The Street Ratings

MCCORMICK & CO INC

NYSE: MKC

September 3, 2017

BUY

RATING SINCE 08/31/2010
TARGET PRICE $109.88

A+ A A- B+ B B- C+ C C- D+ D D- E+ E E- F

Annual Dividend Rate $1.88
Annual Dividend Yield 1.97%
Beta 0.50
Market Capitalization $11.9 Billion
52-Week Range $88.64-$106.50
Price as of 8/31/2017 $95.13

HIGHLIGHTS

The revenue growth came in higher than the industry average of 7.6%. Since the same quarter one year prior, revenues slightly increased by 4.8%. This growth in revenue appears to have trickled down to the company’s bottom line, improving the earnings per share.

MCCORMICK & CO INC has improved earnings per share by 8.2% in the most recent quarter compared to the same quarter a year ago. The company has demonstrated a pattern of positive earnings per share growth over the past two years. We feel that this trend should continue. During the past fiscal year, MCCORMICK & CO INC increased its bottom line by earning $3.70 versus $3.12 in the prior year. This year, the market expects an improvement in earnings ($4.08 versus $3.70).

The return on equity has improved slightly when compared to the same quarter one year prior. This can be construed as a modest strength in the organization. Compared to other companies in the Food Products industry and the overall market, MCCORMICK & CO INC’s return on equity significantly exceeds that of both the industry average and the S&P 500.

The net income growth from the same quarter one year ago has exceeded that of the Food Products industry average, but is less than that of the S&P 500. The net income increased by 6.6% when compared to the same quarter one year prior, going from $93.80 million to $100.00 million.

42.57% is the gross profit margin for MCCORMICK & CO INC which we consider to be strong. Regardless of MKC’s high profit margin, it has managed to decrease from the same period last year. Despite the mixed results of the gross profit margin, the net profit margin of 8.97% trails the industry average.

MKC BUSINESS DESCRIPTION

McCormick & Company, Incorporated manufactures, markets, and distributes spices, seasoning mixes, condiments, and other flavorful products to the food industry. The company operates through two segments, Consumer and Industrial.

STOCK PERFORMANCE (%)

Price Change -8.67 -6.70 10.93

GROWTH (%)

Revenues 4.79 2.77 2.03
Net Income 6.60 10.27 6.04
EPS 8.21 11.53 7.67

RETURN ON EQUITY (%)

Q2 2017 26.61 15.57 13.16
Q2 2016 24.70 16.80 11.83
Q2 2015 24.81 14.16 13.71

P/E COMPARISON

MKC Ind Avg S&P 500

EPS ANALYSIS¹ ($)

2015 0.95 0.95 0.76
2016 1.16 1.27 1.00
2017 1.74 1.74 0.79

REPORT DATE: September 3, 2017
The Street Ratings

Report Date: September 3, 2017

MCCORMICK & CO INC

NYSE: MKC

Sector: Consumer Non-Discretionary | Packaged Foods & Meats | Source: S&P

INDUSTRY ANALYSIS

The US food products industry is dominated by a few multinational corporations like Mondelez International (MDLZ), General Mills (GIS), and Kellogg (K). The entire industry, from growing to processing, is extremely competitive and margins are typically so low that earning profit becomes a challenge. The worldwide processed food industry is facing low growth rates, high energy costs and continuously changing consumer preferences. Nonetheless, there are a few high growth segments, like health, frozen, and organic food.

Globalization has led to the rise of massive multinational food processing companies, which sell their products under local names in local languages after producing them in regional factories. Taste, convenience and health continue to be the primary drivers of food choices. Growing popularity of ethnic food, including Greek, Latin, Asian, Korean, Cuban, and Japanese foods, is expected to drive demand.

Increasing health concerns are impacting all sectors within the industry as obesity levels continue to rise to alarming rates. Various branches of the US government, including the Food and Drug Administration (FDA), along with a host of consumer groups are squaring off with food producers over nutrition and the responsibilities and ethical issues inherent in the production and marketing of food. The treatment of agricultural animals is rapidly gaining consumer awareness and has forced a realignment of research methods.

The industry is being squeezed from all sides. Prices for milk, eggs, corn, wheat, oils and almost all other edible commodities continue to surge. The prices of electricity and fuel are also increasing, making processing and distribution more expensive. With high international unemployment, modest inflation and slow economic growth, passing on the entire price hike to consumers is not an option with apprehensions of substantially reducing overall demand.

Brand value is gaining prominence among producers as demand is declining. Factors contributing to the rise in prices include high feed prices caused by ethanol demand, less inventory with heifer calves being retained and a possible increase in demand for exports due to a depreciating dollar. Multinational companies with diversified customer bases are best positioned to overcome this high-price/low-demand trend. NestlÃ©, the world’s biggest food firm, and Kraft, one of America’s biggest food firms, fit this description.

We expect higher input costs to negatively impact margins, leading manufacturers to seek greater production and supply-chain efficiencies. Increased awareness and acceptance of rising food prices should lead to greater home-dining trends, stimulating brand building and niche market initiatives at major food processors. These issues, among others, will drive industry trends and M&A activity going forward.

PEER GROUP: Food Products

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Company Name</th>
<th>Recent Price ($)</th>
<th>Market Cap ($M)</th>
<th>Price/Earnings</th>
<th>Net Sales TTM ($M)</th>
<th>Net Income TTM ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MKC</td>
<td>MCCORMICK &amp; CO INC</td>
<td>95.13</td>
<td>11,855</td>
<td>25.23</td>
<td>4,476.00</td>
<td>478.60</td>
</tr>
<tr>
<td>PPC</td>
<td>PILGRIM'S PRIDE CORP</td>
<td>29.45</td>
<td>7,326</td>
<td>14.80</td>
<td>8,211.97</td>
<td>496.84</td>
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<tr>
<td>PF</td>
<td>PINNACLE FOODS INC</td>
<td>59.31</td>
<td>7,046</td>
<td>38.76</td>
<td>3,127.98</td>
<td>182.09</td>
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<tr>
<td>POST</td>
<td>POST HOLDINGS INC</td>
<td>85.13</td>
<td>5,876</td>
<td>NM</td>
<td>5,038.10</td>
<td>-2.90</td>
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<tr>
<td>TSN</td>
<td>TYSON FOODS CORP</td>
<td>63.30</td>
<td>18,311</td>
<td>13.33</td>
<td>37,271.00</td>
<td>1,771.00</td>
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<td>HRL</td>
<td>HORMEL FOODS CORP</td>
<td>30.74</td>
<td>16,248</td>
<td>18.98</td>
<td>9,302.85</td>
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<td>HSY</td>
<td>HERSHEY CO</td>
<td>104.92</td>
<td>15,930</td>
<td>33.41</td>
<td>7,516.37</td>
<td>672.80</td>
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<td>CAG</td>
<td>CONAGRA BRANDS INC</td>
<td>32.46</td>
<td>13,492</td>
<td>25.97</td>
<td>7,826.90</td>
<td>639.30</td>
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<td>SJM</td>
<td>SMUCKER (JM) CO</td>
<td>104.76</td>
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<td>22.01</td>
<td>7,321.80</td>
<td>549.10</td>
</tr>
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<td>MKC.V</td>
<td>MCCORMICK &amp; CO INC</td>
<td>95.33</td>
<td>11,855</td>
<td>25.29</td>
<td>4,476.00</td>
<td>478.60</td>
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<td>BRFS</td>
<td>BRFS SA</td>
<td>13.44</td>
<td>10,920</td>
<td>NM</td>
<td>9,975.18</td>
<td>-271.99</td>
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</tbody>
</table>

The peer group comparison is based on Major Packaged Foods & Meats companies of comparable size.

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COMPANY DESCRIPTION
McCormick & Company, Incorporated manufactures, markets, and distributes spices, seasoning mixes, condiments, and other flavorful products to the food industry. The company operates through two segments, Consumer and Industrial. The Consumer segment offers spices, herbs, and seasonings, as well as desserts. This segment markets its products under the McCormick, Lawry’s, Club House, Gourmet Garden, OLD BAY brands in the Americas; Ducros, Schwartz, Kamis, and Drogheria & Alimentari, and Vahe brand names in Europe, the Middle East, and Africa; McCormick and DaQiao brands in China; and McCormick, Aeroplane, and Gourmet Garden brand names in Australia, as well as markets regional and ethnic brands, such as Zatarain’s, Stubb’s, Thai Kitchen, and Simply Asia. It also supplies its products under the private labels. This segment serves retailers comprising grocery, mass merchandise, warehouse clubs, discount and drug stores, and e-commerce retailers directly and indirectly through distributors or wholesalers. The Industrial segment offers seasoning blends, spices and herbs, condiments, coating systems, and compound flavors to multinational food manufacturers and foodservice customers. It serves foodservice customers directly and indirectly through distributors. McCormick & Company, Incorporated was founded in 1889 and is based in Sparks, Maryland.

MCCORMICK & CO INC
18 Loveton Circle
Sparks, MD 21152
USA
Phone: 410-771-7301
http://www.mccormickcorporation.com

STOCK-AT-A-GLANCE
Below is a summary of the major fundamental and technical factors we consider when determining our overall recommendation of MKC shares. It is provided in order to give you a deeper understanding of our rating methodology as well as to paint a more complete picture of a stock’s strengths and weaknesses. It is important to note, however, that these factors only tell part of the story. To gain an even more comprehensive understanding of our stance on the stock, these factors must be assessed in combination with the stock’s valuation. Please refer to our Valuation section on page 5 for further information.

FACTOR SCORE
Growth 4.5 out of 5 stars weak strong
Measures the growth of both the company’s income statement and cash flow. On this factor, MKC has a growth score better than 80% of the stocks we rate.

Total Return 3.0 out of 5 stars weak strong
Measures the historical price movement of the stock. The stock performance of this company has beaten 50% of the companies we cover.

Efficiency 5.0 out of 5 stars weak strong
Measures the strength and historic growth of a company’s return on invested capital. The company has generated more income per dollar of capital than 90% of the companies we review.

Price volatility 4.5 out of 5 stars weak strong
Measures the volatility of the company’s stock price historically. The stock is less volatile than 80% of the stocks we monitor.

Solvency 5.0 out of 5 stars weak strong
Measures the solvency of the company based on several ratios. The company is more solvent than 90% of the companies we analyze.

Income 4.0 out of 5 stars weak strong
Measures dividend yield and payouts to shareholders. The company’s dividend is higher than 70% of the companies we track.

THE STREET RATINGS RESEARCH METHODOLOGY
TheStreet Ratings’ stock model projects a stock’s total return potential over a 12-month period including both price appreciation and dividends. Our Buy, Hold or Sell ratings designate how we expect these stocks to perform against a general benchmark of the equities market and interest rates. While our model is quantitative, it utilizes both subjective and objective elements. For instance, subjective elements include expected equities market returns, future interest rates, implied industry outlook and forecasted company earnings. Objective elements include volatility of past operating revenues, financial strength, and company cash flows.

Our model gauges the relationship between risk and reward in several ways, including: the pricing drawdown as compared to potential profit volatility, i.e. how much one is willing to risk in order to earn profits; the level of acceptable volatility for highly performing stocks; the current valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock’s valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock’s performance. These and many more derived observations are then combined, ranked, weighted, and scenario-tested to create a more complete analysis. The result is a systematic and disciplined method of selecting stocks.

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FINANCIAL ANALYSIS
MCCORMICK & CO INC’s gross profit margin for the second quarter of its fiscal year 2017 is essentially unchanged when compared to the same period a year ago. The company managed to grow both sales and net income at a faster pace than the average competitor in its industry this quarter as compared to the same quarter a year ago. MCCORMICK & CO INC has very weak liquidity. Currently, the Quick Ratio is 0.31 which clearly shows a lack of ability to cover short-term cash needs. The company’s liquidity decreased from the same period a year ago, despite already having very weak liquidity to begin with. This would indicate deteriorating cash flow.

At the same time, stockholders’ equity (“net worth”) has remained virtually unchanged only increasing by 2.36% from the same quarter last year. The key liquidity measurements indicate that the company is in a position in which financial difficulties could develop in the near future.

STOCKS TO BUY: TheStreet Quant Ratings has identified a handful of stocks that can potentially TRIPLE in the next 12-months. To learn more visit www.TheStreetRatings.com.
The Street Ratings

MCCORMICK & CO INC

Sector: Consumer Non-Discretionary | Packaged Foods & Meats | Source: S&P

### Ratings History

Our rating for MCCORMICK & CO INC has not changed since 12/13/2007. As of 8/31/2017, the stock was trading at a price of $95.13 which is 10.7% below its 52-week high of $106.50 and 7.3% above its 52-week low of $88.64.

### Valuation

**BUY.** MCCORMICK & CO INC’s P/E ratio indicates a discount compared to an average of 25.45 for the Food Products industry and a value on par with the S&P 500 average of 24.65. For additional comparison, its price-to-book ratio of 6.59 indicates a significant premium versus the S&P 500 average of 3.07 and a significant premium versus the industry average of 4.44. The price-to-sales ratio is well above both the S&P 500 average and the industry average, indicating a premium.

#### Price Earnings

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MCC</strong> 25.23</td>
<td><strong>Peers</strong> 25.45</td>
<td></td>
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</tbody>
</table>

*Average. An average P/E ratio can signify an industry neutral price for a stock and an average growth expectation. MKC is trading at a valuation on par with its peers.*

#### Price Projected Earnings

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MCC</strong> 20.82</td>
<td><strong>Peers</strong> 22.50</td>
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</tr>
</tbody>
</table>

*Average. An average price-to-projected earnings ratio can signify an industry neutral stock price and average future growth expectations. MKC is trading at a valuation on par with its peers.*

#### Price Book

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MCC</strong> 6.59</td>
<td><strong>Peers</strong> 4.44</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Premium. A higher price-to-book ratio makes a stock less attractive to investors seeking stocks with lower market values per dollar of equity on the balance sheet. MKC is trading at a significant premium to its peers.*

#### Price Sales

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MCC</strong> 2.65</td>
<td><strong>Peers</strong> 2.11</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Premium. In the absence of P/E and P/B multiples, the price-to-sales ratio can display the value investors are placing on each dollar of sales. MKC is trading at a significant premium to its industry.*

### Ratings Definitions & Distribution of TheStreet Ratings

(as of 8/31/2017)

**43.78% Buy** - We believe that this stock has the opportunity to appreciate and produce a total return of more than 10% over the next 12 months.

**38.51% Hold** - We do not believe this stock offers conclusive evidence to warrant the purchase or sale of shares at this time and that its likelihood of positive total return is roughly in balance with the risk of loss.

**25.71% Sell** - We believe that this stock is likely to decline by more than 10% over the next 12 months, with the risk involved too great to compensate for any possible returns.

### Most Recent Ratings Changes

<table>
<thead>
<tr>
<th>Date</th>
<th>Price</th>
<th>Action From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>8/31/15</td>
<td>$79.28</td>
<td>No Change</td>
<td>Buy Buy</td>
</tr>
</tbody>
</table>

Price reflects the closing price as of the date listed, if available.

### Disclaimers

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