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MKC - McCormick & Company, Inc. at Sanford C Bernstein Strategic Decisions Conference

EVENT DATE/TIME: MAY 30, 2014 / 12:00PM GMT

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PRESENTATION

Alexia Howard - *Sanford C. Bernstein & Co. - Analyst*

Okay. Good morning, everybody. It is my very great pleasure to welcome Alan Wilson, CEO, and Gordon Stetz, CFO, at McCormick & Company.

McCormick, as you know is very well positioned with respect to health and wellness trends, since herbs and spices are used in cooking from scratch, can be rich in antioxidants and align well with the burgeoning demand for more adventurous flavors. As a result, category growth is very strong.

The Company has also been building its business overseas, making acquisitions and forging JVs in emerging markets in recent years. However at home in the US, private label and small and niche brands have been gaining a bit of traction. Here to tell us some more about the outlook and strategic direction for the Company from here, I will hand it over to Alan. Thank you.

Alan Wilson - *McCormick & Company, Inc. - Chairman, President and CEO*

Thanks, Alexia, and good morning to everyone in the room and everyone that is joining us by webcast.

McCormick is a global leader in flavor with on trend categories and attractive growth opportunities. I am going to begin by describing our progress with these opportunities and our excitement about the future. Then Gordon and I will look forward to an open discussion on these and other topics that you may want to discuss.

Throughout our remarks we will be making some forward-looking statements. As a reminder, our actual results can vary from these projections and I want to refer you to this statement as well as our annual report and website which contain additional information regarding business risks.

At McCormick, our mission is to save your world from boring food. In addition to our leading brands of spices and seasonings around the world, we have a strong position in other flavor categories. As a supplier to leading food and beverage companies, we flavor iconic brands and salty snacks, convenient meals and other food products throughout the grocery store. And if you are eating out, we supply be top restaurant chains as well as food service distributors. Across our consumer and industrial businesses, we have a passion for flavor and we bring the joy of flavor to every day.

McCormick's 10,000 employees around the world are the key ingredients to our success. Our culture is rooted in the principles of multiple management which include participation and high performance and date back to the early 1930s. Our employees care about making McCormick better and we had an unprecedented 93% response rate which is up from 83% on our latest engagement survey. You can read more about our people and culture in our corporate social responsibility review.

Consumers and customers around the world care about food safety, taste and quality and McCormick is the taste you trust. We are the leader in global sourcing of herbs and spices and our team travels the world sourcing ingredients from about 40 countries. This on the ground presence helps us influence sustainable growing practices, ensure traceability and gain insights into crop conditions and price movements. Once the crop reaches our facilities, our processing includes proprietary steam sterilization and other steps to eliminate pathogens and achieve a top level of well recognized quality.

Established a decade ago, McCormick's growth model is simple. We want to drive sales by investing in the business. We want to fuel this investment with our comprehensive continuous improvement program, CCI, an initiative that is improving productivity throughout our organization. This model has led to high-performance in the last decade. We have grown sales more than 80%, doubled our earnings per share, generated strong cash flow and delivered industry-leading total shareholder return.

We have a strong commitment to invest in our growth. Our investments in R&D are driving sales. In recent years the percentage of sales from new products launched in the last three years has ranged from 8% to 10%. We have increased our marketing to support our brands and deliver superior ROIs and we expect our level of spending in 2014 to be up more than 80% from 2008.

Our third area of investments is acquisitions. We are proud of a strong acquisition growth track record in both emerging and developed markets. Based on a report card that we put together for our Board of Directors last year, we have measured financial results at or above target for 83% of the $1.3 billion invested in acquisitions since the beginning of 2008. In this assessment we compare our financial performance with the initial projections for the business and evaluate the effectiveness of our integration and our performance in the marketplace.

CCI is our fuel for growth. We have a long history of productivity improvement at McCormick and since the launch of CCI in 2009 we have delivered over $300 million in savings. Going forward we expect to reach at least $45 million annually.

Our global procurement efforts are yielding strong benefits by rationalizing the supplier base where it is appropriate. In manufacturing, workplace-based teams are reducing losses, improving production efficiencies and improving quality.

We are also streamlining administrative activity. For example, during the end of 2013, we announced actions in Europe that include the centralization of shared services at a new facility in Poland. These ideas and accomplishments often originate with our high-performance employee teams and are shared across the functions and locations by our CCI champions.

The financial discipline of EVA at McCormick has led to strong cash generation. We have a balanced approach to our use of cash between capital expenditures, acquisitions, share repurchases and dividends. For capital expenditures, we have a high hurdle anticipating returns of at least 15%. We plan for one-third of the spending to be in support of our growth plans.

As for dividends, we are committed to returning cash to shareholders. We have paid a dividend every year since 1925 and we have increased that annually in each of the past 28 years. From 2006 to 2013, we have doubled our quarterly dividends.

Looking at our long-term objectives, a strong pipeline of acquisition opportunities together with our segment growth initiatives support our projection to grow sales 4% to 6%. This is right in line with our compounded annual growth rate of 6% for the last decade. We also anticipate increases of 7% to 9% in operating income which is supported by our 10-year performance. Including our dividend payout, we expect long-term total shareholder return at a double-digit rate and as of April 2014, we have achieved returns of 10% or more on a five-, 10- and 20-year basis.

Our sustainable growth plan is underpinned by several key factors that form a resiliency in our business and position us for long-term growth. We have significant brand leadership in growing categories. Our breadth of products that range from value price to premium, our ability to provide flavor for all types of eating occasions, strategic multinational customers that are leaders in their industry, and in expanding geographic presence.

There is no doubt that today's market is dynamic. Our categories are profitable for both manufacturers and retailers and that attracts competition such that we saw in our US business in 2013.

For the last part of my remarks, I'm going to look at our position in the marketplace as a leader in flavor and the strategies underway to address competition and grow our business.

McCormick is in and advantaged category, flavor. Flavor remains the number one factor in our choice of food. The demand for flavor is growing and it is global. Our largest growth platform is spices and seasonings and we are seeing impressive category growth in a number of our top markets including a double-digit increase in China.

In markets where we participate through joint ventures, India, Turkey and Mexico, category growth has also been at a double-digit rate and globally, Euromonitor projects that this $10 billion category will grow another 13% by 2018.

Beyond spices and seasonings, growth is projected in recipe mixes, our other core category and across a number of flavor categories in which we participate including honey, bullion, sauces and spreads.

So let's take a look at the factors that are driving the increase in flavor. In the US as millennials move into their 20s and 30s, we are seeing a strong interest in cooking, much greater than the baby boomers. This demographic shift bodes extremely well for McCormick. Today's millennials love to cook with 64% making this statement versus 52% of the remaining US population. More than one-third indicate they also are more health conscious when it comes to the food that they eat and they define value as real food, quality food and unique food.

That is good news for us. With our foundation in herbs and spices, we have the products and solutions to satisfy their discerning demand for both value and healthy food.

Consumers of all ages are fascinated by other cultures and their food. Cuisine-specific or ethnic fare now accounts for 44% of all US flavoring occasions. This interest is especially true for consumers aged 18 to 34. The trends in the US are similar in other developed markets.

In emerging markets, there are even more compelling growth opportunities for flavor. Euromonitor measures herbs and spices globally as a $10 billion category. We estimate another $10 billion of herbs and spices are sold in bulk, mainly in emerging markets. As more people move up to middle-class and more women enter the workforce, we are seeing a move away from bulk and towards the safety, quality and convenience of spices and herbs as a packaged food item.

In 2016, emerging markets are projected to account for over half the measured global herbs and spices and seasonings sales and almost half the global recipe mix sales. We have activity underway in both developed and emerging markets to capture our share of this growth.

Our strategy for growth is to win share with global focus. This applies to each of our two segments, consumer and industrial. I will provide a quick overview of each segment for you and then describe the strategies that are driving our growth.

For our consumer business we have brands sold in more than 125 countries and territories. While the McCormick brand accounts for about half of consumers sales, seven other brands have annual sales close or above $100 million. For our largest category, herbs, spices and seasonings, we have a 21% global share. The share is well ahead of our next largest competitors and still offers lots of room for expansion.

Approximately two-thirds of our consumer business sales are in global growth platforms of herbs, spices and seasonings and recipe mixes.

Here is a look at our share in each major market which is equally strong. In addition to our branded share shown here in red, we participate and supply private label in both North America and in parts of Europe. We have been a supplier of private label for more than 30 years providing our customers and consumers with products at every price point in the category from value price to premium and gourmet.

The other one-third of consumer business sales are in our regional leaders, brands that have a top category share in a particular country or region. We are pursuing five growth strategies for our consumer business, drive our core platforms globally, build enduring consumer differentiated brands, accelerate scalable innovation, continue to expand our geographic footprints and deepen intimacy with retail customers.

I want to share our progress in a few of these areas, brand equity building, innovation and geographic expansion.

In building consumer differentiated brands, we have developed a deep understanding of the consumer. Leveraging this insight, we are generating relevant marketing propositions and creating more personalized engagements. As I showed earlier, we have a clear commitment to investing in our brands and in 2014 plan a further increase of more than 10%. These funds will be used to drive sales of our marketing, leading brands around the world and drive sales of new products.

About half of this increase is planned in the US where we are putting greater emphasis on building brand equity. A portion of the increase will be directed toward events during holiday periods, grilling season and other important occasions when our brands outsell the competition. We measure the effectiveness of our spending and have achieved returns ahead of industry averages in the most recent US data.

Based on our strong ROIs, we have been increasing our investment in digital marketing. Since 2011, we have doubled our spending on digital. We are beating industry benchmarks and engagement rates and in the US we doubled the number of unique visitors to our websites and increased our Facebook fan base by 87% year on year. With these types of results, we are on track for digital marketing to comprise about 40% of our 2014 advertising spend in the US which is equal to what we plan to spend on TV.

Turning to innovation as a category leader, customers and consumers look to McCormick for this on-trend innovation. We are focused on delivering superior customer eating experiences and creating compelling products to build our leadership in a competitive market. Innovation begins with the consumer and we are getting better each year with our efforts to gain insights and capture the latest trends.

Based on consumer segmentation analysis, we identified four global mega approaches to cooking among consumers with most falling into every day solutions followed by a about 20% each into wholesome family planning, make it easy and make it impressive. These insights are driving the brand portfolio management and brand marketing allocations that I discussed in our brand building strategies. They are also directing our innovation activities.

Shown here are new products launched in the first half of 2014 in the Americas region. They include Hispanic seasoning blends that are superior to competitive products; gluten-free recipe mixes that respond to consumer health interests; and a new Lawry's oven fry mix for a quick weeknight dinner.

In EMEA and Asia-Pacific regions, recent introductions include a new gourmet line in France that helps consumers make it impressive; a 13-spice blend in China that has a consumer preferred flavor, superior reclosable packaging and attractive price points; and in the UK, we are particularly excited about the launch of flavour shots which retailers are calling one of our most innovative ideas to date.

From a consumer's value lens, our recent innovation spans every price point from premium to value and with a lot in between as you have just seen. Once we have a great idea, we take it to new markets. Past examples include grinders, grill mates and slow cooker seasonings. However, these introductions occurred over a multiyear period. Going forward, we are going to see more rapid rollouts of our latest ideas like flavour shots and our gluten-free recipe mixes.

Beyond our core growth platforms, we have launched new varieties of our regional leaders under brands like Zatarain's, and Thai Kitchen in the US, squeezable McCormick ketchup in China and Vahine dessert items in France.

Looking at our growth strategy, as we expand our global footprint and we are concentrating on emerging markets which offer a particularly compelling growth opportunity based on the dynamics that I described earlier.

We have made a number of recent inroads in emerging markets for our consumer business. Since 2011, we have entered Poland, Russia and other Eastern European markets, established a solid foothold in India with two joint ventures, partnered with Ulker in Turkey and made our first acquisition in China expanding our current presence in this large market into the central region. Across both businesses, consumer and industrial including our share of unconsolidated business, sales in emerging markets are nearly $1 billion and as you pointed out in your reports, Alexia, about 20% of our total.

Clearly acquisitions and joint ventures are providing an important point of entry into new geographic regions. We have an emphasis on consumer brands and emerging markets in our selection process and we are seeking businesses that have a strong category position and good growth potential. While we have some great prospects out there we are financially disciplined. This discipline has allowed us to add businesses that are quickly accretive with a lower degree of risk.

With that said, we have also made strategic investments intended to have returns over the long-term such as our entry into India.

We have a focus on six priority markets at this time, each with healthy growth rates in spices and seasonings as well as other flavor categories. We are working to build brand equity and share in these markets as well. Between our recent acquisition of WAPC and the growth of our current business, we expect China to be our second largest market worldwide this year and anticipate continued sales growth at a double-digit rate.

In Russia while it is still a small part of our portfolio, we have moved from the number three brand with the acquisition of Kamis in 2011 to a number one share with herbs, spices and seasonings category.

I also want to mention Turkey where we formed a joint venture in 2010 to launch a new brand of spices and seasonings. In short order we have achieved a number two category share and 74% brand awareness.

Across each of our emerging markets, we have established a solid presence and are pursuing further organic growth and we are working on a robust pipeline of acquisition opportunities to further expand our geographic footprint.

To summarize our consumer business growth strategies, consumer demand for flavor together with our strong brand equity, compelling innovation, emerging market presence and superior customer intimacy have led to a strong track record of increased sales and profits for this part of the business and create an outsized growth opportunity for the future.

Turning to our industrial business, McCormick is a leading supplier of flavor across the global food industry. With $1.6 billion in sales, we have a geographic presence that promotes customer intimacy and keeps us on the forefront of local trends. We have a balanced customer mix and our product portfolio is one of the broadest in the industry.

About half of our sales are to leading food and beverage companies and half to the food service industry. Our model calls for high levels of service and engagement with a select group of customers. While we serve most of the largest and successful companies in the food industry, we have ample headroom for growth as our share of flavor with these customers range from around 50% to less than 10% in some cases. These customers rely on McCormick to supply the flavor behind their iconic brands and their hero products.

We have production locations around the world as well as R&D centers to customize flavors to meet local tastes. This breadth of customers and geographic reach help us mitigate short-term pressure on a particular part of our business.

Providing further diversification is our breadth of flavor solutions. This array of solutions is more comprehensive and flexible than any of our competitors and creates a benefit for our key customers as they work to streamline their supply chain.

For our industrial business, we are driving growth through superior customer intimacy, we partner with customers to drive our business success and theirs. Flavor leadership; our awards for innovation demonstrate McCormick's position in the industry and through capabilities that drive and enable differentiated solutions for our customers. An example of this is our unique flavor-cell technology that we are in the process of introducing now. Our effectiveness with these strategies is demonstrated by our financial results for the past five years. Through 2013, our industrial business delivered an average annual increase of 6% in sales and 9% in adjusted operating income.

Or growth strategies across both businesses, consumer and industrial support our long-term algorithm for mid single-digit annual growth rate, with one-third of our base business through category growth and expanded distribution, another one-third from innovation and one-third from acquisitions, which have accounted for about one-third of our topline growth over the last five years.

To summarize, I hope that my remarks today you have sensed the confidence in our business at McCormick and the excitement for the future. We have come a long way at McCormick in the past 125 years from a four-person business selling root beer extract to a global leader in flavor with brands in 125 countries and territories. During this time, we have witnessed a change in consumer demand as well from a time when seasoning a meal meant salt and pepper to an absolute explosion of flavors.

One thing that hasn't changed at McCormick are the words of our founder which is to make the best. We bring passion to flavor. We have a focused business and our employees around the world are working each day to save your world from boring food. As the current leadership team came together about five years ago, we focused on three strategic imperatives that I have touched on today people, ready talent, fully engaged. Growth, winning share with global focus. And performance, superior results consistently delivered. Together these imperatives set our priorities, direct our resources and drive us to succeed.

Demand for spices and herbs and other flavors is growing worldwide whether it is exposure to a new and more interesting food or healthy alternatives for sugar, salt and fat, McCormick is uniquely positioned to meet this increased demand. We have a leading share in on-trend categories and we are supplying our customers and consumers with a full range of flavors from value price to premium.

Our broad product portfolio and expanding geographic presence allow us to drive sales in developed markets and capture emerging market consumers as they move from bulk to branded and spices and seasonings.

At McCormick, our fundamentals are sound with an experienced leadership team and proven growth strategies to deliver high-performance for our shareholders.

Thanks for your attention and now we will take some questions.

QUESTIONS AND ANSWERS

Alexia Howard - *Sanford C. Bernstein & Co. - Analyst*

If you have any questions, feel free to write them down in your cards and we will handle them.

Maybe just to kick off the Q&A, you have a unique position with your industrial business in terms of having a lens on what is going on in US packaged food particularly. You sell into quick service restaurants, you sell into the food manufacturers, both snacks and regular packaged foods. Given that lens, what are the big trends that you are seeing, what are they concerned about, what are their priorities as they wrestle with some of the volume trends that are coming up?

Alan Wilson - *McCormick & Company, Inc. - Chairman, President and CEO*

Sure. I think a couple of things. One, in QSR, I think there is a common trend both from the branded consumer manufacturers as well as food service which is consumers are pretty fragmented. So at different times consumers are concerned about everything from gluten-free to organic to healthy to low salt and they are kind of spread across and that is true both in QSR, in casual dining as well as in packaged foods. And so what people are trying to do is find a way to meet that demand and more and more what we see are consumers are looking for variety and they are not necessarily thinking of the long-established brands as they do that. So they are open to trying a whole lot of different kinds of products.

In terms of the food trends, certainly gluten-free; protein is another that is really driving but it does all kind of come back to flavor. If stuff doesn't taste good, consumers aren't going to buy it. And so while we see consumers will say they have a high interest in healthy and low salt, if they don't like the flavor of it, they aren't going to necessarily buy it so while the industry has done a good job of reducing salt and fat and sugar in products, consumers are still buying a lot of the stuff that they have said they would rather have other options.

Alexia Howard - *Sanford C. Bernstein & Co. - Analyst*

Can we turn to the share issue in the US spices and seasonings market? It seems as though private label may be at the lower end and maybe value niche brands have taken some share over the past year. What is causing that? What is going to make it start to reverse in the other direction? Thank you.

Alan Wilson - *McCormick & Company, Inc. - Chairman, President and CEO*

Yes, certainly and this is a trend that we saw accelerate last year but is not a new trend. Since 2008 as the economy got tough, we started to see private label gaining share. A couple of things. I think the consolidation of customers have driven more of an emphasis on private label and that is true in our category as well as in other categories. I think there has been more of an acceptance and kind of a change back to a fragmented brand presence in the category where customers have been more willing to take in more and more alternative brands whereas two or three years ago they were streamlining SKUs and now there is kind of explosion. I see some of that as cyclical because as they start to see lower productivity of SKUs, they will start to consolidate those out. That is not going to happen overnight but over time that will start to happen. We are helping our customers to see that.

Certainly price gaps have an influence there and we are managing our price gaps with private label. We have started to see, last year we saw some of those expand. This year we are seeing some of those start to moderate a bit.

Alexia Howard - *Sanford C. Bernstein & Co. - Analyst*

I have got a couple of questions here on acquisition strategy because it is obviously very topical at the moment across the food sector. In terms of scale, how do you think about the largest international domestic acquisition that you could make? In general, do you prefer smaller regional brands or something a little bit bigger?

Alan Wilson - *McCormick & Company, Inc. - Chairman, President and CEO*

Our track record has been that we are pretty successful with acquisitions that help add scale and that are tuck in and ready for us to execute. We have certainly stepped out when we bought Lawry's and took our debt to EBITDA rating up to about 2.8 and we are certainly willing to do that. But what we see are more the opportunities in that $100 million to $300 million kind of range that fit because what we are looking at is extending our geographic presence with leadership brands in markets that can help expand our presence. But we certainly are open to bigger acquisitions where they make sense. Do you want to add anything to that, Gordon?

Gordon Stetz - *McCormick & Company, Inc. - EVP and CFO*

No, no. That is exactly right.

Alexia Howard - *Sanford C. Bernstein & Co. - Analyst*

Great. On the industrial side, there is a question saying that you have no industrial facilities in South America and why is that?

Alan Wilson - *McCormick & Company, Inc. - Chairman, President and CEO*

Well, we certainly have a presence in El Salvador as well as in Mexico and we have a development office in Brazil where we are doing work and then manufacturing in Uruguay. So while we don't necessarily own and have expanded our plants there, we have focused our investments in other regions to be able to meet our customer needs.

Alexia Howard - *Sanford C. Bernstein & Co. - Analyst*

This is probably one for Gordon. Your cash flow seems to be lagging revenue growth. Why is that and will it evolve over time?

Gordon Stetz - *McCormick & Company, Inc. - EVP and CFO*

We are strong cash flow generators and last year was a record year. So first I would point out that we were over $460 million. What can impact our cash flow and what has impacted it more recently are two things. One is in the low interest rate environment we have had to make pension contributions which has impacted the operating cash flow. And then secondly, our hedging of commodities primarily comes in the form of strategic positions in inventory and to the extent that we see rising commodity costs in a number of our commodities we need to go longer, there is not a futures market in a lot of the things we buy.

So periodically you will see operating cash flow get impacted by that but on average over time, that evens out and we really have -- and if you look at a five-year or even a 10-year compounded annual growth, it has been pretty strong growth in our cash flow.

Alexia Howard - *Sanford C. Bernstein & Co. - Analyst*

Broader question here. Do you consider that you need to expand beyond flavor, perhaps to texture, to continue to improve your position within the consumer packaged food companies?

Alan Wilson - *McCormick & Company, Inc. - Chairman, President and CEO*

We still see lots of opportunities within flavor and certainly we have looked at other adjacent type categories, both consumer and industrial, where we think we can add value but fundamentally we come back to flavor.

Alexia Howard - *Sanford C. Bernstein & Co. - Analyst*

Okay. As you look at the growth opportunities domestically and internationally across both the consumer and industrial part of the business, where are your top priorities for growth from here if you had to list the top three?

Alan Wilson - *McCormick & Company, Inc. - Chairman, President and CEO*

I think first is gaining share in the markets where we already have presence and we've got a lot of efforts at that both from an innovation as well as a marketing investment and in building those customer relationships. So that is kind of the biggest most impactful thing we can do is drive share in our core markets with our core categories.

Secondly is expanding into other geographies where we have a limited presence. And then third is looking at adjacent businesses and categories where we may be in so we talk a lot about spices and recipe mixes as our core categories. We also have very healthy businesses in condiments, sauces as well as dessert aids so those are areas that we see as great growth potential for us.

Alexia Howard - *Sanford C. Bernstein & Co. - Analyst*

You mentioned China as a focus area and how it is likely to become your second largest market. Can you quantify how big that is and what the most important priorities are there?

Alan Wilson - *McCormick & Company, Inc. - Chairman, President and CEO*

China is one of growing our penetration and we made the Wuhan, WAPC acquisition which gave us presence in more the central region. It also gave us access into a different product category, bullion and powder which is a core part of cooking there. And so we see expanding our presence both geographically and with other products there. And as we move, what we find is even though we are selling in all the provinces of China where we have direct sales presence we have much higher penetration so what we are really trying to do is drive penetration.

We are also looking for other acquisition opportunities that are similar to WAPC that fit within the kind of the core of the business that we know how to do that are selling either to food service channels or to retail channels and that we can bring value through our quality systems, our manufacturing productivity as well as through our flavor technologies.

Alexia Howard - *Sanford C. Bernstein & Co. - Analyst*

Great. You mentioned digital advertising as being a pretty big part of your advertising spend now. What do you see as the keys to success given that that market is growing so quickly or that capability is growing so quickly?

Alan Wilson - *McCormick & Company, Inc. - Chairman, President and CEO*

That fits our approach almost perfectly because it is a one-to-one relationship with consumers and it is very customizable based on the flavor preferences that each person has or that they are looking for and it takes a lot of different avenues, everything from inspiration where I am searching for a recipe and we want to make that recipe easy but it meets that fragmented need that consumers have so if I'm looking for a gluten-free recipe or I am looking for something that I'm having to deal with from an allergy standpoint or I am looking for a healthy recipe, those are things that we can help deliver with great tasting great ideas that consumers are looking for.

The other piece of that is working with our retail customers to help consumers as they are searching for value and so we find we don't necessarily have to discount our products. If we can partner with a retailer in a search for say chicken or chicken recipes they will find a great recipe for say Montreal chicken or one of our recipe mixes and it will pop up and say -- and chicken is on sale at your local whatever retailer. So we are doing a lot of those kinds of things that are pretty effective.

Alexia Howard - *Sanford C. Bernstein & Co. - Analyst*

I've got a couple of questions here around the ownership structure of the Company. On the one hand people are curious about is there any family ownership left and do they get involved in any way? There is also some questions about whether the publicly traded stock is voting or nonvoting because that is -- . Can you just give us some clarity around all of that and whether you could be bought ultimately given the consolidation that is going on in the sector?

Alan Wilson - *McCormick & Company, Inc. - Chairman, President and CEO*

Sure. That is a good question. The ownership structure is about 10% of our shares are voting shares and those are pretty closely held by family members, employees and retirees. About half of that is our 401(k) program so it is active employees that are invested there.

Our publicly traded shares are nonvoting but we have a structure that in the case of a change of control both classes of shares would be able to vote. So in terms of our we a takeover candidate, we are really focused on being independent. We believe that we can run this business and grow this business better than being part of a large company and if you kind of step back and think of what is happening as activists are going into companies, what they're trying to do is drive focus. So they are looking at parts of the portfolio and say spin off this because you are under managing it and we want to see that focus.

That is really what we are. If we were part of a larger company you would probably have an activist come in saying you have got a great jewel here and you are not as focused on it, you should separate it and that is really what we are. So in terms of could we be bought, absolutely it could happen. We are really focused on being independent. We think we can bring the most value to our shareholders there. We believe we have a unique culture which delivers consistent strong performance and we are committed to that but you never say never.

Alexia Howard - *Sanford C. Bernstein & Co. - Analyst*

Great. That is really helpful. Thanks for the clarity. Commodity, a different part of the P&L, let's talk about commodity costs. You have obviously got a very different set of inputs from most other companies. How do you manage that, the potential volatility -- I know at times vanilla has gone through the roof and stuff like that. How do you manage it, what are you seeing in terms of the outlook right now?

Alan Wilson - *McCormick & Company, Inc. - Chairman, President and CEO*

We do have a very diverse cost base and there is really no one item that represents say more than 5% of our commodity costs. About 80% of our cost of goods sold is in raw and packaging commodities and the way we manage it is different. On the one side where we have an industrial business with a lower margin structure, we are unable to sustain volatility in those commodity costs and we learned that through the last several cycles.

So that primarily becomes a partnership with our customers through the pricing mechanisms which are largely pass-through where we will have an outlook, we will have our folks from the procurement team talk to their commercial people and we will develop a price and a strategy with our customers that we will go along on a certain commodity with them and lock in a price. To the extent the customer does not want to lock in and has a different outlook, that is fine but then the price will reflect whatever the commodity cost is at the time.

That adjustment mechanism occurs more frequently. It is not real-time but it occurs more frequently since the first shock in 2008 and then the other shocks. So we have more periodic reviews there.

On the traditional things that you think about us in herbs and spices, there is as I said earlier, not a real futures market so it really becomes the eyes and ears of our global sourcing team. And they are out in the fields looking at obviously political conditions around certain events in the world, crops, supply and demand obviously and we will take a view on those commodities. And we will go longer or shorter depending on whether we see a rising cost or obviously some falling costs and generally we have been very, very good at predicting those. They are a strong team and they are out in traveling the world getting that information back to us.

Alexia Howard - *Sanford C. Bernstein & Co. - Analyst*

Emerging markets, you talked about it being a pretty big priority. Do you have goals for how big emerging markets will be as a percent of sales over time?

Alan Wilson - *McCormick & Company, Inc. - Chairman, President and CEO*

Over time I would expect emerging markets to be about one-third of sales. We haven't set a timetable on that. We have said we want to be at 20% by 2016 but I think over time that is a good mix because we need to be in markets where the growth is higher. But we also have to build and grow a healthy -- and keep a healthy business in the developed markets where we have scale and the margins are higher. So it is kind of that trade-off. I don't see McCormick as a 50/50 emerging developed market mix. I think it is more of a two-thirds, one-third.

Alexia Howard - *Sanford C. Bernstein & Co. - Analyst*

You obviously have a strong topline story given the consumer interest in flavors. In terms of the margins on either side of the business, consumer and industrial, where do you see the margin heading over time?

Alan Wilson - *McCormick & Company, Inc. - Chairman, President and CEO*

I think we have the opportunity to recover margin -- over the last couple of years, we have seen some margin compression as we have seen commodity costs go up. So our focus has been hold the margin in our consumer business and grow that business faster and improve the margin in our industrial business while we make more organic investments in industrial.

We do think there is certainly room for margin expansion, part of that by the mix of business between consumer and industrial, part of it by pursuing more higher-margin opportunities within industrial. And then thirdly, expanding our consumer business as we go into emerging markets improving the margins in those.

Alexia Howard - *Sanford C. Bernstein & Co. - Analyst*

You talked about your CCI cost management program or continuous improvement program. How far into those cost programs are you? We are seeing Heinz with 3G doing a lot more aggressive stuff on cost. Is there a lot more to come on that side?

Alan Wilson - *McCormick & Company, Inc. - Chairman, President and CEO*

Yes, we think there is certainly more opportunity and I think any company has to be responsible around cost. Our approach has been to try to grow faster and leverage our SG&A as we grow but then every year there is a constant focus on making ourselves better. And so a part of that CCI investment every year is some upfront investment in productivity, whether it is reorganizations, smaller restructurings and that sort of thing that helps to drive it.

In Europe last year, we announced a restructuring and that is well underway. As we expand shared services, I think we will certainly see more of that. And we are constantly looking at all of our organizations to make sure that we are operating effectively and efficiently. A big part of what you saw in the first quarter was some leverage of SG&A. Gordon, do want to add?

Gordon Stetz - *McCormick & Company, Inc. - EVP and CFO*

I would just add, just to give a little historical perspective on CCI, we went through a supply chain cost base restructuring 2005 through 2008 where we reduced our overall manufacturing footprint on a global scale. And we continue to evaluate that as our footprint changes with acquisitions and we look for opportunities to improve it. But I would say given our growth, I know a lot of the activities beyond just the SG&A has been in readjusting plants to volume growth where in a lot of cases we are actually having the opposite issue where we are investing to sustain volume growth in some of these emerging markets.

So the opportunity is for us to continue to exist both in the back office and in the plants but I would just point out that we did go through the big supply chain, not that you are ever done but we certainly had a big event a number of years ago and coming out of that, the message to their groups and with CCI is don't save this up for a big bang event. We want you to get at these efficiencies every year all of the time and therefore it is a constant pipeline. And the teams every year talk about how hard it is but they have really performed quite well and they understand the message.

Alexia Howard - *Sanford C. Bernstein & Co. - Analyst*

Can I ask about Europe and what you are seeing economically and in terms of the retailer and consumer environment out there? Obviously Southern Europe got hit pretty hard at the start of the economic slowdown. We have also been hearing different stories about the UK retailer environment and how tough that is. What are you seeing?

Alan Wilson - *McCormick & Company, Inc. - Chairman, President and CEO*

The UK environment is pretty tough. The retailers are all kind of fighting for growth and are employing a lot of tactics. It is also competitive. We have a different competitive situation in the UK than we have in some of our other markets where we have a strong, large recipe mix competitor who has been continuing to invest pretty heavily in promotional spending.

We feel pretty good about our innovation pipeline there and are driving that. We also participate in private label there, not in a large way but in a small way which gets us a little bit of flexibility and we have a limited presence with some of the discount channels that are driving some of that tough competitive environment.

I would say France -- and our main markets there are France, Poland and the UK. France, our teams have done pretty well there both with our dessert categories as well as our spice and seasonings category. So while the trends and the competition is tough, we are seeing pretty good performance as we launched our gourmet line of Ducros to quickly capture an increased share. So we are actually seeing a little better growth there than you might expect given the trends.

And we are seeing Poland is also a competitive market but one that we can bring innovation, category leadership to to help the retailers.

Alexia Howard - *Sanford C. Bernstein & Co. - Analyst*

As we are coming towards the end of this, maybe I can ask you a broader question about your five-year agenda for McCormick as you look at over the next five years. If we were sitting here in 2019, what would you look back on and say that was a positive outcome and what do you see as a big risk?

Alan Wilson - *McCormick & Company, Inc. - Chairman, President and CEO*

I don't see a big shift in strategy. Our strategy really is to drive growth in our core businesses, expand smartly geographically and smartly into adjacent categories. So I certainly see that. I think we be -- we will have a larger presence in emerging markets I think and we are in the process of expanding and making some of those investments now.

I think we will be in at least one other core category in addition to spices and recipe mixes and we are in the process of some investments there as well. And certainly I expect that we will be a more efficient and productive Company as well as we both leverage our cost base but do what we have to do to streamline for faster decision-making and more a effective operation.

Alexia Howard - *Sanford C. Bernstein & Co. - Analyst*

Thank you very much. I will wrap it up there and thank you ever so much to both Alan and Gordon for joining us this morning. Thank you.

Alan Wilson - *McCormick & Company, Inc. - Chairman, President and CEO*

Alexia, thanks for having us.

Gordon Stetz - *McCormick & Company, Inc. - EVP and CFO*

Thank you, Alexia.
