



**McCormick & Company, Inc.**  
**Third quarter 2010 financial  
results and business outlook**  
**September 30, 2010**



The following slides accompany a September 30, 2010 presentation to investment analysts. This information should be read in conjunction with the press release issued on that date.

Reconciliations of any GAAP to non-GAAP financial information are included in these slides.

# Today's speakers



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



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



**Paul Beard**  
*Senior VP Finance & Treasurer*



**Joyce Brooks**  
*VP Investor Relations*

# Forward-looking information

Certain information contained in this release, including expected trends in net sales and earnings performance, are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934.

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, and global economic conditions generally which would include the availability of financing, interest and inflation rates as well as foreign currency fluctuations and other risks described in the Company’s filings with the Securities and Exchange Commission.

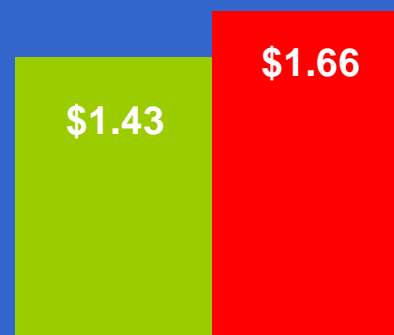
Actual results could differ materially from those projected in the forward-looking statements. The Company undertakes no obligation to update or revise publicly, any forward-looking statements, whether as a result of new information, future events or otherwise.



# Strong YTD financial results

- ▶ Solid sales growth: product innovation, brand marketing, distribution gains
- ▶ 130 basis point improvement in gross profit margin
- ▶ Earnings per share up 16%\*

■ 2009 ■ 2010



Earnings per share  
year-to-date through  
August 31<sup>st</sup>

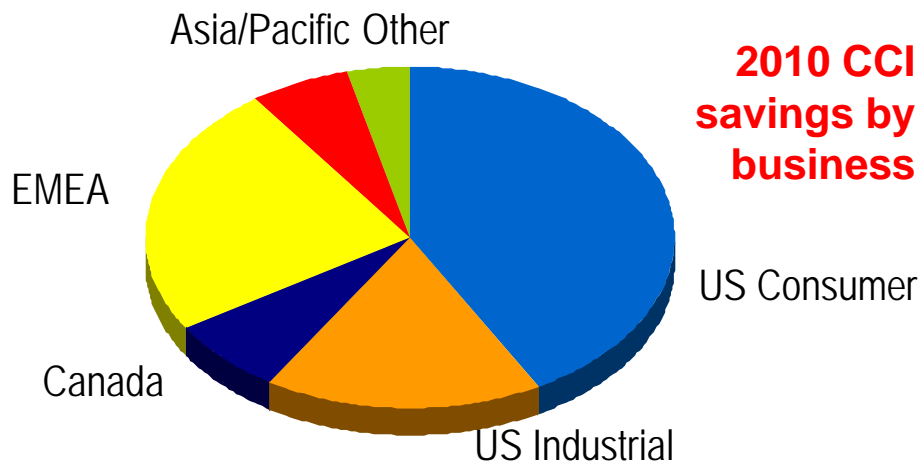
\* On comparable basis excluding the reversal of a significant tax accrual in the third quarter of 2010. See slide 22.

# Margin improvement: CCI

## ► Comprehensive Continuous Improvement (CCI)

- High Performance Work Systems engaging employees at all levels
- Buying effectively
- Applying tools and technology
- Streamlining processes

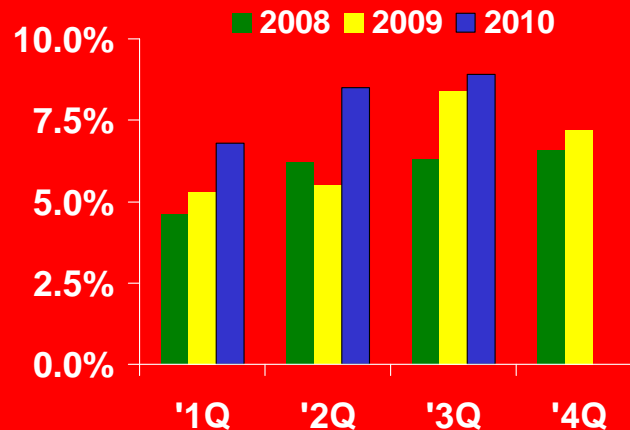
Expect at least \$45 million in 2010 cost savings



# Margin improvement: *Favorable mix*

- ▶ Consumer sales growth outpacing industrial business growth in third quarter
- ▶ Industrial business margins up for 5<sup>th</sup> consecutive quarter vs year-ago period on comparable basis\*

Goal to reach 9-10%  
industrial business  
operating income by 2013



\* On comparable basis excluding 2008 and 2009 restructuring charges. See slide 26.



# Business conditions and growth initiatives: *Americas*

- ▶ Stepped up coupon and brand value messages
- ▶ Distinct ads for Thanksgiving and Christmas
- ▶ Flavor Forecast – Holiday Edition!
- ▶ Recipe Inspirations
  - Among top selling seasoning blends
  - Secondary placement in meat departments
  - Six new “World Flavors”



# Business conditions and growth initiatives: *Americas*

- ▶ New varieties of grinders, salad toppings, grilling
- ▶ Club House spices and seasoning revitalization in Canada
- ▶ Ethnic foods
  - Hispanic brands including products from JV in Mexico
  - Acquired El Bravo brand
  - Simply Asia dipping sauces
  - Zatarain's frozen entrees
- ▶ Double-digit sales growth by JV in Mexico
- ▶ Industrial new products include seasonings and flavors for food manufacturers





# Business conditions and growth initiatives: *EMEA*

- ▶ Retail sales growth outpacing private label in UK and France
- ▶ Perfect Shake, Flavourful, Ducros grinders
- ▶ Incremental marketing in 4Q
- ▶ Latest new products
  - Recipe mixes for vegetables, slow cookers
  - Ducros spices and herbs
  - Pâtisserie Vahiné
- ▶ Industrial sales growth with both quick service restaurants and food manufacturers
- ▶ New JV in Turkey



# Business conditions and growth initiatives: *Asia/Pacific*

- ▶ **Eastern JV in India**
  - A leading brand of spices, seasonings, related products
  - Sales growth >25%
- ▶ **New products, expanded distribution and increased advertising in China**
- ▶ **New industrial condiments for global food manufacturers**
- ▶ **Top supplier to quick service restaurants**
- ▶ **Increasing share for differentiated products in Australia**



# Higher input costs and pricing actions

- ▶ Increases in pepper, garlic, other spices and herbs
- ▶ Pricing actions for pepper already in place in U.S. consumer business
- ▶ Evaluating further increases



# Cash and share repurchases

Funding dividends, capital expenditures, debt paydown, joint ventures and share repurchases

- ▶ Through 3Q 2010, used \$38 million for share repurchase
- ▶ Completed \$400 million authorization begun in June 2005
- ▶ New \$400 million program approved June 2010 now underway
- ▶ Projecting approximately \$75 million of share repurchases for FY 2010

# Summary

- ▶ Operating successfully in tough economy
- ▶ Growing sales: marketing, innovation, distribution
- ▶ CCI and business mix improving margins
- ▶ Well-positioned for holiday period and record 2010





## Sales growth – *Total business*

		<b>- Third quarter impact from -</b>		
		<b><u>Volume/mix</u></b>	<b><u>Pricing</u></b>	<b><u>Currency</u></b>
<b>Total business</b>	<b>.4%</b>	<b>1.7%</b>	<b>(.2%)</b>	<b>(1.1%)</b>
Consumer	.8%	.9%	1.4%	(1.5%)
Industrial	(.2%)	2.7%	(2.3%)	(.6%)

# Sales growth – *Consumer business*

- Third quarter impact from -  
Volume/mix Pricing Currency

<b>Consumer business</b>	<b>.8%</b>	<b>.9%</b>	<b>1.4%</b>	<b>(1.5%)</b>
Americas	3.7%	1.7%	1.4%	.6%
EMEA	(10.2%)	(1.7%)	.6%	(9.1%)
Asia/Pacific	10.7%	1.7%	5.4%	3.6%



**Americas**

**EMEA**

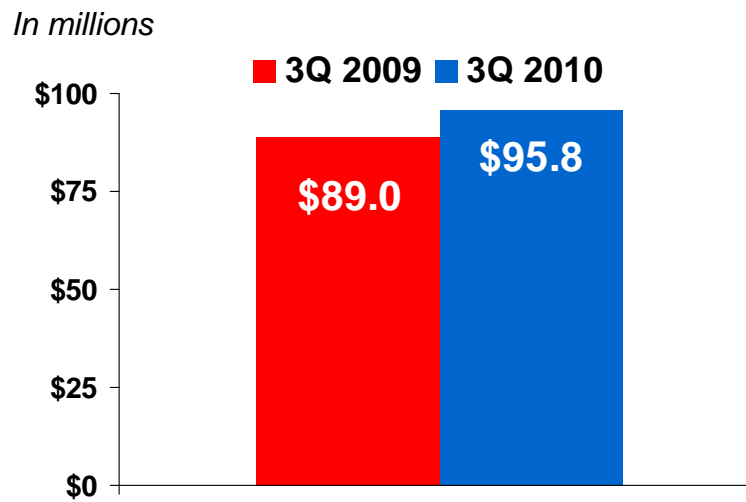
**Asia/Pacific**

# Operating income – *Consumer business*

▶ **Consumer business operating income \$96 million**

- Up \$6 million on comparable basis\*
- CCI-led cost savings and higher sales
- Brand marketing support down slightly in 3Q 2010, but on track for \$20 million increase in FY 2010

**Consumer business  
operating income\***



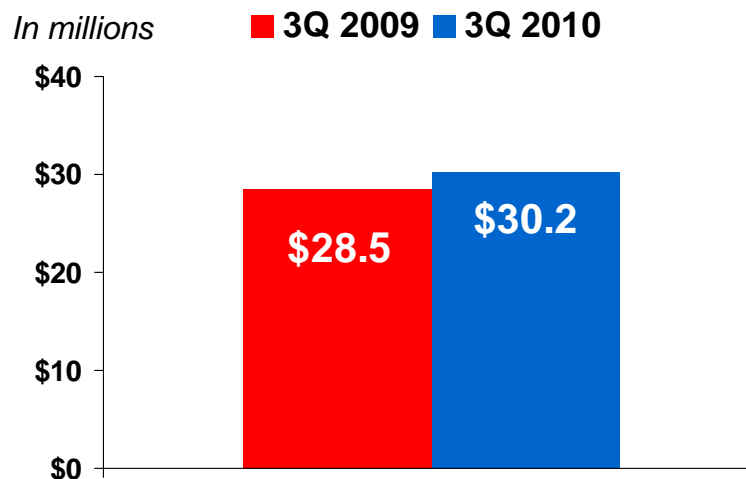
\* On comparable basis excluding \$0.7 million of restructuring charges recorded in third quarter of 2009.



# Operating income – *Industrial business*

- ▶ **Industrial business operating income \$30 million**
  - Up \$2 million on comparable basis\*
  - More favorable business mix and CCI-led cost savings
  - Operating income margin of 8.9% in 3Q 2010

**Industrial business  
operating income\***



\* On comparable basis excluding \$0.2 million of restructuring charges in third quarter of 2009.



# Sales growth – *Industrial business*

- Third quarter impact from -  
Volume/mix Pricing Currency

<b>Industrial business</b>	<b>(.2%)</b>	<b>2.7%</b>	<b>(2.3%)</b>	<b>(.6%)</b>
Americas	(1.2%)	.5%	(2.6%)	.9%
EMEA	(2.7%)	8.1%	(2.6%)	(8.2%)
Asia/Pacific	10.3%	7.0%	.2%	3.1%



**Americas**



**EMEA**



**Asia/Pacific**

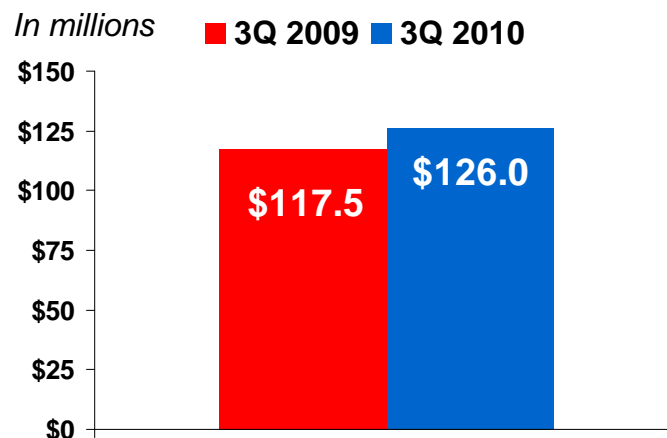


# Operating income up 7%\*

(in millions)

	<u>3Q 2010</u>	..... 3Q 2009 .....		
		<u>Reported</u>	<u>Restructuring Charges</u>	<u>Non-GAAP</u>
<b>Total business</b>	<b>\$126.0</b>	<b>\$116.6</b>	<b>\$.9</b>	<b>\$117.5</b>
Consumer	95.8	88.3	.7	89.0
Industrial	30.2	28.3	.2	28.5

**Operating income up 7% on comparable basis\***



\* On comparable basis excluding restructuring charges in third quarter of 2009

# Gross profit margin up 180 bps

	<u>3Q 2010</u>	<u>3Q 2009</u>
<b>Gross profit margin</b>	<b>42.1%</b>	<b>40.3%</b>

- ▶ CCI-led cost savings
- ▶ Favorable product and customer mix



## Other 3Q 2010 financial results

- ▶ **SG&A rose 70 bps as percentage of net sales**
  - Higher benefit costs
  
- ▶ **Favorable tax rate added \$17 million to net income**
  - \$14 million (\$0.10 per share) from reversal of significant tax accrual
  - Underlying rate now 32% for FY 2010 (had been 33%)
  
- ▶ **Income from unconsolidated operations more than doubled from 3Q 2009**
  - Strong 13% sales growth and effective input cost management from McCormick de Mexico joint venture
  - FY 2010 income from unconsolidated operations could reach \$25 million



# Earnings per share growth

	<u>3Q 2010</u>	<u>3Q 2009</u>
<b>Earnings per share</b>		
EPS as reported	\$ .76	\$.57
Less: Reversal of significant tax accrual	.10	—
Adjusted EPS	\$ .66	\$.57
		└──────────┘
Operating income		\$ .05
Income from unconsolidated operations		.03
Other tax rate impact		.02
Shares outstanding		(.01)

**3Q 2010 Adjusted EPS up 16%**

## Balance sheet and cash flow

- ▶ YTD cash flow from operations \$145 million vs \$195 million in 2009
- ▶ Net income up \$53 million
- ▶ Increase in inventory this quarter due to strategic positions, SAP build-up in Asia, higher raw material costs
- ▶ Focus on reduction of inventory levels
- ▶ 2012 goal to reduce cash conversion cycle another 10 days

Growing profit and cash with *McCormick Profit*

# 2010 Guidance

▶ **\$2.67 to \$2.71 EPS** (on GAAP basis which includes \$0.10 impact of reversal of significant tax accrual recorded in third quarter)

- 9% to 11% increase on comparable basis\*
- Up from initial outlook of 6% to 8% on comparable basis\*
- Includes \$20 million incremental marketing and \$15 million increase in pension expense
- Gross profit margin up approximately 100 bps

▶ **4Q EPS**

- Solid sales growth
- Impact of increased brand support, higher input costs, unfavorable currency
- At or above excellent profit performance in 4Q 2009

\* Excluding \$0.10 EPS impact of reversal of significant tax accrual in 2010 and restructuring charges in 2009. See slides 22 and 27.





*A Passion for  
Flavor*



- ▶ Strong business performance and financial results through first three quarters
- ▶ On-track for record financial results in 2010 for McCormick



# Additional reconciliation information

## Industrial business financial results, excluding restructuring charges in 2009 and 2008

		1Q	2Q	3Q	4Q	Total
<b>2010</b>	Net sales	\$310.9	\$345.6	\$340.5		
	Operating income	21.1	29.3	30.2		
	<i>Operating income margin</i>	<i>6.7%</i>	<i>8.5%</i>	<i>8.9%</i>		
<b>2009</b>	Net sales	\$297.9	\$322.2	\$341.2	\$319.5	\$1,280.9
	Operating income	15.8	17.4	28.3	19.8	81.3
	Restructuring charges	.2	.3	.2	3.1	3.9
	Operating income excluding restructuring charges	16.0	17.7	28.5	22.9	85.2
	<i>Operating income margin, excluding restructuring charges</i>	<i>5.4%</i>	<i>5.5%</i>	<i>8.4%</i>	<i>7.2%</i>	<i>6.7%</i>
<b>2008</b>	Net sales	\$313.5	\$346.6	\$338.6	\$327.0	\$1 325.8
	Operating income	13.0	20.0	20.2	18.7	71.9
	Restructuring charges	1.3	1.6	1.1	2.9	6.9
	Operating income excluding restructuring charges	14.3	21.6	21.3	21.6	78.8
	<i>Operating income margin, excluding restructuring charges</i>	<i>4.6%</i>	<i>6.2%</i>	<i>6.3%</i>	<i>6.6%</i>	<i>5.9%</i>

Numbers may not add due to rounding



# Additional reconciliation information

The Company has provided below a reconciliation of non-GAAP earnings per share results for fiscal year 2009 which exclude restructuring charges.

2009 Earnings per share – diluted	\$2.27
Impact of restructuring charge	<u>.08</u>
Adjusted earnings per share – diluted	<u><u>\$2.35</u></u>

Reconciliations of non-GAAP financial information for the third quarter of 2009 and 2010 are included in the September 30, 2010 press release.