

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended February 29, 1996 Commission File Number 0-748

MCCORMICK & COMPANY, INCORPORATED
(Exact name of registrant as specified in its charter)

MARYLAND
(State or other jurisdiction of
incorporation or organization)

52-0408290
(I.R.S. Employer
Identification No.)

18 Loveton Circle, P. O. Box 6000, Sparks, MD
(Address of principal executive offices)

21152-6000
(Zip Code)

Registrant's telephone number, including area code (410) 771-7301

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days. Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| | Shares Outstanding February 29, 1996 |
|-------------------------|---|
| Common Stock | 12,020,000 |
| Common Stock Non-Voting | 69,295,000 |

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MCCORMICK & COMPANY, INCORPORATED

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MCCORMICK & COMPANY, INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEET
(In Thousands)

| | Feb. 29, 1996 | Feb. 28, 1995 | Nov. 30, 1995 |
|---|------------------|------------------|------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 22,398 | \$ 11,460 | \$ 12,465 |
| Accounts receivable - net | 201,937 | 185,426 | 223,958 |
| Inventories | | | |
| Raw materials and supplies | 124,536 | 134,931 | 132,357 |
| Finished products and work-in process | 243,976 | 266,865 | 250,865 |
| | 368,512 | 401,796 | 383,222 |
| Other current assets | 54,861 | 59,486 | 51,073 |
| Total current assets | 647,708 | 658,168 | 670,718 |
| Property - net | 527,908 | 505,506 | 524,807 |
| Goodwill - net | 177,814 | 187,281 | 180,751 |
| Prepaid allowances | 178,952 | 209,499 | 183,357 |
| Other assets | 55,142 | 58,967 | 54,708 |
| Total assets | \$1,587,524 | \$1,619,421 | \$1,614,341 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current Liabilities | | | |
| Short-term borrowings | \$319,508 | \$339,194 | \$297,313 |
| Accounts payable, trade | 132,867 | 134,806 | 146,674 |
| Accrued liabilities | 171,305 | 194,259 | 202,880 |
| Total current liabilities | 623,680 | 668,259 | 646,867 |
| Long-term debt | 345,805 | 368,265 | 349,111 |
| Deferred income taxes | 21,408 | 20,383 | 25,436 |
| Employee benefit liabilities | 79,410 | 70,902 | 72,088 |
| Other liabilities | 1,238 | 16,592 | 1,586 |
| Total liabilities | 1,071,541 | 1,144,401 | 1,095,088 |
| Shareholders' Equity | | | |
| Common Stock | 49,163 | 50,758 | 48,133 |
| Common Stock Non-Voting | 114,538 | 104,760 | 112,522 |
| Retained earnings | 384,179 | 345,790 | 387,657 |
| Foreign currency translation adj. | (31,897) | (26,288) | (29,059) |
| Total shareholders' equity | 515,983 | 475,020 | 519,253 |
| Total liabilities and shareholders' equity | \$1,587,524 | \$1,619,421 | \$1,614,341 |

See notes to condensed consolidated financial statements.

McCORMICK & COMPANY, INCORPORATED
CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
(In Thousands Except Per Share Amounts)

| | Three Months Ended | |
|--|----------------------|----------------------|
| | February 29, 1996 | February 28, 1995 |
| Net sales | \$431,822 | \$425,433 |
| Cost of goods sold | 288,788 | 283,617 |
| Gross profit | 143,034 | 141,816 |
| Selling, general and administrative expense | 117,894 | 97,873 |
| Profit from operations | 25,140 | 43,943 |
| Other income - net | 1,241 | 1,849 |
| Interest expense | 12,352 | 13,650 |
| Income before income taxes | 14,029 | 32,142 |
| Income taxes | 4,975 | 12,000 |
| Income from consolidated operations | 9,054 | 20,142 |
| Income (loss) unconsolidated operations | 296 | (796) |
| Net income | \$ 9,350 | \$ 19,346 |
| Earnings per common share | \$0.12 | \$0.24 |
| Cash dividends declared per common share | \$0.14 | \$0.13 |
| Weighted average common shares outstanding | 81,255 | 81,191 |

See notes to condensed consolidated financial statements.

McCORMICK & COMPANY, INCORPORATED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
(In Thousands)

| | Three Months Ended | |
|--|--------------------|------------------|
| | Feb. 29, 1996 | Feb. 28, 1995 |
| Cash flows from operating activities | | |
| Net income | \$ 9,350 | \$ 19,346 |
| Depreciation and amortization | 16,136 | 16,050 |
| Provision for deferred income taxes | 513 | 1,208 |
| Gain on sale of assets | (1,349) | (1) |
| Share of (income) loss unconsolidated oper. | (296) | 796 |
| Restructuring credits | - | (3,904) |
| Changes in assets and liabilities | (3,543) | (127,153) |
| Net cash provided by (used in) operating activities | 20,811 | (93,658) |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment | (21,505) | (16,805) |
| Proceeds from sale of assets | 4,306 | 67 |
| Other investments | (2,176) | (3,505) |
| Net cash used in investing activities | (19,375) | (20,243) |
| Cash flows from financing activities | | |
| Short-term borrowings | 21,856 | 123,897 |
| Long-term debt | | |
| Borrowings | 1,549 | 110 |
| Repayments | (3,687) | (3,633) |
| Common stock | | |
| Issued | 4,887 | 5,097 |
| Acquired by purchase | (3,598) | (7,314) |
| Dividends paid | (11,372) | (10,544) |
| Net cash provided by financing activities | 9,635 | 107,613 |
| Effect of exchange rate changes on cash and cash equivalents | (1,138) | 2,182 |
| Increase/(Decrease) in cash and cash equivalents | 9,933 | (4,106) |
| Cash and cash equivalents at beginning of period | 12,465 | 15,566 |
| Cash and cash equivalents at end of period | \$ 22,398 | \$ 11,460 |

See notes to condensed consolidated financial statements.

McCORMICK & COMPANY, INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Thousands Except per Share Amounts)

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments, consisting of only normal recurring accruals, necessary to present fairly the financial position and the results of operations for the interim periods. Certain reclassifications have been made to the 1995 financial statements to conform with the 1996 presentation.

The results of consolidated operations for the three month period ended February 29, 1996 are not necessarily indicative of the results to be expected for the full year. Historically, the Company's consolidated sales and profits are lower in the first two quarters of the fiscal year, and increase in the third and fourth quarters.

For further information, refer to the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended November 30, 1995.

RESTRUCTURING

In the fourth quarter of 1994, the Company recorded a \$70,445 charge for restructuring its business operations.

The components of the restructuring charge and remaining liability are as follows:

| | 2/29/96 Remaining Liability | 11/30/95 Remaining Liability | Restructuring Charge |
|--------------------------------------|-----------------------------------|------------------------------------|-------------------------|
| Work force reduction | \$ 852 | \$ 977 | \$24,375 |
| Plant consolidations and closings | 18,109 | 17,563 | 33,477 |
| Other restructuring projects | 157 | 378 | 12,593 |
| | \$19,118 | \$18,918 | \$70,445 |

The increase in the liability balance in the first quarter of 1996 is due to the sale of an asset at a gain.

McCORMICK & COMPANY, INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

For the three-month period ended February 29, 1996, the Company reported net income of \$9.4 million or \$.12 per common share compared to \$19.3 million or \$.24 per common share for the comparable period last year. The decrease in net income is mainly due to planned spending on consumer advertising and promotion. First quarter earnings for 1995 included net income of \$0.8 million for a change in accounting cycle for certain foreign operations and \$2.3 million net income for a reversal of restructuring liability.

On March 15, 1996 the Company announced the signing of a letter of intent to sell its garlic and onion dehydration subsidiary, Gilroy Foods, Incorporated, to ConAgra, Inc. The transaction is subject to board approval by both companies, completion of a definitive agreement, and compliance with the Hart-Scott-Rodino Act. According to the letter of intent, McCormick will sell Gilroy Foods' businesses and assets in the United States, excluding Gilroy Energy Company and its interest in SupHerb Farms of Turlock, California. Acquired by McCormick in 1961, Gilroy Foods had 1995 sales of approximately \$200 million, including sales to McCormick.

Results of Operations

Consolidated net sales for the quarter ended February 29, 1996 rose 1.5% over the corresponding quarter of 1995. Net sales in 1995 included the effect of an accounting cycle change for certain foreign operations and sales of a frozen food business which was subsequently sold. Excluding these factors, net sales increased 9.7%. U.S. sales of consumer products were up strongly over last year as a result of a higher level of consumer advertising and higher customer purchases in anticipation of an early second quarter price increase. Industrial and foodservice sales were up modestly.

Profit from operations as a percentage of sales decreased from 10.3% in the first quarter of 1995 to 5.8% in the first quarter of 1996. Gross profit as a percentage of sales decreased from 33.3% in the first quarter of 1995 to 33.1% in the first quarter of 1996.

Selling, general and administrative expenses in the first quarter of 1996 increased significantly over the comparable quarter of last year. This is primarily due to increases in advertising and promotion spending in 1996 over 1995, which is expensed as incurred, and the reversal of restructuring accruals in the first quarter of 1995. The increase in advertising and promotion is part of the "Flavor Up" advertising campaign which is directed at creating brand recognition and demand with the consumer.

Interest expense decreased \$1.3 million in the first quarter of 1996 when compared to 1995, which is due to a decline in borrowing rates.

The Company's effective tax rate for the first quarter of 1996 was 35.5% as compared to 37.3% last year. The decrease in the effective rate reflects the Company's emphasis on increased tax planning.

Income from unconsolidated operations was \$0.3 million in the first quarter of 1996 as compared to a loss of \$0.8 million in the comparable quarter last year. This change reflects improvement in our Mexican joint venture.

In the first quarter of fiscal 1995, the Company changed the end of the reporting period for foreign subsidiaries from October 31 to November 30 to provide uniform reporting on a worldwide basis. Accordingly, an additional month of operating results for those subsidiaries is included in the first quarter 1995 results, which increased net income by \$0.8 million.

Return on equity (ROE) increased to 18% at February 29, 1996, from 13% at February 28, 1995. The restructuring charge recorded in the fourth quarter of 1994 is the primary reason for the increase in ROE.

Restructuring

In the fourth quarter of 1994, the Company recorded a charge of \$70.4 million for restructuring its business operations. As of February 29, 1996, \$19.1 million remains to be charged against the restructuring. The Company has reduced its workforce by approximately 540 positions, an industrial products plant has been closed, a frozen food business has been sold and a number of administrative activities have been consolidated. A foodservice products plant will be closed in the second quarter of 1996, and production will be transferred to another facility. A consolidated distribution facility will be completed in the second quarter of 1996. A realignment of some of our operations in the United Kingdom will occur over the balance of 1996 and be completed in 1997.

Financial Condition

In the Condensed Consolidated Statement of Cash Flows, cash flow from operating activities increased from a cash outflow of \$93.7 million for the first quarter of 1995 to a cash inflow of \$20.8 million for the first quarter of 1996. The reduction in the first quarter of 1996 net income was more than offset by reduced spending on restructuring and reductions in prepaid allowances and inventory as opposed to those balances increasing in the first quarter of 1995.

Cash flow from investing activities are comparable to last year. Purchases of property, plant and equipment are slightly higher in the first quarter of 1996 as compared to last year, however, they are expected to be slightly down on a full year basis. The proceeds from sale of assets relate to the sale of property no longer used in the business.

The Company's ratio of interest-bearing debt to total capital was 56.3% as of February 29, 1996, up from 55.5% at November 30, 1995, but down significantly from 59.8% at February 28, 1995. The improvement in the debt to capital ratio from the prior year is the result of working capital improvement programs. Total debt increased by \$19 million or 3% during the first quarter of 1996 due to the seasonal demands of the business. However, when compared to the first quarter of the previous year, total debt declined by \$42 million or 6%.

Programs to improve working capital management will continue throughout 1996. The following table compares the Company's current assets and liabilities and current ratio to the prior year:

| (in thousands) | 2/29/96 | 2/28/95 |
|---------------------|-----------|------------|
| Current Assets | \$647,708 | \$658,168 |
| Current Liabilities | 623,680 | 668,259 |
| Working Capital | \$ 24,028 | \$(10,091) |
| Current Ratio | 1.04 | .98 |

PART II - OTHER INFORMATION

Item 6 Exhibits and Reports on Form 8-K

(a) Exhibits

Item 601
Exhibit
Number

Reference

(3) Articles of Incorporation
and By-Laws

Restatement of Charter of
McCormick & Company,
Incorporated dated
April 16, 1990.

Incorporated by reference
from Registrant's Form S-8
Registration Statement
No. 33-39582 as filed with
the Securities and Exchange
Commission on March 25, 1991.

Articles of Amendment to
Charter of McCormick &
Company, Incorporated
dated April 1, 1992.

Incorporated by reference
from Registration Form S-8
Registration Statement
No. 33-59842 as filed with
the SEC on March 19, 1993.

By-Laws of McCormick &
Company, Incorporated -
Restated and Amended as
of March 18, 1992.

Incorporated by reference
from Registrant's Form 10-Q
for the quarter ended
February 28, 1995 as filed
with the SEC on April 14,
1995.

(10) Material Contracts

Consulting letter agreement
between Registrant and Charles
P. McCormick, Jr. dated
February 14, 1996.

(b) Reports on Form 8-K None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of
1934, the registrant has duly caused this report to be signed on
its behalf by the undersigned thereunto duly authorized.

MCCORMICK & COMPANY, INCORPORATED

Date: April 12, 1996

By: /s/ Robert J. Lawless
Robert J. Lawless
President &
Chief Operating Officer

Date: April 12, 1996

By: /s/ J. Allan Anderson
J. Allan Anderson
Vice President & Controller

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(9)

February 14, 1996

Mr. Charles P. McCormick, Jr.
6761 S.E. North Marina Way
Stuart, Florida 34996

Dear Buzz:

On behalf of the Board of Directors of McCormick & Company, Incorporated (the "Company"), this letter agreement will confirm your election, effective as of December 1, 1995, to the roles of Chairman of the Board and Chief Executive Officer of the Company by unanimous vote of the Board at its meeting on November 20, 1995.

In your capacity as Chairman and Chief Executive Officer, you have agreed to provide your counsel, guidance and expertise regarding the business of the Company, as requested by the Board of Directors. To that end, it is anticipated that such consultative services will require that you devote your full time and attention to the affairs of the Company. You have agreed to continue to provide such services as Chairman and Chief Executive Officer until such time as the Board of Directors has determined that an orderly transition of those positions and their attendant duties can be effectuated.

In consideration of your agreement to render such services, you will receive a monthly stipend of Forty-Seven Thousand Five Hundred Eighty-Three Dollars and Thirty-Three Cents (\$47,583.33) payable on or about the fifteenth day of each month, together with such additional cash payments as may be deemed appropriate by the Compensation Committee of the Board of Directors consistent with the performance of the Company. In addition, the Company will reimburse you for reasonable and customary expenses incurred by you in providing such services, including, but not necessarily limited to, travel expenses, meals, lodging, and business related entertainment.

Charles P. McCormick, Jr.
February 14, 1996
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If the foregoing correctly expresses our understanding, please sign a copy of this letter in the space provided below and return it to me.

Very truly yours,

MCCORMICK & COMPANY, INCORPORATED

By: /s/ Robert J. Lawless
Robert J. Lawless
President & COO

By: /s/ Karen D. Weatherholtz
Karen D. Weatherholtz

Vice President-Human Relations
Secretary-Compensation
Committee

AGREED AND ACCEPTED this
14th day of February, 1996.

By: /s/ Charles P. McCormick, Jr.
Charles P. McCormick, Jr.

3-MOS

| | | |
|-----------|-------------|---------|
| | NOV-30-1996 | |
| | FEB-29-1996 | |
| | | 22,398 |
| | | 0 |
| | 204,726 | |
| | 2,789 | |
| | 368,512 | |
| | 647,708 | |
| | | 906,918 |
| | 379,010 | |
| | 1,587,524 | |
| 623,680 | | |
| | 345,805 | |
| 0 | | |
| | 0 | |
| | 163,701 | |
| | 352,282 | |
| 1,587,524 | | |
| | 431,822 | |
| | 431,822 | |
| | | 288,788 |
| | 117,894 | |
| | (1,241) | |
| | 0 | |
| 12,352 | | |
| | 14,029 | |
| | 4,975 | |
| 9,350 | | |
| | 0 | |
| | 0 | |
| | | 0 |
| | 9,350 | |
| | .12 | |
| | .12 | |