was slightly higher than outlook provided in April

*McCormick Brings Passion to Flavor™*



# Business update

## Acquisition of Wuhan Asia Pacific Condiments

- ❖ Completed acquisition May 31, 2013
- ❖ Leading position in bouillon in central China, modern production facility
- ❖ Annual sales of approximately \$122 million; expected to grow at double-digit rate
- ❖ On annual basis, acquisition should bring China to approximately 7% of total company sales
- ❖ Integration well underway
- ❖ Adds 1 percentage point to 2013 sales and lowers EPS by \$0.02
- ❖ Accretive to earnings per share in 2014



# Business update

## Innovation and brand marketing support - Americas

- ❖ Strong retail execution for Easter holiday, supported by print, coupons and digital media
- ❖ 21% YTD increase in units shipped on grilling displays; multi-brand approach includes Grill Mates, Lawry's, core McCormick brand spices, and Zatarain's seafood items
- ❖ Dedicated Hispanic support for Grill Mates
- ❖ In Canada, new Club House Bag 'n Season product launch

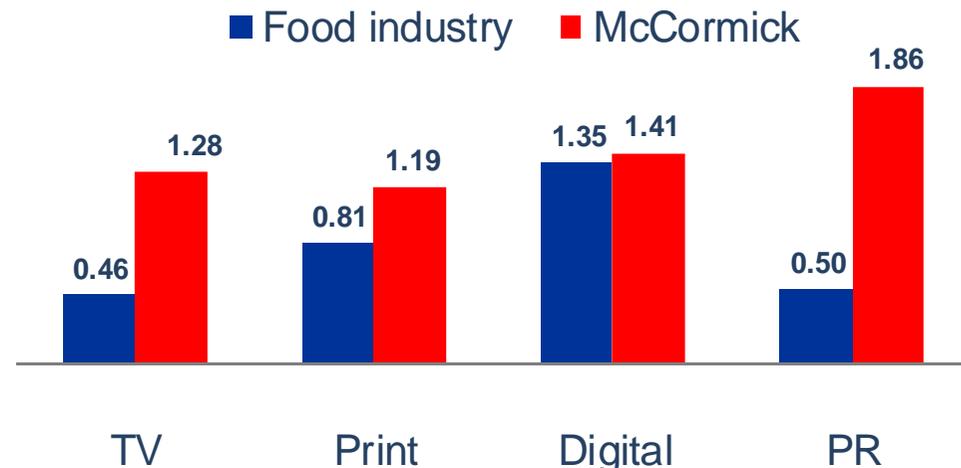


# Business update

## Innovation and brand marketing support - Americas

- ❖ Category management to optimize sales and profit for spices and seasonings
- ❖ Increased recipe searches for Gourmet dinner party 32%, number of Facebook fans 25%, unique visitors to mccormick.com 47%
- ❖ Achieving superior returns on marketing investment

Latest ROI on consumer marketing in U.S. exceeds industry benchmarks



2012 U.S. Marketing Mix Analysis prepared by Marketing Management Analytics

*McCormick Brings Passion to Flavor™*



# Business update

## Innovation and brand marketing support – Europe, Middle East, Africa

- ❖ New Vahiné dessert items
- ❖ Recipe mix introduction into France and Poland; achieved 6% category share in France
- ❖ First premium gourmet line in France
- ❖ Additional innovation includes “2 for 1” recipe mixes and Flavour shots



McCormick Brings Passion to Flavor™



# Business update

## Innovation and brand marketing support – Europe, Middle East, Africa

- ❖ New merchandizing set in France already in 500 stores; increases shelf space by 11%



McCormick Brings Passion to Flavor™



# Business update

## Innovation and brand marketing support – Asia/Pacific

- ❖ In Australia, new Aeroplane ready-to-serve gelatin helped reach 85% category share; Sweet Treats extends brand into new category
- ❖ In China, added 4 percentage points to category share with new recipe mixes; introducing 12 spice seasoning blend and squeezable package ketchup
- ❖ In India, Rice 'n Spice and 2 Minute Meal launching in additional cities



# Business update

## Industrial business

- ❖ Lower demand from quick service restaurants
  - Emphasis on other menu items in Americas
  - Impact of bird flu on restaurant traffic in China
- ❖ Demand from food manufacturers particularly strong in snack seasonings
- ❖ Improved sales of branded food service products
- ❖ Focus remains on strategic customers and shift toward more value-added, higher margin innovation
- ❖ Solid pipeline of new products
- ❖ Expect stronger growth in 4Q 2013 and into 2014



## Business update

### Leadership changes as part of on-going development and succession plan

- ❖ As previously announced, Mark Timbie, President-Consumer Foods Americas & Chief Administrative Officer, to retire June 2013
- ❖ Lawrence Kurzius appointed President, Global Consumer and Chief Administrative Officer
- ❖ With Chuck Langmead as President, Global Industrial, leadership is better aligned with growth initiatives and able to optimize resources
- ❖ New organizational structure is another step in global expansion as leader in flavor



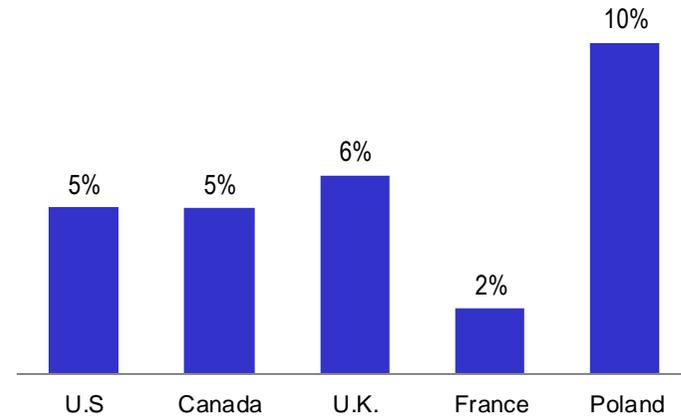
**Lawrence Kurzius**  
*President, Global Consumer  
and CAO*



**Chuck Langmead**  
*President, Global Industrial*

# McCormick brings passion to flavor

- ❖ McCormick employees around the world are driving success
- ❖ Consumer demand for flavor is growing
- ❖ Broad portfolio of products, geographies and customers provides opportunity to flavor all types of meal occasions
- ❖ Positioned for long-term, profitable growth



Latest 52-week consumption data shows spices, herbs and seasonings category growth in top markets\*



\* Source: 52 week dollar sales for spice and seasoning category; U.S. IRI period ended April 7, 2013; Canada Nielsen period ended May 4, 2013; U.K. National grocery period ended April 27, 2013; France National Grocery period ended April 14, 2013; Poland National Grocery April 2013

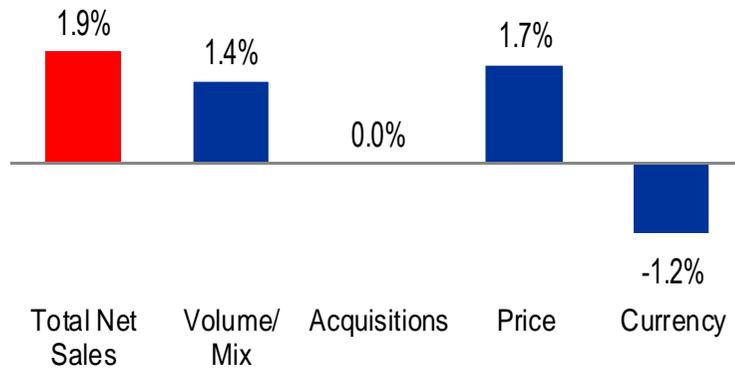
## Second quarter results, latest guidance for 2013



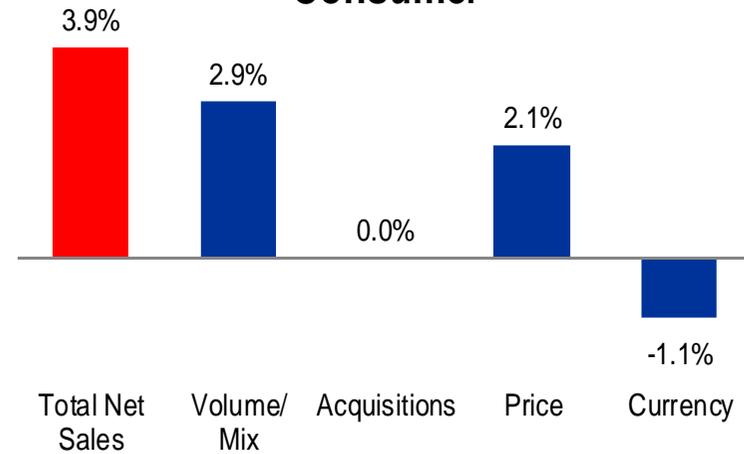
**Gordon Stetz**  
*Executive Vice President & CFO*

# 2Q 2013 Sales results

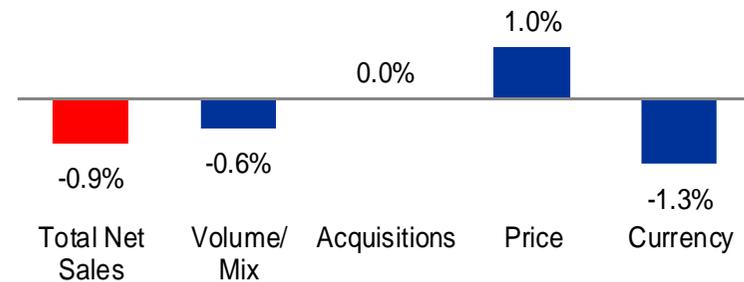
## Total Company



## Consumer

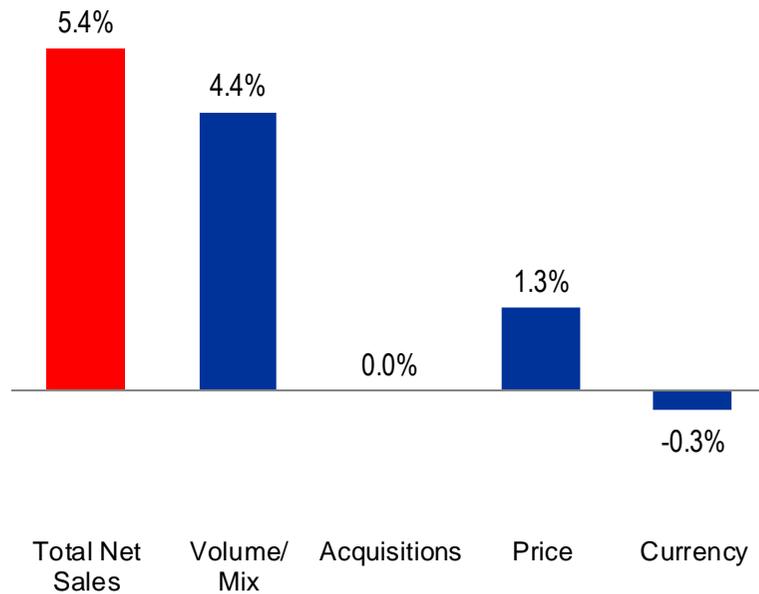


## Industrial



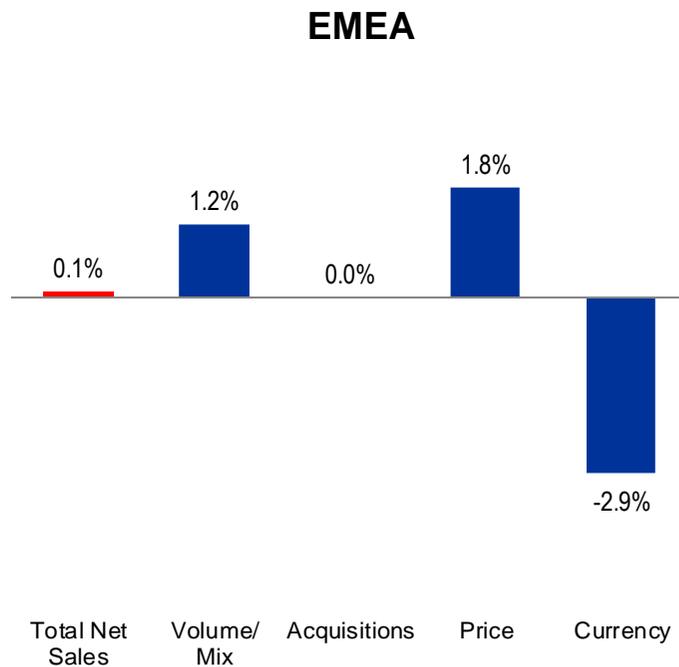
## 2Q 2013 Sales results: Consumer business

### Americas



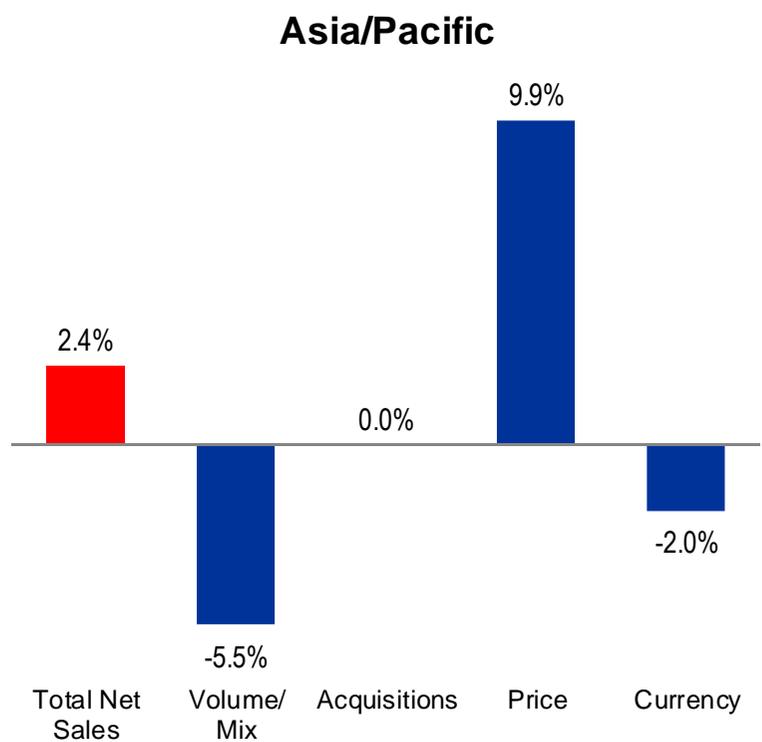
- ❖ Volume and product mix drove increase
- ❖ Increases in core growth platforms: spices, herbs & seasonings, and recipe mixes
- ❖ Growth with “regional leader” Simply Asia brand

## 2Q 2013 Sales results: Consumer business



- ❖ Innovation and incremental brand marketing drove sales in France and U.K.
- ❖ Grew sales in Russia 35% largely through distribution gains
- ❖ Offset in part by modest decline in smaller markets

## 2Q 2013 Sales results: Consumer business



- ❖ Grew sales in China 11% in local currency, with revitalized packaging and expanded advertising
- ❖ Growth in Australia largely due to product innovation
- ❖ Sales in India declined 2%; significant pricing actions taken in response to higher cost of basmati rice, led to lower volume and product mix

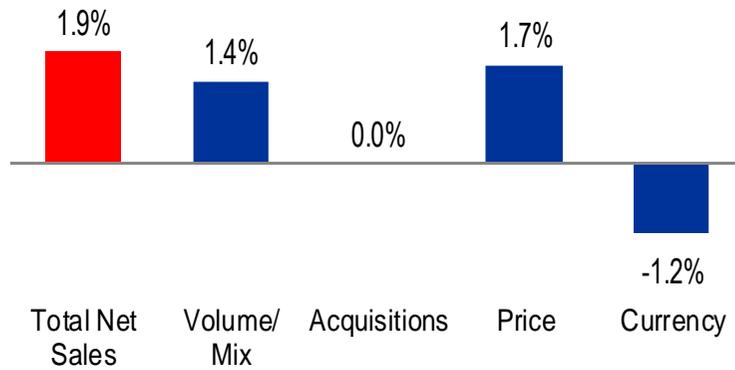
## 2Q 2013 Operating income: Consumer business

	2Q 2013	2Q 2012	Fav(Unfav) Change
Operating income	\$87.6	\$88.6	(1%)

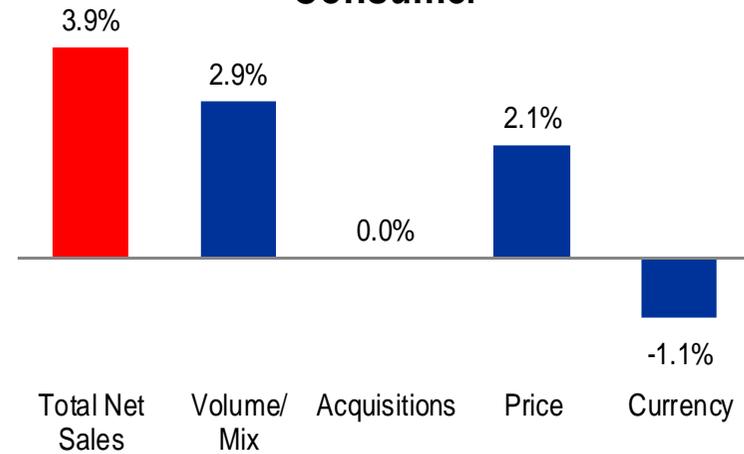
- ❖ Favorable impact from higher sales and CCI cost savings
- ❖ Offset by \$4 million of WAPC transaction costs, higher retirement benefit expense, \$3 million of incremental brand marketing and material cost inflation

# 2Q 2013 Sales results

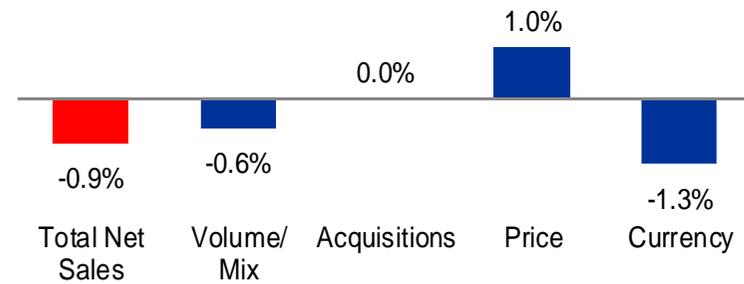
## Total Company



## Consumer

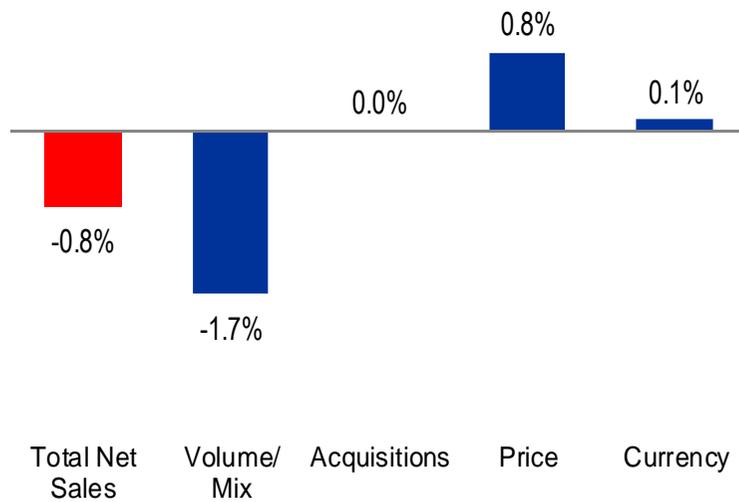


## Industrial



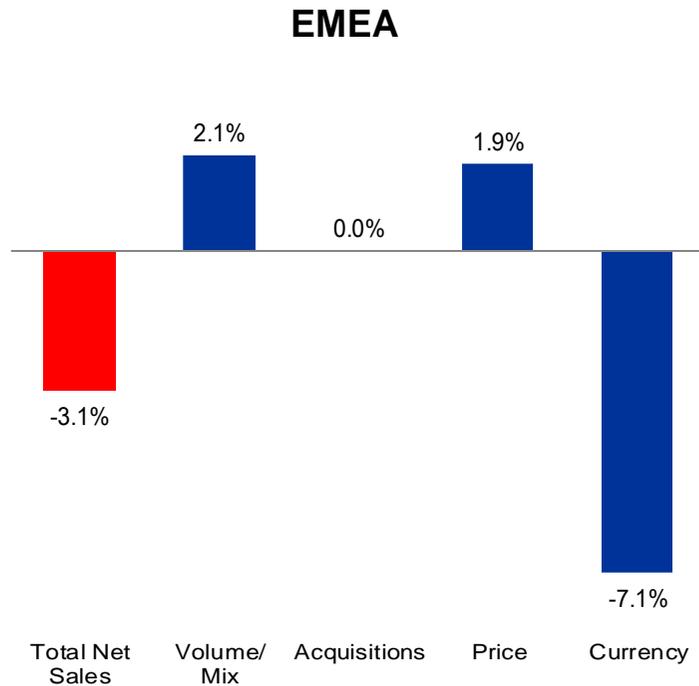
## 2Q 2013 Sales results: Industrial business

### Americas



- ❖ Lower demand for customized products from quick service restaurants
- ❖ Sales of branded food service products improved slightly
- ❖ In U.S. and Mexico, grew sales to food manufacturers, particularly in snack seasonings

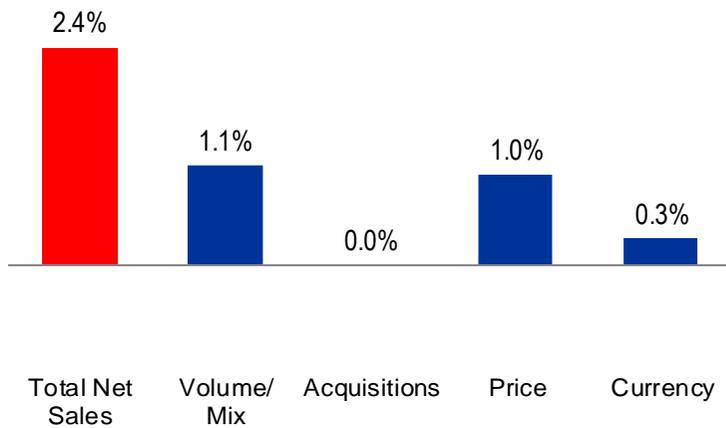
## 2Q 2013 Sales results: Industrial business



- ❖ Pricing actions taken in response to higher material costs
- ❖ Increase in volume and product mix led by branded food service items in U.K.

## 2Q 2013 Sales results: Industrial business

### Asia/Pacific



- ❖ Lower consumer demand at quick service restaurants in China
- ❖ Double-digit increase in Australia, including “limited time offer” menu items

## 2Q 2013 Operating income: Industrial business

	2Q 2013	2Q 2012	Fav(Unfav) Change
Operating income	\$28.4	\$32.7	(13%)

- ❖ Unfavorable impact from lower sales, business mix, material cost inflation, increased retirement benefit expense
- ❖ Offset in part by pricing actions and CCI cost savings
- ❖ Industrial business operating income likely to remain under pressure in 3Q 2013 and expected to improve in 4Q 2013

## Operating income, gross profit, SG&A

	2Q 2013	2Q 2012	Fav(Unfav) Change
Operating income	\$116.0	\$121.3	(4%)
Gross profit margin	39.3%	39.5%	(20 bps)
Selling, general & administrative expenses as percent of net sales	27.7%	27.2%	50 bps

- ❖ Operating income decrease of \$5 million
  - Favorable impact of higher sales and CCI cost savings,
  - More than offset by \$5 million increase in retirement benefit expense, \$4 million WAPC transaction costs, \$3 million of incremental brand marketing support, material cost inflation
- ❖ Gross profit margin declined 20 bps in 2 Q 2013, an improvement from 50 bps decline in 1Q 2013

## Income taxes

	2Q 2013	2Q 2012
Income taxes	\$30.6	\$30.8
Income tax rate	29.6%	28.7%

- ❖ Expect tax rate for next two quarters of 2013 to be approximately 29.5%
- ❖ Favorable tax rate of 25% in both 3Q 2012 and 4Q 2012 largely due to cash repatriation

## Income from unconsolidated operations

	2Q 2013		2Q 2012	Fav(Unfav) Change
Income from unconsolidated operations	\$5.9		\$3.9	51%

- ❖ Strong results continued into second quarter, led by McCormick de Mexico joint venture which grew sales 16%
- ❖ Increase in income from Eastern joint venture in India

## Earnings per share of \$0.59

	2Q 2013		2Q 2012	Fav(Unfav) Change
Earnings per share	\$0.59	⋮	\$0.60	(2%)

- ❖ Transaction costs to complete WAPC acquisition lowered EPS \$0.02 in 2Q 2013
- ❖ Increase from higher unconsolidated operations offset in part by lower operating income

## Balance sheet and cash flow

- ❖ Used \$117 million in cash for WAPC acquisition in 2Q 2013; financed with cash and short-term debt; total purchase price approximately \$147 million
- ❖ Debt to EBITDA ratio expected to be back to target level of 1.5 to 1.7 by year-end excluding further acquisitions
- ❖ Plan to refinance \$250 million of debt maturing in 2013 with fixed rate notes
- ❖ Year-to-date cash flow \$133 million compared to \$144 million in first half of 2012; difference mainly due to timing of tax payments
- ❖ \$45 million remains on \$400 million share repurchase authorization; new \$400 million repurchase authorization approved April 2013

## Lump sum payout program

### Lump sum payout program to reduce size and volatility of retirement benefit plans

- ❖ Lump sum payout offered to approximately 3,300 former U.S. employees with deferred vested pension plan benefits
- ❖ Vested benefit obligation for eligible participants is approximately \$125 million, about 20% of U.S. plan benefit obligation
  - If percentage of benefits distributed through lump sum option exceeds approximately 40% of benefit obligation associated with these former employees, McCormick will recognize one-time, non-cash settlement charge in 4Q 2013 estimated to be in \$25 million to \$45 million range.
  - Lump sum payments will be funded from existing pension plan assets.

## 2013 Outlook

### Sales growth in local currency

Components:

### Operating income

CCI cost savings

Material cost inflation

Incremental brand marketing

Increase in retirement benefit expense

Income from unconsolidated operations

Tax rate

### Earnings per share

Capital expenditures

Shares outstanding

**4% - 6%**

2%-4% volume/mix, 1% pricing, 1% acquisition

**5% - 7%**

At least \$50 million

~3% increase

~\$15 million

\$22 million

~10% increase

~29.5% (next 2 quarters)

**\$3.13 - \$3.19**

\$120-\$130 million

~1% reduction

*McCormick Brings Passion to Flavor™*



## 2013 Outlook

	2013 Estimate	2012
Earnings per share	\$3.13-\$3.19	\$3.04
Growth rate	3% to 5%	

Estimated impact of items affecting 2013 EPS growth rate:

Tax rate increase	\$0.12
-------------------	--------

Retirement benefit expense increase	0.11
-------------------------------------	------

---

\$0.23

**Impact on growth rate**

**8 percentage points**

## 2013 Outlook

Expect 3Q 2013 earnings per share to be comparable to \$0.78 in 3Q 2012

- ❖ Favorable impact of higher sales and CCI cost savings
- ❖ Offset by incremental brand marketing, approximately \$0.03 impact of increase in retirement benefit expense, \$0.04 impact of higher tax rate



*McCormick Brings  
Passion to Flavor*

