



## **McCormick & Company, Inc.**

Barclays Global Consumer Staples Conference

Lawrence Kurzius, President & COO | Gordon Stetz, EVP & CFO

September 10, 2015

*McCormick Brings Passion to Flavor™*

# Lawrence Kurzious

*Chief Operating Officer & President*

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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 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 private label use; 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 ability to achieve expected and/or needed cost savings or margin improvements; the 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 at a glance



**125+**

Years

**43%↑**

Adjusted EPS  
increase last 5 years



**Global  
Presence**

China now #2 in sales

**Strong cash flow**



**Double-digit**

Total shareholder return increase

**Sales increase  
at 6% CAGR**

Last 5 years



**>10K**

Engaged employees /  
strong high performance  
culture

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

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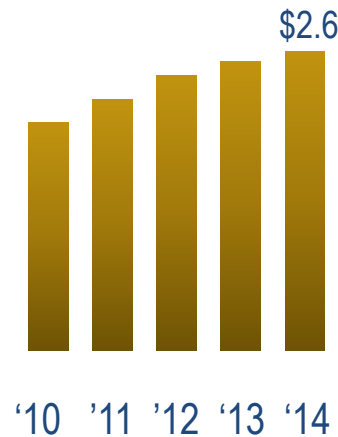
# Consumer business at a glance

Leading, iconic  
spice, herb &  
regional favorite  
brands

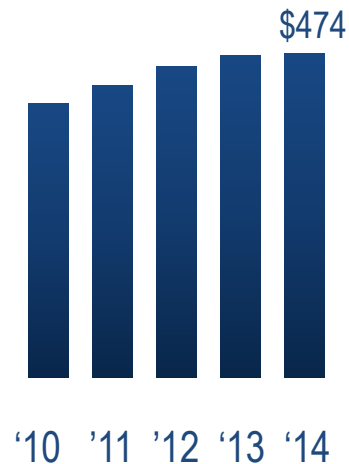
**60%**

Sales from brands #1  
in category

Net sales  
(dollars in billions)



Adjusted operating income  
(dollars in millions)



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

**135**

We have brands in more than  
135 countries and territories

Our Leading Brands Stand for Flavor.



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# Industrial business at a glance



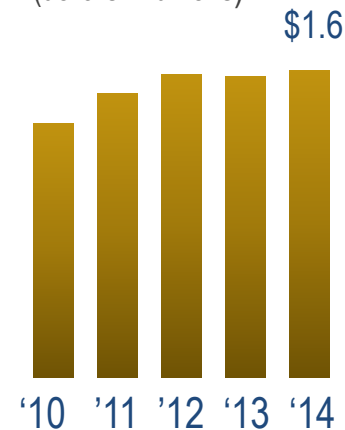
Globally, sell to 9 of the top 10 food and beverage companies and 9 of the top 10 foodservice and restaurant chains

ONE OF THE BROADEST RANGES OF FLAVOR SOLUTIONS IN THE INDUSTRY, including snack seasonings, sandwich sauces and branded foodservice products

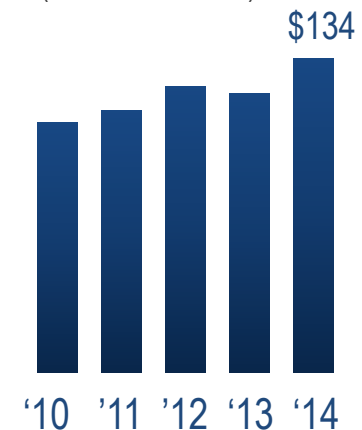
# 21%

Grew sales 21% and adjusted operating income 25% in the past 5 years

Net sales  
(dollars in billions)



Adjusted operating income  
(dollars in millions)



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

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On-trend categories aligned  
with today's consumer

- Exploring new flavors
- Fresh, simple ingredients
- Source and quality
- Wellness

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



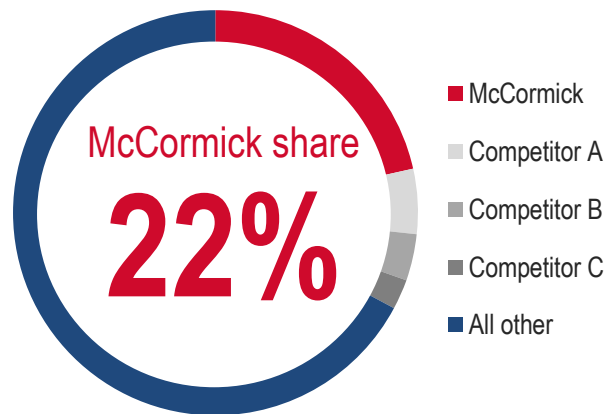
LARGEST PART OF  
CONSUMER  
BUSINESS: Spices &  
seasonings

**\$10B**

Global consumer  
category

Global leader in spices  
and seasonings.

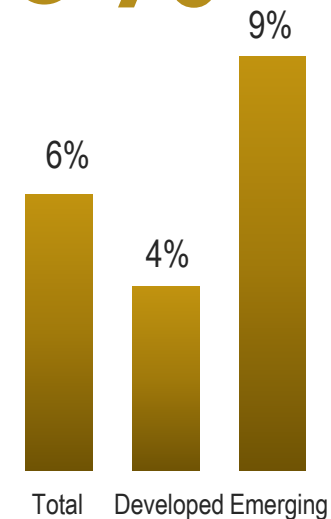
**4x** Size of next largest  
global competitor



Source: Euromonitor

Euromonitor:  
Projected category  
CAGR next 5 years

**6%**



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

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In 2014

# 17%

of McCormick sales came  
from emerging markets –  
22% including JV's – up  
from 10% just 3 years ago

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

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

## Healthy



HOW YOU CAN  
REDUCE SODIUM *in* SCHOOL MEALS

- 1 USE HERBS & SPICES**  
Feature “Flavor Stations” in your cafeteria where students can add seasonings (without added sodium) that appeal to their tastes.
- 2 EXPLORE NEW RECIPES**  
Find large quantity recipes for school food service on the new recipe Web site, <http://www.WhatsCooking.fns.usda.gov>.
- 3 ORDER USDA FOODS**  
Stretch your budget and serve nutritious foods by planning your school meals around no-salt-added or low-sodium USDA Foods.
- 4 CONTACT VENDORS**  
Write bid specs that request lower sodium options. Depending on the brand, a food item may have different amounts of sodium.

Check out all of our resources at the “What’s Shaking?” Web site:  
[HTTP://HEALTHYMEALS.NAL.USDA.GOV/WHATSSHAKING](http://HEALTHYMEALS.NAL.USDA.GOV/WHATSSHAKING)

Spices and herbs on dietary guidelines as  
flavor alternative to sodium

## To Australia







# Dynamic Industry

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# Executing on strategies to drive sales growth

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Building brand  
equity



Accelerating  
innovation



Expanding through  
acquisitions

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# Building brand equity

>50% ↑

IN BRAND  
MARKETING OVER  
LAST 5 YEARS:

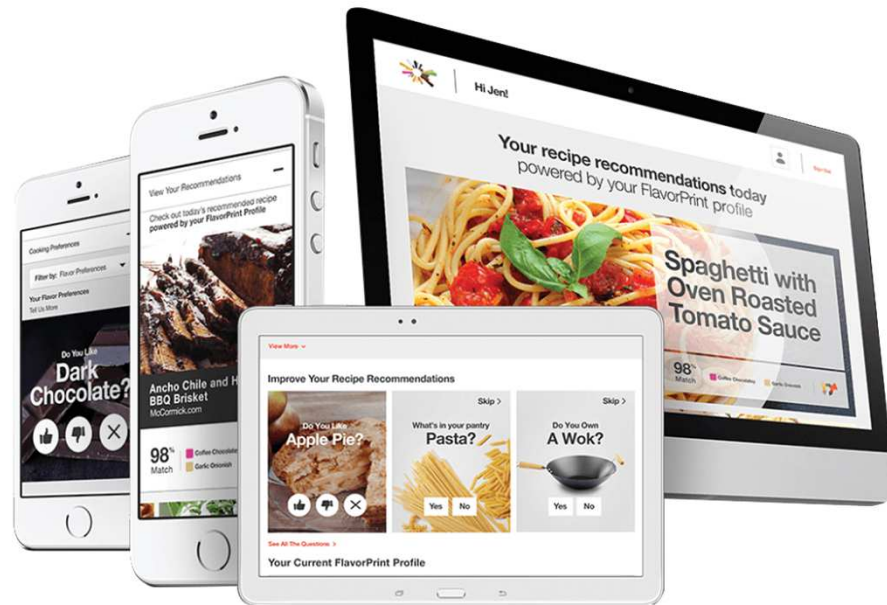
Increase based on  
strong ROI

Planned advertising mix in 2015

**1/3 Digital**

Up from 11% in 2010

Industry-leading digital programs



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# Building brand equity

Digital programs that connect



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# Building brand equity

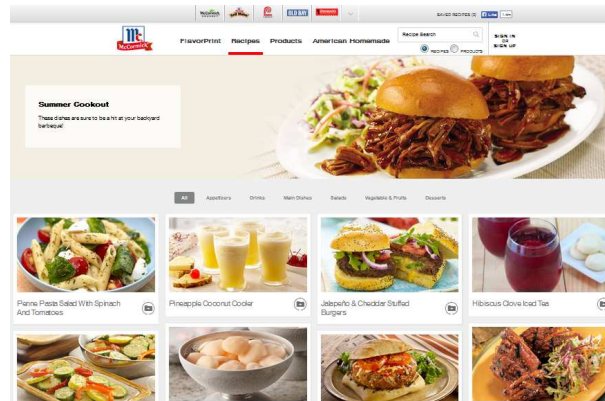
mccormick.com

30M

Visitors

40M

Recipe views



McCormick Brand **#5**  
**On Digital IQ**  
**Index** of 114  
food brands

LARGEST ON-LINE

Grilling community



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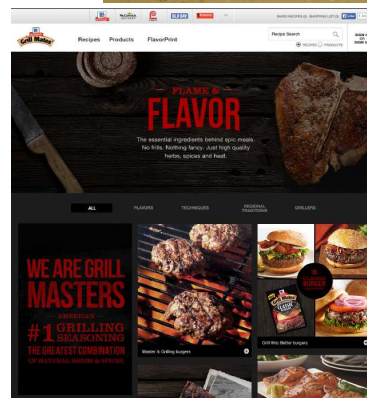


# Building brand equity



2Q Sales

9%



## Texas Barbecue: Brisket

Traditional Texas barbecue recipes celebrate slow-and-low flavor with a rich, smoky finish. This savory seasoning brings the food to brisket and creates a flavorful crust with coarsely ground peppers, mustard seed, and coffee. Meat is left tender juicy and melt in your mouth moist.

## Savor Texas traditions:

[Texas Cowboy Brisket](#)



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# Building brand equity

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## 2015 Brand marketing messages



- New product trial and awareness
- Easy ways to prepare healthy and delicious meals
- Freshness and purity



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# Building brand equity

## McCormick Pure



**McCormick® Gingerbread Men Cookies**

3 cups flour  
2 tsp. McCormick Ground Ginger  
1 tsp. McCormick Ground Cinnamon  
1 tsp. baking soda  
1/4 tsp. McCormick Ground Nutmeg  
1/4 tsp. salt  
3/4 cup (1 1/2 sticks) butter, softened  
3/4 cup firmly packed brown sugar  
1/2 cup molasses  
4 eggs  
1 tsp. McCormick Pure Vanilla Extract

Mix first 6 ingredients. Set aside. Beat butter and sugar with electric mixer on medium speed until light and fluffy. Add molasses, egg and vanilla, mix well. Gradually beat in flour mixture on low speed until well mixed. Press dough into a disk. Wrap in plastic wrap. Refrigerate 4 hours or overnight.

ROLL out dough to 1/4 inch thickness on lightly floured work surface. Cut into gingerbread men with 8-inch cookie cutter. Place 1 inch apart on ungreased baking sheets.

BAKE in preheated 350°F oven 8 to 10 minutes or until edges of cookies just begin to brown. Cool on baking sheets 2 minutes. Remove to wire racks, cool completely. Decorate cookies for piping designs with plain and Colorful Royal Icing (see mccormick.com for recipe).

Makes 2 dozen.

At McCormick, we believe pure tastes better. That's why our herbs and spices have no added fillers. Just 100% pure flavor. For more great-tasting recipes, visit [mccormick.com](http://mccormick.com)



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# Building brand equity

Commercial

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# Building brand equity

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**>70%**

OF McCORMICK  
BRAND SPICES,  
HERBS, EXTRACTS  
IN U.S. WILL BE  
NON-GMO  
**WITHIN ONE YEAR**



**80%**

Of premium  
gourmet  
line will be  
organic in  
2016



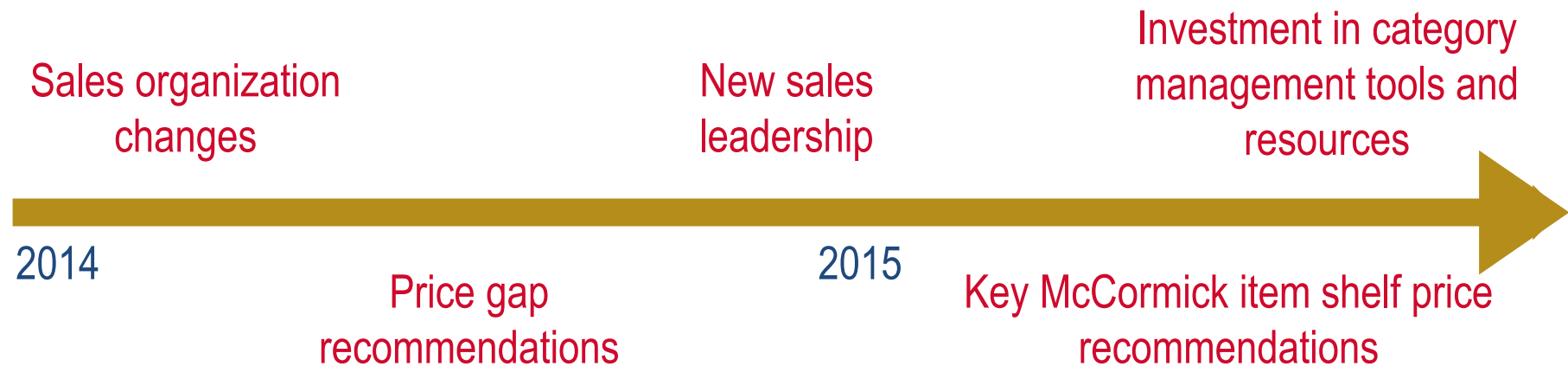
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# Building brand equity

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## U.S. Consumer Business **Winning at Retail**



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# Building brand equity

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U.S. Consumer Business  
**Winning at Retail**

## E-COMMERCE

Named supplier of the year for “Grocery” by Amazon



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# Executing on strategies to drive sales growth

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Building brand  
equity



Accelerating  
innovation



Expanding through  
acquisitions

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# Accelerating innovation

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**8 – 10%**

of annual sales from  
products launched in past  
3 years

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**18**

Innovation centers worldwide



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# Accelerating innovation

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Gluten free recipe mixes



Skillet sauces

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# Accelerating innovation

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Flavors for grilling

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# Accelerating innovation

Commercial

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# Accelerating innovation

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Ducros Gourmet



U.S. Gourmet  
relaunch

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# Accelerating innovation

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Digital banner ad



Herb Grinders

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# Accelerating innovation



China Squeeze Pouch  
Ketchup



Australia Gelatin Products



U.S. Stock Cubes

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# Accelerating innovation



Health & wellness 1/3 of  
new product projects



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# Accelerating innovation

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## COMPETITIVE ADVANTAGES

BREADTH OF  
SOLUTIONS



WINNING DEVELOPMENT PROCESS



**Sensory &  
culinary strength**



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# Executing on strategies to drive sales growth

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Building brand  
equity



Accelerating  
innovation



Expanding through  
acquisitions

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# Gordon Stetz

*Executive Vice President  
& CFO*



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# Expanding through acquisitions

2003



2006



2008



2008



2011



2011



2011



2013

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# Expanding through acquisitions

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Points of sale	52K
Distributors	233
Coverage	National
Sales Team	150



Core markets in China for McCormick brand

Points of sale	1,500K+
Distributors	1300
Coverage	National
Sales Team	370



Core markets in China for Daqiao brand

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# Expanding through acquisitions

2003



2006



2008



2008



2011



BRAND  
AROMATICS



2011

2011

2013

2015

2015

2015

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# Expanding through acquisitions

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## NATURAL SAVORY FLAVOR SYSTEMS

Flavors,  
marinades, and broth and stock  
concentrates for packaged food  
industry

R&D facility, USDA production  
and distribution center



**BRAND**  
AROMATICS



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# Expanding through acquisitions

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**SPICES AND  
SEASONINGS  
LEADERSHIP IN ITALY**  
with premium brand

Exports to  
**60** countries



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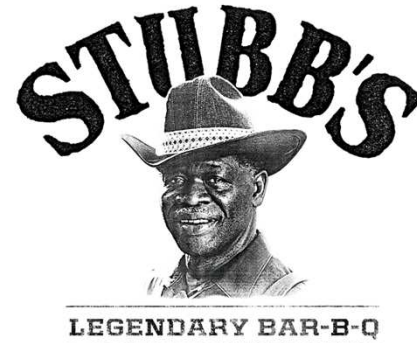
# Expanding through acquisitions

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#1 U.S. BRAND OF  
**PREMIUM,  
AUTHENTIC,  
SIMPLE  
INGREDIENT** BBQ

saucers, marinades, rubs and  
skillet sauces

On-trend and growing



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# Expanding through acquisitions

- McCormick global growth platforms
- McCormick participates in certain markets

EUROMONITOR FLAVOR CATEGORIES		
Soy Based Sauces	Chocolate Spreads	Brown Sauces
Honey	Ketchup	Fish Sauces
Bouillon/Stock	Mayonnaise	Vinaigrettes
Herbs and Spices	Wet Cooking Sauces	Barbecue Sauces
Pasta Sauces	Dry Sauces/Powder Mixes	Horseradish Sauces
Jams and Preserves	Dips	Mustard
Tomato Paste and Purées	Salad Dressings	Cocktail Sauces
Pickled Products	Oyster Sauces	Tartar Sauces
Spicy Chili Pepper Sauces	Other Sauces, Dressings and Condiments	Curry Sauces
Nut and Seed Based Spreads	Other Table Sauces	Worcester/Steak Sauces

**GREAT** global  
**acquisition**  
**pipeline** across  
broad flavor  
categories

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# Algorithm for long-term sales growth

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**Long-term goal 4 – 6 %**

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# Delivering high performance

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## CCI - Comprehensive Continuous Improvement - *Our fuel for growth*

- Vendor consolidation
  - High-speed equipment and automation
  - Process reliability
  - Streamline selling, general & administration
  - System technology
  - Sustainability
- 



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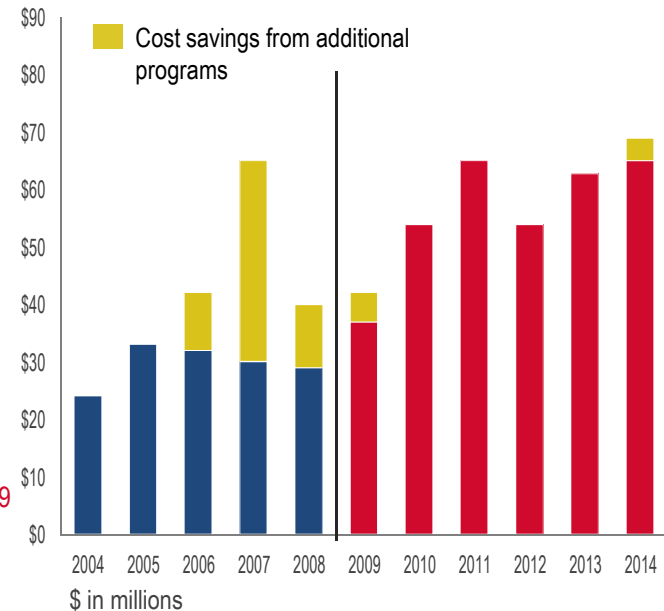


# Delivering high performance

CCI - Comprehensive  
Continuous Improvement -  
*Our fuel for growth*

Nearly \$350 million  
since inception

Annual costs savings  
CCI program launched in 2009



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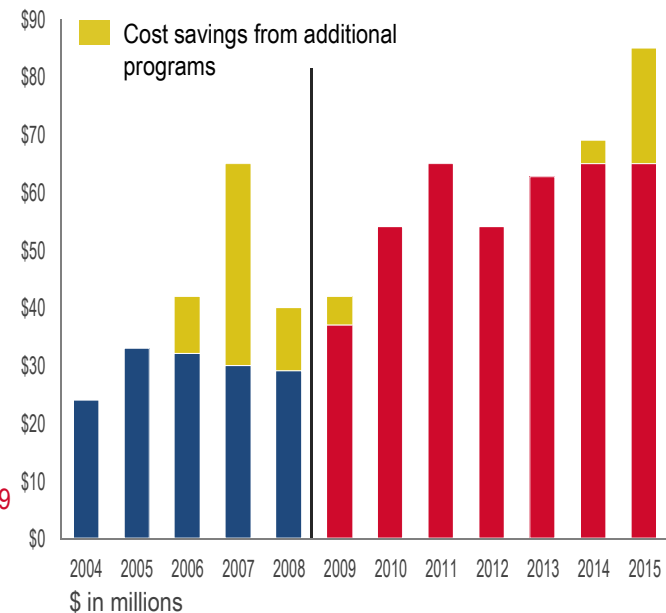
# Delivering high performance

Stepped up activity in 2015 with goal of at least \$85 million in cost savings

Includes streamlining activities designed to

- Improve competitiveness
- Reduce complexity
- Faster decisions and effective execution
- Generate fuel for growth

Annual costs savings  
CCI program launched in 2009



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# Delivering high performance



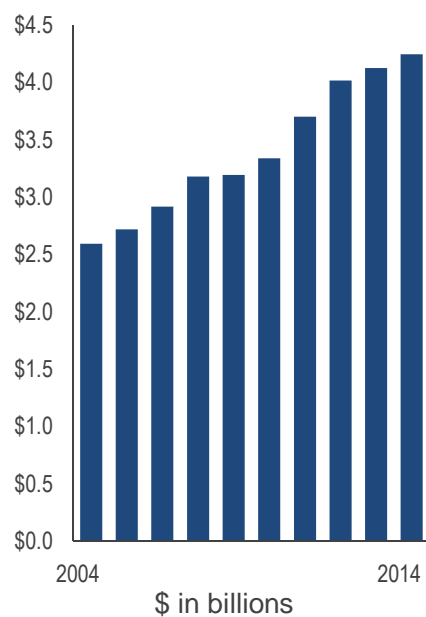
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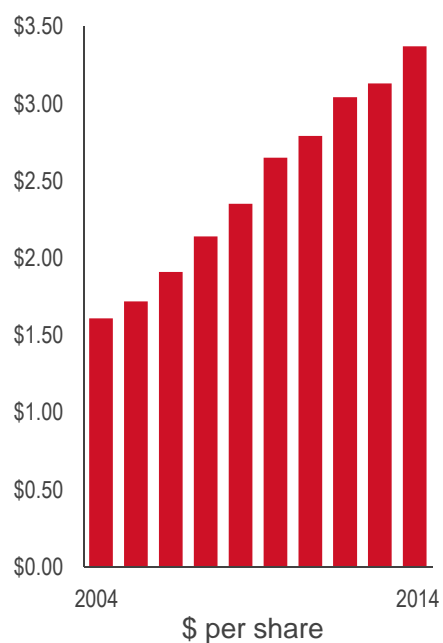
# Delivering high performance

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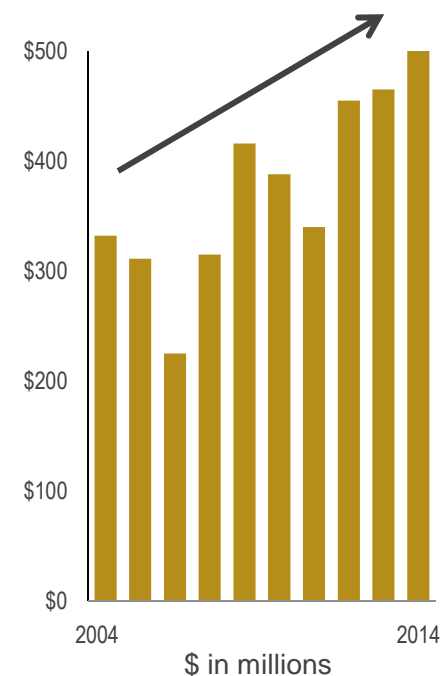
## Net sales



## Adjusted EPS



## Cash flow



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

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# Delivering high performance

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## Long-term financial objectives

Sales growth	4-6%
Operating income	7-9%
EPS	9-11%
Dividend yield (40% payout)	2%
Total shareholder return	11-13%

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# Summary

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

Executing on strategies to drive sales and profit growth

Becoming higher performance organization



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**McCormick & Company, Inc.**

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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>	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>For the Year</b>											
Net sales	\$ 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	\$ 2,526.2
Percent increase	2.9%	2.7%	8.6%	10.8%	4.5%	0.5%	8.9%	7.4%	4.8%	2.6%	11.3%
Operating income	603.0	550.5	578.3	540.3	509.8	466.9	376.5	354.2	269.6	343.5	332.7
Income from unconsolidated operations	29.4	23.2	21.5	25.4	25.5	16.3	18.6	20.7	17.1	15.9	14.6
Net income	437.9	389.0	407.8	374.2	370.2	299.8	255.8	230.1	202.2	214.9	214.5
<b>Per Common Share</b>											
Earnings per share - basic	\$ 3.37	\$ 2.94	\$ 3.07	\$ 2.82	\$ 2.79	\$ 2.29	\$ 1.98	\$ 1.78	\$ 1.53	\$ 1.60	\$ 1.57
Earnings per share - diluted	3.34	2.91	3.04	2.79	2.75	2.27	1.94	1.73	1.50	1.56	1.52
Common dividends declared	1.51	1.39	1.27	1.15	1.06	0.98	0.90	0.82	0.74	0.66	0.58
Closing price, non-voting shares - end of year	74.33	69.00	64.56	48.70	44.01	35.68	29.77	38.21	38.72	31.22	36.45
Book value per share	14.10	14.85	12.83	12.17	11.00	10.19	8.17	8.57	7.20	6.25	6.79
<b>At Year-End</b>											
Total assets	\$ 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	\$ 2,369.6
Current debt	270.8	214.1	392.6	222.4	100.4	116.1	354.0	149.6	81.4	106.1	173.2
Long-term debt	1,014.1	1,019.0	779.2	1,029.7	779.9	875.0	885.2	573.5	569.6	463.9	465.0
Shareholders' equity	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	920.7
<b>Other Financial Measures</b>											
Percentage of net sales											
Gross profit	40.8%	40.4%	40.3%	41.2%	42.5%	41.6%	40.6%	40.9%	41.0%	40.0%	39.9%
Operating income	14.2%	13.4%	14.4%	14.6%	15.3%	14.6%	11.9%	12.1%	9.9%	13.3%	13.2%
Capital expenditures	\$ 132.7	\$ 99.9	\$ 110.3	\$ 96.7	\$ 89.0	\$ 82.4	\$ 85.8	\$ 78.5	\$ 84.8	\$ 66.8	\$ 62.7
Depreciation and amortization	102.7	106.0	102.8	98.3	95.1	94.3	85.6	82.6	84.3	74.6	72.0
Common share repurchases	244.3	177.4	132.2	89.3	82.5	—	11.0	157.0	155.9	185.6	173.8
Average shares outstanding											
Basic	129.9	132.1	132.7	132.7	132.9	130.8	129.0	129.3	131.8	134.5	137.0
Diluted	131.0	133.6	134.3	134.3	134.7	132.3	131.8	132.7	135.0	138.1	141.3

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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 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 2013, we 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. In 2004, the net gain from a special credit was recorded. The net impact of these items is reflected in the following table:

<i>(millions except per share data)</i>	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Operating income	\$ (5.2)	\$ (40.3)	—	—	—	\$ (16.2)	\$ (45.6)	\$ (34.0)	\$ (84.1)	\$ (11.2)	\$ 2.5
Net income	(3.7)	(29.2)	—	—	\$ 13.9	(10.9)	(26.2)	(24.2)	(30.3)	(7.5)	1.2
Earnings per share - diluted	(0.03)	(0.22)	—	—	0.10	(0.08)	(0.20)	(0.18)	(0.22)	(0.05)	0.01

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

### Non-GAAP reconciliation

*(per share data)*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Earnings per share - diluted											
Continuing operations	\$ 3.34	\$ 2.91	\$ 3.04	\$ 2.79	\$ 2.75	\$ 2.27	\$ 1.94	\$ 1.73	\$ 1.50	\$ 1.56	\$ 1.52
Items affecting comparability	(0.03)	(0.22)	—	—	0.10	(0.08)	(0.20)	(0.18)	(0.22)	(0.05)	0.01
Adjusted earnings per share from from continuing operations - diluted	\$ 3.37	\$ 3.13	\$ 3.04	\$ 2.79	\$ 2.65	\$ 2.35	\$ 2.14	\$ 1.91	\$ 1.72	\$ 1.61	\$ 1.51

Other items that varied by year are noted below:

In 2006, McCormick began to record stock-based compensation expense and prior years' results have not been adjusted. Stock-based compensation impacted operating income, net income and earnings per share as indicated in the table below:

<i>(millions except per share data)</i>	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operating income	\$ (18.2)	\$ (18.7)	\$ (20.2)	\$ (13.0)	\$ (11.9)	\$ (12.7)	\$ (17.9)	\$ (21.2)	\$ (22.0)
Net income	(13.4)	(13.7)	(14.8)	(9.2)	(8.9)	(8.7)	(12.4)	(14.7)	(15.1)
Earnings per share - diluted	(0.10)	(0.10)	(0.11)	(0.07)	(0.07)	(0.07)	(0.10)	(0.11)	(0.11)

Also in 2006 McCormick reclassified the net book value of in-store displays from property, plant and equipment to other assets.

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