TheStreet Quant Ratings

MCCORMICK & CO INC

NYSE: MKC

July 23, 2023

BUY

HOLD

SELL

BUY

RATING SINCE 06/26/2023

TARGET PRICE $101.13

Rating History

Weekly Price: (US$) 1 Year 2 Years

SMA (50) __ SMA (100) __

COMPUSTAT for Price and Volume, TheStreet Ratings, Inc. for Rating History

Recommendation

We rate MCCORMICK & CO INC (MKC) a BUY. This is driven by multiple strengths, which we believe should have a greater impact than any weaknesses, and should give investors a better performance opportunity than most stocks we cover. The company’s strengths can be seen in multiple areas, such as its revenue growth, increase in net income, good cash flow from operations, expanding profit margins and largely solid financial position with reasonable debt levels by most measures. We feel its strengths outweigh the fact that the company has had somewhat disappointing return on equity.

Highlights

MCK’s revenue growth has slightly outpaced the subsector average of 1.0%. Since the same quarter one year prior, revenues slightly increased by 8.0%. Growth in the company’s revenue appears to have helped boost the earnings per share.

The company, on the basis of net income growth from the same quarter one year ago, has significantly outperformed against the S&P 500 and exceeded that of the Food Manufacturing subsector average. The net income increased by 28.4% when compared to the same quarter one year prior, rising from $118.50 million to $152.10 million.

Net operating cash flow has significantly increased by 113.04% to $290.80 million when compared to the same quarter last year. In addition, MCCORMICK & CO INC has also vastly surpassed the subsector average cash flow growth rate of 61.05%.

40.04% is the gross profit margin for MCCORMICK & CO INC which we consider to be strong. It has increased from the same quarter the previous year. Regardless of the strong results of the gross profit margin, the net profit margin of 9.16% trails the subsector average.

MCCORMICK & CO INC has improved earnings per share by 27.3% in the most recent quarter compared to the same quarter a year ago. This company has reported somewhat volatile earnings recently. But, we feel it is poised for EPS growth in the coming year. During the past fiscal year, MCCORMICK & CO INC reported lower earnings of $2.52 versus $2.80 in the prior year. This year, the market expects an improvement in earnings ($2.65 versus $2.52).

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Report Date: July 23, 2023 | PAGE 1

MKC BUSINESS DESCRIPTION
McCormick & Company, Incorporated manufactures, markets, and distributes spices, seasoning mixes, condiments, and other flavorful products to the food industry. It operates in two segments, Consumer and Flavor Solutions.

STOCK PERFORMANCE (%)

3 Mo. 1 Yr. 3 Yr (Ann)

Price Change 2.53 6.77 -2.95

GROWTH (%)

Last Qtr 12 Mo. 3 Yr CAGR

Revenues 7.96 2.79 6.28

Net Income 28.35 2.42 -2.11

EPS 27.27 2.37 -2.33

RETURN ON EQUITY (%)

MKC Subsector Avg S&P 500

Q2 2023 14.17 23.13 16.96

Q2 2022 14.86 23.33 20.22

Q2 2021 17.39 23.41 13.87

P/E COMPARISON

33.81

MKC

24.81

Subsector Avg

25.89

S&P 500

EPS ANALYSIS¹ ($)

2021 2022 2023

Q1 0.56 0.52 0.57

Q2 0.44 0.69 0.60

Q3 0.79 0.82 0.73

Q4 0.68 0.73 0.70

NA = not available NM = not meaningful
1 Compustat fiscal year convention is used for all fundamental data items.

Weekly Price: (US$) 1 Year 2 Years

SMA (50) __ SMA (100) __

Rating History

Volume in Millions

2021 2022 2023

COMPUSTAT for Price and Volume, TheStreet Ratings, Inc. for Rating History

Sector: Manufacturing | Industry Group: Other Food Manufacturing

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Report Date: July 23, 2023 | PAGE 1
PEER GROUP ANALYSIS

REVENUE GROWTH AND EBITDA MARGIN*

Companies with higher EBITDA margins and revenue growth rates are outperforming companies with lower EBITDA margins and revenue growth rates. Companies for this scatter plot have a market capitalization between $15.6 Billion and $100.6 Billion. Companies with NA or NM values do not appear.

*EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization.

REVENUE GROWTH AND EARNINGS YIELD

Companies that exhibit both a high earnings yield and high revenue growth are generally more attractive than companies with low revenue growth and low earnings yield. Companies for this scatter plot have revenue growth rates between -1.5% and 21.6%. Companies with NA or NM values do not appear.

SUBSECTOR ANALYSIS

MCCORMICK & CO INC falls within the Manufacturing sector and the Other Food Manufacturing industry group of the North American Industry Classification System or NAICS. More precisely, a significant portion of company activities involve Spice and Extract Manufacturing.

TheStreet Quant Ratings is currently tracking 2262 companies in the Manufacturing sector that total around $27,106 billion in market capitalization as well as $11,095 billion in annual sales.

The Food Manufacturing subsector accounts for 4.5% of those revenues.

Industries in the Food Manufacturing subsector transform livestock and agricultural products into products for intermediate or final consumption. The industry groups are distinguished by the raw materials (generally of animal or vegetable origin) processed into food products. The food products manufactured in these establishments are typically sold to wholesalers or retailers for distribution to consumers, but establishments primarily engaged in retailing bakery and candy products made on the premises not for immediate consumption are included.

PEER GROUP: Food Manufacturing

<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>87.56</td>
<td>23,502</td>
<td>33.81</td>
<td>6,516.00</td>
<td>699.80</td>
</tr>
<tr>
<td>GIS</td>
<td>GENERAL MILLS INC</td>
<td>76.36</td>
<td>23,502</td>
<td>17.72</td>
<td>44,685</td>
<td>20,094.20</td>
</tr>
<tr>
<td>KHC</td>
<td>KRAFT HEINZ CO</td>
<td>36.40</td>
<td>44,671</td>
<td>18.57</td>
<td>26,929.00</td>
<td>2,423.00</td>
</tr>
<tr>
<td>HSY</td>
<td>HERSHEY CO</td>
<td>245.62</td>
<td>36,176</td>
<td>29.81</td>
<td>15,696.00</td>
<td>836.00</td>
</tr>
<tr>
<td>MKC.V</td>
<td>MCCORMICK &amp; CO INC</td>
<td>88.00</td>
<td>23,502</td>
<td>33.98</td>
<td>6,516.00</td>
<td>699.80</td>
</tr>
<tr>
<td>K</td>
<td>KELLOGG CO</td>
<td>67.73</td>
<td>23,502</td>
<td>27.99</td>
<td>15,696.00</td>
<td>836.00</td>
</tr>
<tr>
<td>HRL</td>
<td>HORMEL FOODS CORP</td>
<td>40.21</td>
<td>21,965</td>
<td>23.51</td>
<td>21,965</td>
<td>933.76</td>
</tr>
<tr>
<td>LW</td>
<td>LAMM WESTON HOLDINGS INC</td>
<td>113.28</td>
<td>16,505</td>
<td>30.29</td>
<td>16,505</td>
<td>542.10</td>
</tr>
<tr>
<td>CAG</td>
<td>CONAGRA BRANDS INC</td>
<td>33.10</td>
<td>15,791</td>
<td>23.31</td>
<td>12,277.00</td>
<td>683.60</td>
</tr>
<tr>
<td>SJM</td>
<td>SMUCKER (JM) CO</td>
<td>152.48</td>
<td>15,560</td>
<td>NM</td>
<td>8,529.20</td>
<td>-91.30</td>
</tr>
<tr>
<td>MDLZ</td>
<td>MONDELEZ INTERNATIONAL INC</td>
<td>73.88</td>
<td>100,614</td>
<td>25.74</td>
<td>32,898.00</td>
<td>3,943.00</td>
</tr>
</tbody>
</table>

The peer group comparison is based on Major Food Manufacturing companies of comparable size.
**COMPANY DESCRIPTION**
McCormick & Company, Incorporated manufactures, markets, and distributes spices, seasoning mixes, condiments, and other flavorful products to the food industry. It operates in two segments, Consumer and Flavor Solutions. The Consumer segment offers spices, herbs, and seasonings; as well as condiments and sauces, and desserts. This segment markets its products under the McCormick, French's, Frank's RedHot, Lawry's, Cholula Hot Sauce, Gourmet Garden, Club House, and OLD BAY brands in the Americas; Ducros, Schwartz, Kamis, and LA Drogheria, and Vahine brands in Europe, the Middle East, and Africa; McCormick and DaQiao brands in China; and McCormick, Aeroplane, and Gourmet Garden brands 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 and wholesale foodservice suppliers. The Flavor Solutions 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 headquartered in Hunt Valley, Maryland.

**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.

<table>
<thead>
<tr>
<th>FACTOR</th>
<th>SCORE</th>
<th>Description</th>
<th>Rating</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>4.0</td>
<td>Measures the growth of both the company’s income statement and cash flow. On this factor, MKC has a growth score better than 70% of the stocks we rate.</td>
<td>weak</td>
<td>strong</td>
</tr>
<tr>
<td>Total Return</td>
<td>3.5</td>
<td>Measures the historical price movement of the stock. The stock performance of this company has beaten 60% of the companies we cover.</td>
<td>weak</td>
<td>strong</td>
</tr>
<tr>
<td>Efficiency</td>
<td>4.0</td>
<td>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 70% of the companies we review.</td>
<td>weak</td>
<td>strong</td>
</tr>
<tr>
<td>Price volatility</td>
<td>3.5</td>
<td>Measures the volatility of the company’s stock price historically. The stock is less volatile than 80% of the stocks we monitor.</td>
<td>weak</td>
<td>strong</td>
</tr>
<tr>
<td>Solvency</td>
<td>5.0</td>
<td>Measures the solvency of the company based on several ratios. The company is more solvent than 90% of the companies we analyze.</td>
<td>weak</td>
<td>strong</td>
</tr>
<tr>
<td>Income</td>
<td>4.0</td>
<td>Measures dividend yield and payouts to shareholders. The company’s dividend is higher than 70% of the companies we track.</td>
<td>weak</td>
<td>strong</td>
</tr>
</tbody>
</table>

**THESTREET QUANT RATINGS RESEARCH METHODOLOGY**

TheStreet Quants’ 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.
### Consensus EPS Estimates² ($)

IBES consensus estimates are provided by Thomson Financial

<table>
<thead>
<tr>
<th></th>
<th>Q3 FY23</th>
<th>2023(E)</th>
<th>2024(E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 FY23</td>
<td>0.65</td>
<td>2.65</td>
<td>2.91</td>
</tr>
</tbody>
</table>

### INCOME STATEMENT

<table>
<thead>
<tr>
<th>Q2 FY23</th>
<th>Q2 FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales ($mil) 1,659.20</td>
<td>1,536.80</td>
</tr>
<tr>
<td>EBITDA ($mil) 283.80</td>
<td>223.00</td>
</tr>
<tr>
<td>EBIT ($mil) 235.00</td>
<td>173.80</td>
</tr>
<tr>
<td>Net Income ($mil) 152.10</td>
<td>118.50</td>
</tr>
</tbody>
</table>

### BALANCE SHEET

<table>
<thead>
<tr>
<th>Q2 FY23</th>
<th>Q2 FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Equiv. ($mil) 127.40</td>
<td>325.80</td>
</tr>
<tr>
<td>Total Assets ($mil) 12,908.20</td>
<td>12,957.90</td>
</tr>
<tr>
<td>Total Debt ($mil) 4,863.50</td>
<td>5,358.10</td>
</tr>
<tr>
<td>Equity ($mil) 4,937.00</td>
<td>4,598.20</td>
</tr>
</tbody>
</table>

### PROFITABILITY

<table>
<thead>
<tr>
<th>Q2 FY23</th>
<th>Q2 FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Profit Margin 40.04%</td>
<td>37.23%</td>
</tr>
<tr>
<td>EBITDA Margin 17.10%</td>
<td>14.51%</td>
</tr>
<tr>
<td>Operating Margin 14.16%</td>
<td>11.31%</td>
</tr>
<tr>
<td>Sales Turnover 0.50</td>
<td>0.49</td>
</tr>
<tr>
<td>Return on Assets 5.42%</td>
<td>5.27%</td>
</tr>
<tr>
<td>Return on Equity 14.17%</td>
<td>14.86%</td>
</tr>
</tbody>
</table>

### DEBT

<table>
<thead>
<tr>
<th>Q2 FY23</th>
<th>Q2 FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Ratio 0.85</td>
<td>0.74</td>
</tr>
<tr>
<td>Debt/Capital 0.50</td>
<td>0.54</td>
</tr>
<tr>
<td>Interest Expense 52.20</td>
<td>33.70</td>
</tr>
<tr>
<td>Interest Coverage 4.50</td>
<td>5.16</td>
</tr>
</tbody>
</table>

### SHARE DATA

<table>
<thead>
<tr>
<th>Q2 FY23</th>
<th>Q2 FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares outstanding (mil) 268</td>
<td>268</td>
</tr>
<tr>
<td>Div / share 0.39</td>
<td>0.37</td>
</tr>
<tr>
<td>EPS 0.56</td>
<td>0.44</td>
</tr>
<tr>
<td>Book value / share 18.40</td>
<td>17.14</td>
</tr>
<tr>
<td>Institutional Own % NA</td>
<td>NA</td>
</tr>
<tr>
<td>Avg Daily Volume 1,503,418</td>
<td>1,531,336</td>
</tr>
</tbody>
</table>

2 Sum of quarterly figures may not match annual estimates due to use of median consensus estimates.

### FINANCIAL ANALYSIS

MCCORMICK & CO INC’s gross profit margin for the second quarter of its fiscal year 2023 has increased 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 subsector this quarter as compared to the same quarter a year ago. MCCORMICK & CO INC has very weak liquidity. Currently, the Quick Ratio is 0.28 which clearly shows a lack of ability to cover short-term cash needs. The company’s liquidity has increased from the same period last year, indicating improving cash flow.

During the same period, stockholders’ equity (‘net worth’) has increased by 7.36% 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.
### MCCORMICK & CO INC

**NYSE: MKC**

#### RATINGS HISTORY

Our rating for MCCORMICK & CO INC was recently upgraded from Hold to Buy on 6/26/2023. As of 7/20/2023, the stock was trading at a price of $87.56 which is 7.2% below its 52-week high of $94.39 and 24.0% above its 52-week low of $70.60.

#### MOST RECENT RATINGS CHANGES

<table>
<thead>
<tr>
<th>Date</th>
<th>Price</th>
<th>Action</th>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/26/23</td>
<td>$87.56</td>
<td>Buy</td>
<td>Hold</td>
<td>Buy</td>
</tr>
<tr>
<td>6/16/23</td>
<td>$82.86</td>
<td>Downgrade</td>
<td>Buy</td>
<td>Hold</td>
</tr>
<tr>
<td>11/24/21</td>
<td>$85.49</td>
<td>Upgrade</td>
<td>Buy</td>
<td>Hold</td>
</tr>
<tr>
<td>10/28/21</td>
<td>$81.18</td>
<td>Downgrade</td>
<td>Buy</td>
<td>Hold</td>
</tr>
<tr>
<td>7/20/21</td>
<td>$87.70</td>
<td>No Change</td>
<td>Buy</td>
<td>Buy</td>
</tr>
</tbody>
</table>

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

#### RATINGS DEFINITIONS & DISTRIBUTION OF THESTREET RATINGS

(as of 7/20/2023)

- **31.10% 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.
- **29.98% 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.
- **38.93% 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.

#### VALUATION

**BUY.** MCCORMICK & CO INC’s P/E ratio indicates a premium compared to an average of 24.81 for the Food Manufacturing subsector and a premium compared to the S&P 500 average of 25.89. For additional comparison, its price-to-book ratio of 4.76 indicates a premium versus the S&P 500 average of 4.24 and a premium versus the subsector average of 4.21. The price-to-sales ratio is well above both the S&P 500 average and the subsector average, indicating a premium. Upon assessment of these and other key valuation criteria, MCCORMICK & CO INC proves to trade at a premium to investment alternatives.

### Price/Earnings

- **MKC 33.81**
  - Peers 24.81
  - Premium. A higher P/E ratio than its peers can signify a more expensive stock or higher growth expectations.
  - MKC is trading at a significant premium to its peers.

### Price/Projected Earnings

- **MKC 30.14**
  - Peers 19.29
  - Premium. A higher price-to-projected earnings ratio than its peers can signify a more expensive stock or higher future growth expectations.
  - MKC is trading at a significant premium to its peers.

### Price/Book

- **MKC 4.76**
  - Peers 4.21
  - 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 premium to its peers.

### Price/Sales

- **MKC 3.61**
  - Peers 2.27
  - 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 subsector.

### Price/CashFlow

- **MKC 26.34**
  - Peers 20.66
  - Premium. The P/CF ratio, a stock's price divided by the company’s cash flow from operations, is useful for comparing companies with different capital requirements or financing structures.
  - MKC is trading at a significant premium to its peers.

### Price/Earnings Growth

- **MKC 6.57**
  - Peers 1.64
  - Premium. The PEG ratio is the stock’s P/E divided by the consensus estimate of long-term earnings growth. Faster growth can justify higher price multiples.
  - MKC trades at a significant premium to its peers.

### Earnings Growth

- **MKC 2.37**
  - Peers 1.95
  - Higher. Elevated earnings growth rates can lead to capital appreciation and justify higher price-to-earnings ratios.
  - MKC is expected to have an earnings growth rate that exceeds its peers.

### Sales Growth

- **MKC 2.79**
  - Peers 1.18
  - Lower. A sales growth rate that trails the subsector implies that a company is losing market share.
  - MKC significantly trails its peers on the basis of sales growth.

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