

MCCORMICK & CO INC  
Form 10-Q  
September 28, 2017  
UNITED STATES  
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 August 31, 2017  
Commission File Number 001-14920

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

MARYLAND 52-0408290  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

18 Loveton Circle, P. O. Box 6000, 21152-6000  
Sparks, MD  
(Address of principal executive offices) (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 by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer   
Non-Accelerated Filer  (Do not check if a smaller reporting company)  
Smaller Reporting Company   
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). 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
	August 31, 2017
Common Stock	11,171,764
Common Stock Non-Voting	119,826,605



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## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## McCORMICK &amp; COMPANY, INCORPORATED

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(in millions except per share amounts)

	Three months		Nine months	
	ended August 31,		ended August 31,	
	2017	2016	2017	2016
Net sales	\$1,185.2	\$1,091.0	\$3,343.2	\$3,184.5
Cost of goods sold	700.8	637.1	2,001.2	1,892.8
Gross profit	484.4	453.9	1,342.0	1,291.7
Selling, general and administrative expense	286.5	281.8	869.0	860.0
Transaction and integration expenses (related to RB Foods acquisition)	24.5	—	24.5	—
Special charges	4.7	4.3	13.0	9.8
Operating income	168.7	167.8	435.5	421.9
Interest expense	21.5	14.1	50.9	41.7
Other debt costs	15.4	—	15.4	—
Other income, net	1.2	0.2	2.5	2.0
Income from consolidated operations before income taxes	133.0	153.9	371.7	382.2
Income taxes	33.0	34.3	93.6	91.5
Net income from consolidated operations	100.0	119.6	278.1	290.7
Income from unconsolidated operations	8.2	8.1	23.6	24.2
Net income	\$108.2	\$127.7	\$301.7	\$314.9
Earnings per share – basic	\$0.86	\$1.01	\$2.40	\$2.48
Average shares outstanding – basic	126.3	126.4	125.5	126.8
Earnings per share – diluted	\$0.85	\$1.00	\$2.37	\$2.46
Average shares outstanding – diluted	127.8	127.9	127.2	128.2
Cash dividends paid per share	\$0.47	\$0.43	\$1.41	\$1.29
Cash dividends declared per share	\$0.47	\$0.43	\$0.94	\$0.86

See notes to condensed consolidated financial statements (unaudited).

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McCORMICK & COMPANY, INCORPORATED  
 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
 (in millions)

	Three months ended August 31,		Nine months ended August 31,	
	2017	2016	2017	2016
Net income	\$108.2	\$127.7	\$301.7	\$314.9
Net income attributable to non-controlling interest	0.4	0.1	1.2	0.8
Other comprehensive income (loss):				
Unrealized components of pension and postretirement plans (including curtailment gains of \$76.7 for the nine months ended August 31, 2017)	27.1	8.3	114.7	17.8
Currency translation adjustments	99.9	(20.8 )	184.9	(7.8 )
Change in derivative financial instruments	(3.7 )	1.9	(13.2 )	0.3
Deferred taxes	(9.9 )	(1.9 )	(37.9 )	(4.4 )
Comprehensive income	\$222.0	\$115.3	\$551.4	\$321.6

See notes to condensed consolidated financial statements (unaudited).

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MCCORMICK & COMPANY, INCORPORATED  
 CONDENSED CONSOLIDATED BALANCE SHEET  
 (in millions)

	August 31, 2017 (unaudited)	August 31, 2016 (unaudited)	November 30, 2016
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 166.1	\$ 134.2	\$ 118.4
Trade accounts receivables, net	556.2	445.3	465.2
Inventories, net			
Finished products	431.3	366.0	336.3
Raw materials and work-in-process	404.5	394.3	420.0
	835.8	760.3	756.3
Prepaid expenses and other current assets	84.5	80.4	81.9
Total current assets	1,642.6	1,420.2	1,421.8
Property, plant and equipment	1,808.7	1,604.9	1,630.2
Less: accumulated depreciation	(1,043.3 )	(963.8 )	(960.8 )
Property, plant and equipment, net	765.4	641.1	669.4
Goodwill	4,503.3	1,813.3	1,771.4
Intangible assets, net	3,091.5	433.6	424.9
Investments and other assets	378.9	370.1	348.4
Total assets	\$ 10,381.7	\$ 4,678.3	\$ 4,635.9
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current Liabilities			
Short-term borrowings	\$ 349.2	\$ 559.3	\$ 390.3
Current portion of long-term debt	325.5	0.6	2.9
Trade accounts payable	516.9	361.0	450.8
Other accrued liabilities	542.6	419.5	578.7
Total current liabilities	1,734.2	1,340.4	1,422.7
Long-term debt	4,702.3	1,056.7	1,054.0
Deferred taxes	1,106.3	122.7	79.9
Other long-term liabilities	305.6	383.9	441.2
Total liabilities	7,848.4	2,903.7	2,997.8
Shareholders' Equity			
Common stock	411.8	406.6	409.7
Common stock non-voting	1,251.8	676.3	674.5
Retained earnings	1,123.9	1,074.7	1,056.8
Accumulated other comprehensive loss	(265.9 )	(400.2 )	(514.4 )
Non-controlling interests	11.7	17.2	11.5
Total shareholders' equity	2,533.3	1,774.6	1,638.1
Total liabilities and shareholders' equity	\$ 10,381.7	\$ 4,678.3	\$ 4,635.9
See notes to condensed consolidated financial statements (unaudited).			

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McCORMICK & COMPANY, INCORPORATED  
 CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)  
 (in millions)

	Nine months ended August 31,	
	2017	2016
Operating activities		
Net income	\$301.7	\$314.9
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation and amortization	89.6	82.3
Stock-based compensation	18.4	19.8
Income from unconsolidated operations	(23.6 )	(24.2 )
Changes in operating assets and liabilities, net of effect of businesses acquired	(98.5 )	(93.4 )
Settlement of forward-starting interest rate swaps	(2.9 )	—
Dividends from unconsolidated affiliates	18.3	23.0
Net cash flow provided by operating activities	303.0	322.4
Investing activities		
Acquisition of businesses (net of cash acquired)	(4,327.4 )	(116.2 )
Capital expenditures	(108.4 )	(87.9 )
Proceeds from corporate life insurance	—	1.4
Proceeds from sale of property, plant and equipment	0.7	0.9
Net cash flow used in investing activities	(4,435.1 )	(201.8 )
Financing activities		
Short-term borrowings, net	(43.3 )	419.9
Long-term debt borrowings	3,977.6	—
Payment of debt issuance costs	(6.1 )	—
Long-term debt repayments	(3.9 )	(202.0 )
Proceeds from exercised stock options	26.5	35.9
Taxes withheld and paid on employee stock awards	(5.4 )	(3.5 )
Payment of contingent consideration	(19.7 )	—
Purchase of minority interest	(1.2 )	—
Issuance of common stock non-voting	554.9	—
Payment of costs related to issuance of common stock non-voting	(0.9 )	—
Common stock acquired by purchase		