

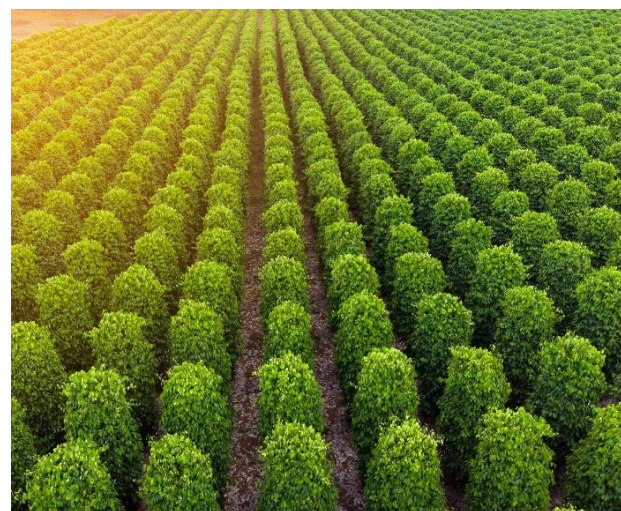


# 4TH QUARTER 2021 FINANCIAL RESULTS AND 2022 OUTLOOK

McCormick & Company, Inc.

January 27, 2022

The following slides accompany a January 27<sup>th</sup>, 2022, earnings release conference call. This information should be read in conjunction with the press release issued on that date.



# FORWARD-LOOKING INFORMATION

Certain information contained in this presentation, including statements concerning expected performance, such as those relating to net sales, gross margins, earnings, cost savings, transaction and integration expenses, special charges, acquisitions, brand marketing support, volume and product mix, income tax expense and the impact of foreign currency rates are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These statements may be identified by the use of words such as “may,” “will,” “expect,” “should,” “anticipate,” “intend,” “believe” and “plan.” These statements may relate to: the impact of the COVID-19 pandemic on our business, suppliers, consumers, customers, and employees; disruptions or inefficiencies in the supply chain, including any impact of the COVID-19 pandemic; the expected results of operations of businesses acquired by the company, including the acquisitions of Cholula and FONA; the expected impact of the inflationary cost environment, including commodity, packaging materials and transportation costs on our business; the expected impact of pricing actions on the company's results of operations and gross margins; the expected impact of factors affecting our supply chain, including transportation capacity, labor shortages, and absenteeism; the expected impact of productivity improvements, including those associated with our Comprehensive Continuous Improvement (CCI) program and global enablement initiative; expected working capital improvements; expectations regarding growth potential in various geographies and markets, including the impact from customer, channel, category, and e-commerce expansion; expected trends in net sales and earnings performance and other financial measures; the expected timing and costs of implementing our business transformation initiative, which includes the implementation of a global enterprise resource planning (ERP) system; the expected impact of accounting pronouncements; the expectations of pension and postretirement plan contributions and anticipated charges associated with those 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; the anticipated sufficiency of future cash flows to enable the payments of interest and repayment of short- and long-term debt as well as quarterly dividends and the ability to issue additional debt securities; and expectations regarding purchasing shares of McCormick's common stock under the existing repurchase authorization.

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: the company's ability to drive revenue growth; the company's ability to increase pricing to offset, or partially offset, inflationary pressures on the cost of our products; damage to the company's reputation or brand name; loss of brand relevance; increased private label use; product quality, labeling, or safety concerns; negative publicity about our products; actions by, and the financial condition of, competitors and customers; the longevity of mutually beneficial relationships with our large customers; the ability to identify, interpret and react to changes in consumer preference and demand; business interruptions due to natural disasters, unexpected events or public health crisis, including COVID-19; issues affecting the company's supply chain and procurement of raw materials, including fluctuations in the cost and availability of raw and packaging materials; labor shortage, turnover and labor cost increases; government regulation, and changes in legal and regulatory requirements and enforcement practices; the lack of successful acquisition and integration of new businesses; global economic and financial conditions generally, including the on-going impact of the exit of the United Kingdom from the European Union, availability of financing, interest and inflation rates, and the imposition of tariffs, quotas, trade barriers and other similar restrictions; foreign currency fluctuations; the effects of increased level of debt service following the Cholula and FONA acquisitions as well as the effects that such increased debt service may have on the company's ability to borrow or the cost of any such additional borrowing, our credit rating, and our ability to react to certain economic and industry conditions; risks associated with the phase-out of LIBOR; impairments of indefinite-lived intangible assets; assumptions we have made regarding the investment return on retirement plan assets, and the costs associated with pension obligations; the stability of credit and capital markets; risks associated with the company's information technology systems, including the threat of data breaches and cyber-attacks; the company's inability to successfully implement our business transformation initiative; fundamental changes in tax laws; including interpretations and assumptions we have made, and guidance that may be issued, and volatility in our effective tax rate; climate change; Environmental, Social and Governance (ESG) matters, infringement of intellectual property rights, and those of customers; litigation, legal and administrative proceedings; the company's inability to achieve expected and/or needed cost savings or margin improvements; negative employee relations; 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. The company undertakes 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.



# Lawrence Kurzcius

Chairman, President and  
Chief Executive Officer



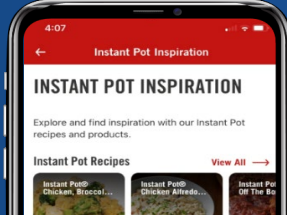
# 2021 RESULTS REFLECT ROBUST AND SUSTAINED GROWTH

## RECORD SALES GROWTH

- Executing on long-term strategies
- Responding to changing consumer behaviors
- Capitalizing on new opportunities
- Remaining forward looking

## PERFORMANCE UNDERSCORED FUNDAMENTALS

- Strength of business model
- Value of our products and capabilities
- Resilience of our employees
- Management through short-term pressures



# MCCORMICK IS END-TO-END FLAVOR

## BROAD AND ADVANTAGED GLOBAL PORTFOLIO<sup>1</sup>



## DRIVING DIFFERENTIATED GROWTH WITH OUR FLAVOR PORTFOLIO

Compelling offerings for every retail and customer strategy across all channels

Ideally positions McCormick to meet the global demand for flavor with

Flexibility to adapt in an ever-changing environment and continue our growth trajectory

1) 2021 net sales with approximation of category sizes

# STRONG FOURTH QUARTER FINANCIAL RESULTS

## FOURTH QUARTER NET SALES GREW 11%<sup>1</sup>

- Base business, new product and acquisition growth
- Higher volume and pricing drove base business growth
- Strong growth in both segments



## ADJUSTED OPERATING INCOME GREW 6%

- Higher sales and CCI-led cost savings
- Partially offset by cost inflation



## ADJUSTED EARNINGS PER SHARE GREW 6%

1) Includes 1% favorable currency impact

# FOURTH QUARTER CONSUMER SEGMENT UPDATE

## AMERICAS

- Incremental sales from Cholula
- Sequential improvement of market share performance
- 19% U.S. branded portfolio consumption growth versus 4Q 2019
- Seventh consecutive quarter of double-digit consumption growth versus two years ago
- Household penetration and repeat rates have grown versus 2019



# FOURTH QUARTER CONSUMER SEGMENT UPDATE

## EMEA

- Strong consumption growth in key categories versus 4Q 2019
- Full year market share gains in key categories
- Growth in household penetration and repeat rates versus two years ago

## APZ

- China branded foodservice recovery
- Consumer consumption growth across the region





# FOURTH QUARTER FLAVOR SOLUTIONS SEGMENT UPDATE

## AMERICAS

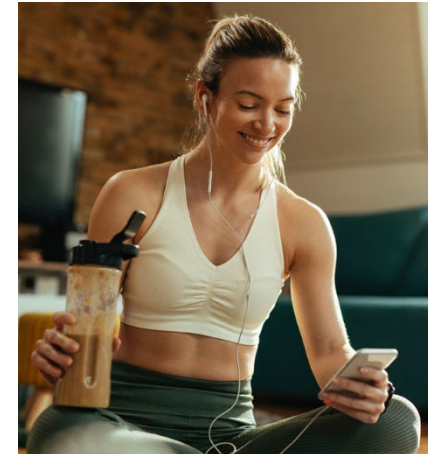
- FONA and Cholula acquisitions contributed to significant growth
- Robust growth momentum with consumer-packaged food customers
- Branded foodservice recovery continues to strengthen

## EMEA

- Double-digit growth in all channels
- Robust recovery of away-from-home portfolio
- Outstanding growth with at-home offerings

## APZ

- Strong growth with quick service restaurants



# FISCAL YEAR 2021 FINANCIAL RESULTS

## TOTAL McCORMICK GREW 13%<sup>1</sup>

- Record sales growth in 2021
- Strong organic growth
- Cholula and FONA contributed 4% to growth

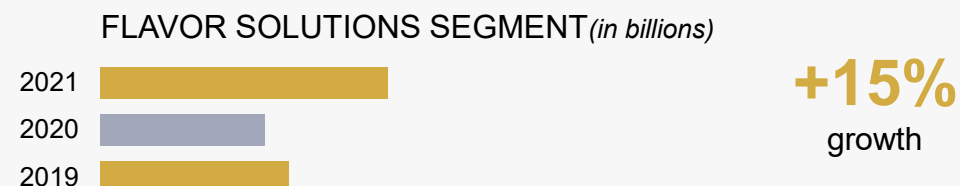
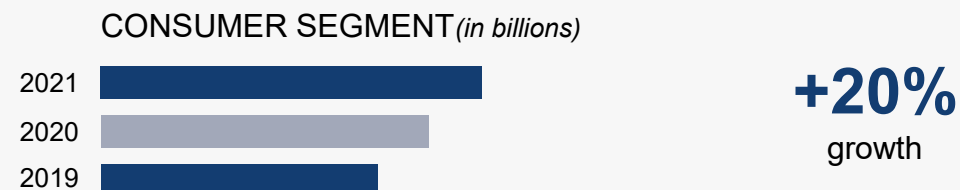
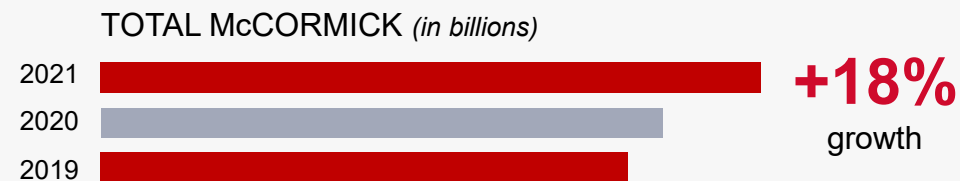
## CONSUMER SEGMENT GREW 9%<sup>1</sup>

- Sustained preference for cooking more at home
- McCormick initiatives fueled growth
- Cholula contributed to growth

## FLAVOR SOLUTIONS SEGMENT GREW 19%<sup>2</sup>

- FONA and Cholula contributed to growth
- Growth driven equally from at-home and away-from-home products

## ROBUST NET SALES GROWTH VERSUS 2019



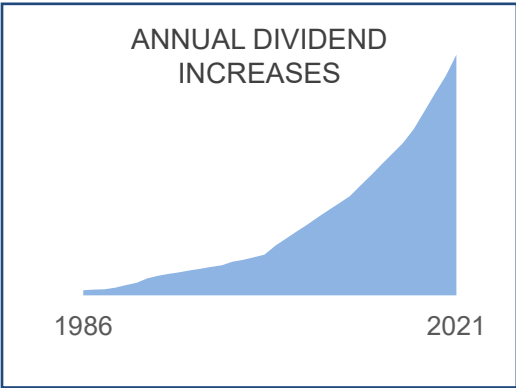
1) Includes 2% favorable currency impact  
2) Includes 3% favorable currency impact

# FISCAL YEAR 2021 HIGHLIGHTS

DELIVERING INDUSTRY-LEADING FINANCIAL PERFORMANCE

RECOGNIZED FOR DOING WHAT'S RIGHT

Proud of our **sustained performance** and being **included** in this **prestigious group**



**36th consecutive year of dividend increases** and a **proud dividend aristocrat**



Global Compact **LEAD** 2021 PARTICIPANT

McCormick named a **Global Compact LEAD company**

Inaugural **Terra Carta Seal** awarded for **industry leadership** in creating a **sustainable future**



**World's 14<sup>th</sup> most sustainable corporation, #1 in Food Products sector for 6<sup>th</sup> consecutive year**



# ACCELERATING GLOBAL CONDIMENTS PLATFORM


## CONSUMER SEGMENT

### UNLOCKING SIGNIFICANT POTENTIAL BY LEVERAGING OUR EXPERTISE

 Gained over 1 million new households and growing consumption **13%** in 2021 versus 2020

 Outpacing category growth and gaining share


 Grew total distribution points **19%** in 4Q 2021

 Drove Cholula to **#2** hot sauce brand in the U.S. joining **#1** Frank's RedHot at top of the category



## FLAVOR SOLUTIONS SEGMENT

### STRENGTHENED GO-TO-MARKET MODEL WITH BROAD PRESENCE ACROSS CHANNELS

 Grew portion control packets double-digits, building on strong front-of-house presence

 Drove double-digit back-of-house foodservice penetration

 Growing through recipe inspiration and increasing menu participation


 Expanding distribution with distributors, and growing with national accounts and independent restaurants



# ACCELERATING GLOBAL FLAVORS PLATFORM

## RECORD 2021 PERFORMANCE

 **Double-digit** sales growth versus 2020

 **+15%** Beverage growth in 2021 with strength in performance nutrition

 **Record** new product wins and pipeline potential



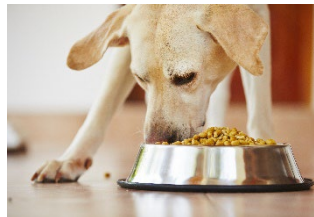
## REALIZING GROWTH AMBITIONS WITH OUR COMBINED PASSION FOR FLAVOR



Leveraging our global footprint to expand FONA



Expanding flavor manufacturing capacity for future growth



Fueling growth opportunities with a comprehensive product offering



Capitalizing on core strengths to build robust pipeline

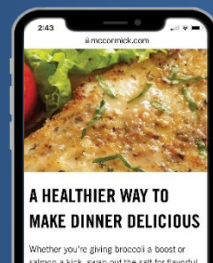
# GLOBAL DEMAND FOR FLAVOR IS THE FOUNDATION OF SALES GROWTH

## CAPITALIZING ON ACCELERATED LONG-TERM CONSUMER TRENDS

- Healthy and flavorful cooking
- Digital engagement
- Trusted brands
- Purpose-minded practices

## SUSTAINABLY POSITIONED FOR FUTURE GROWTH

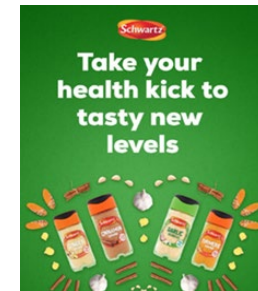
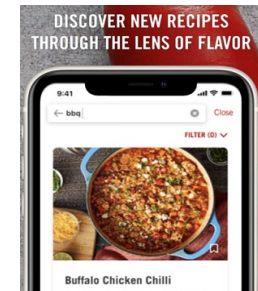
- Alignment with consumer trends
- Breadth and reach of portfolio
- Successful execution of strategies
- Robust growth plans



# DRIVING CONSUMER SEGMENT GROWTH IN 2022

## ACCELERATING MOMENTUM WITH BRAND MARKETING, CATEGORY MANAGEMENT, AND NEW PRODUCTS

- **Building confidence** in the kitchen
- **Inspiring home cooking** and **flavor exploration**
- **Accelerating flavor usage** and **delivering on demand for heat**
- **Creating a delicious, healthy, and sustainable future**
- **Strengthening relationships** at **every** point of **purchase**



# DRIVING FLAVOR SOLUTIONS SEGMENT GROWTH IN 2022

## ACCELERATING MOMENTUM WITH OUR CULINARY FOUNDATION AND FLAWLESS CUSTOMER EXPERIENCE

- **Migrating portfolio** to more **value-added categories**
- **Targeting opportunities** to **grow with customers** in **high-growth categories**
- **Leveraging** our **broad technology** platform to develop **clean** and **natural solutions**
- **Strengthening** our **leadership** in **heat**
- **Continuing new product momentum** with **culinary inspired innovation**





# STRONG FUNDAMENTALS AND MOMENTUM INTO 2022



**2021 achievements and effective strategies bolster confidence in strong 2022 growth**

**Well-equipped to navigate ever-changing environment with focus on long-term objectives, strategies and values**



**Strong foundation, in attractive categories and capitalizing on accelerated long-term trends**

**Confidence in continuing robust growth momentum and creating value**

**Momentum and success driven by McCormick employees**



# Mike Smith

Executive Vice President  
And Chief Financial Officer



# DRIVING VALUE THROUGH AND



## Value creation

- 2021 4% incremental sales growth from acquisitions delivered according to plans
- Cholula margin accretive to gross and operating margins in Consumer and Flavor Solutions segments
- FONA margin accretive to gross and operating margins in Flavor Solutions segment



## Synergies and one-time costs

- Cholula targeted synergies of \$10 million fully realized according to plan
- FONA on track to achieve our targeted \$7 million by end of 2023, as planned
- FONA revenue synergies being realized, as expected
- Transaction and integration expenses lower than our acquisition plans

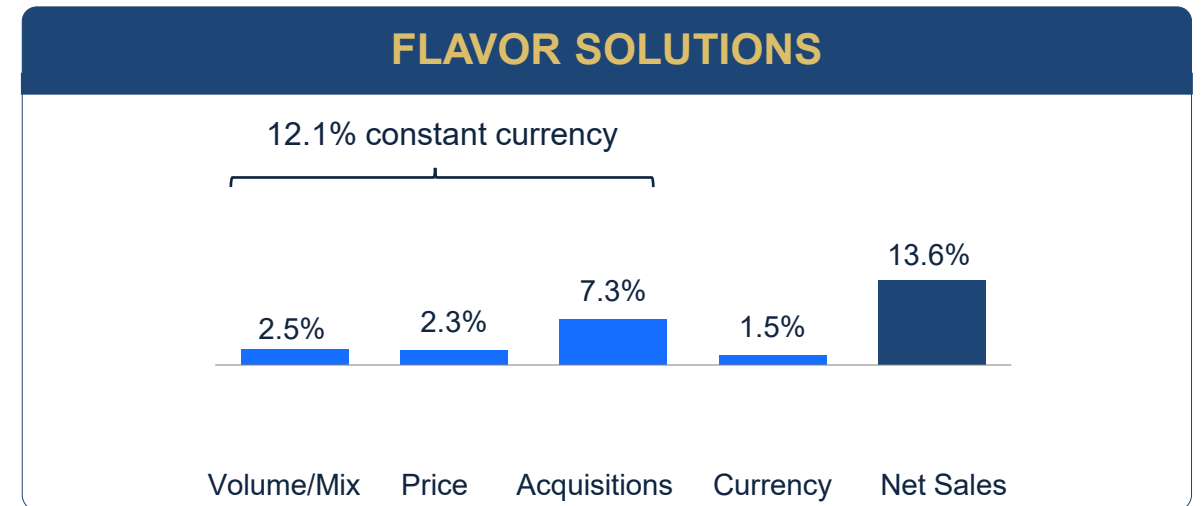
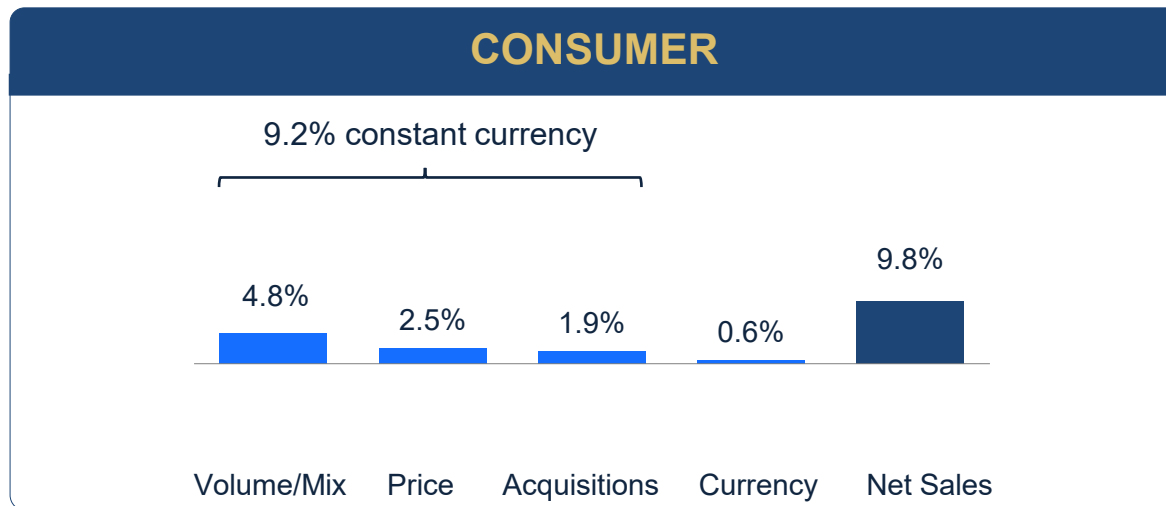
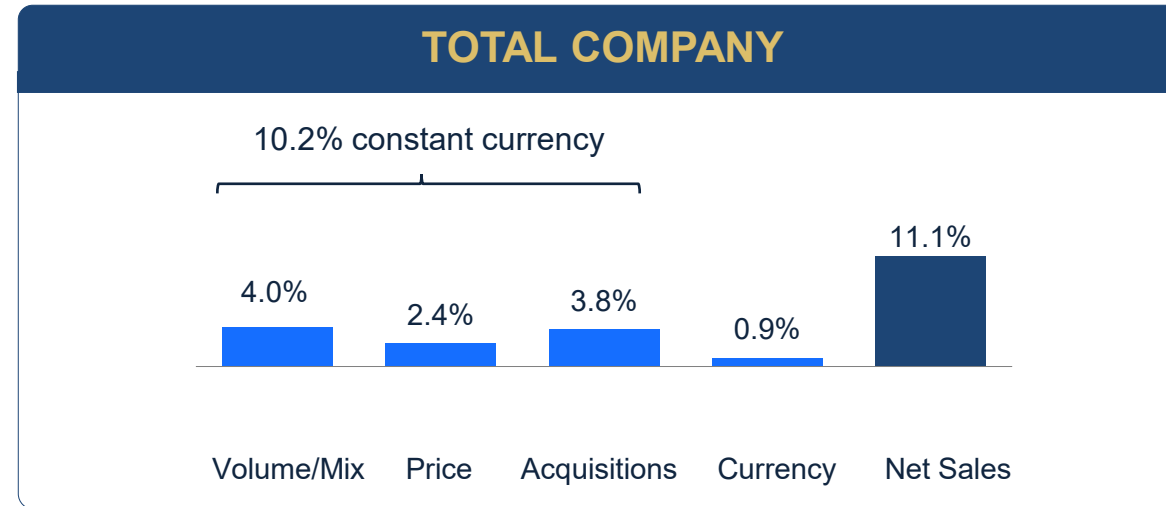


## Results

- Lower interest expense driven by optimization of long-term financing
- Amortization expense favorable to both acquisition plans
- Performance in line with or better than year-one plans, including adjusted earnings per share accretion

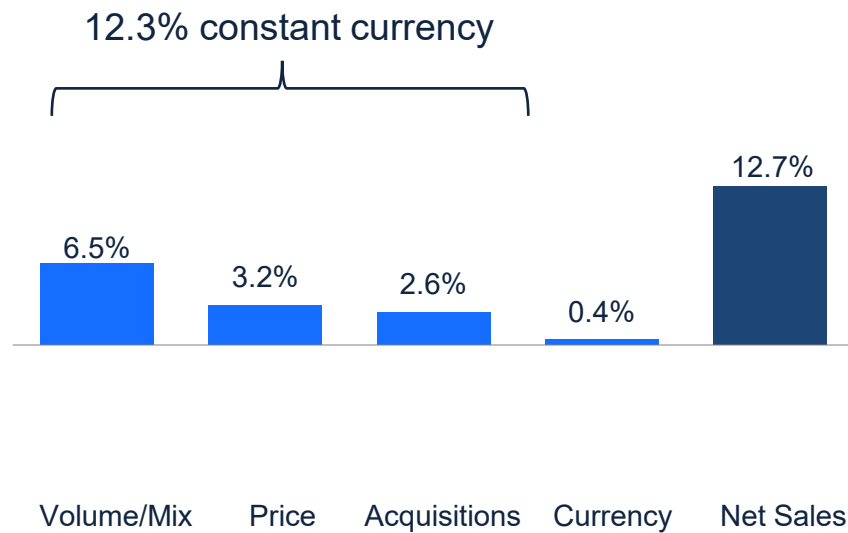


# 4Q 2021 SALES RESULTS



# 4Q 2021 SALES RESULTS: CONSUMER SEGMENT

## AMERICAS

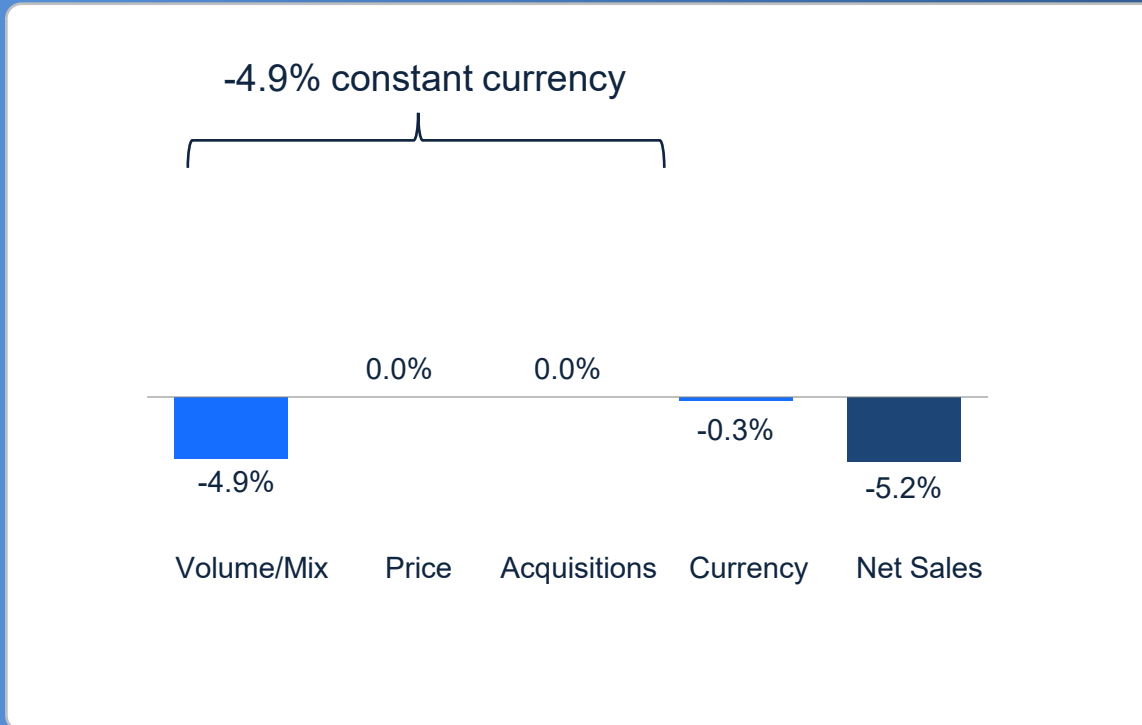


- 4Q compared to 2020
  - Higher volume and mix from sustained shift to at-home consumption
  - Pricing to partially offset cost inflation
  - Cholula acquisition growth
- 4Q compared to 2019
  - 19% constant currency growth
  - Broad-based growth across branded products
  - Decline in private label



# 4Q 2021 SALES RESULTS: CONSUMER SEGMENT

## EMEA

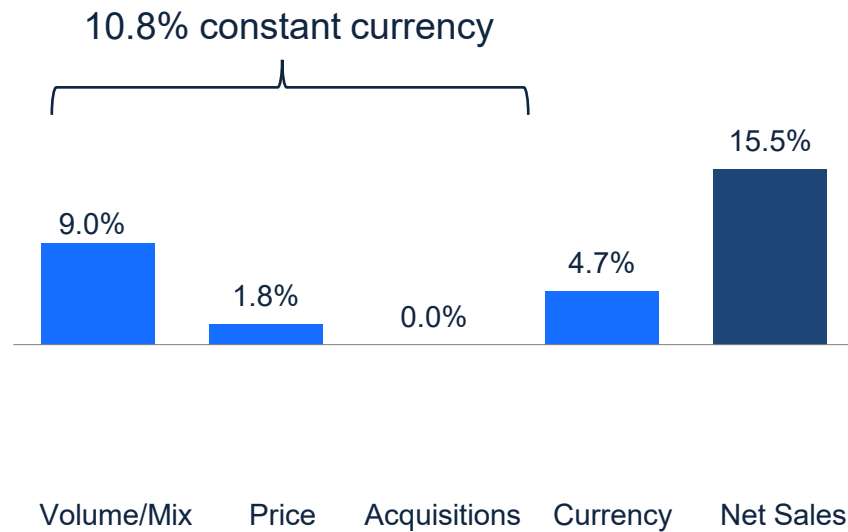


- 4Q compared to 2020
  - Decline from lapping high demand last year
- 4Q compared to 2019
  - 5% constant currency growth
  - Spices and seasonings, hot sauce and mustard growth



# 4Q 2021 SALES RESULTS: CONSUMER SEGMENT

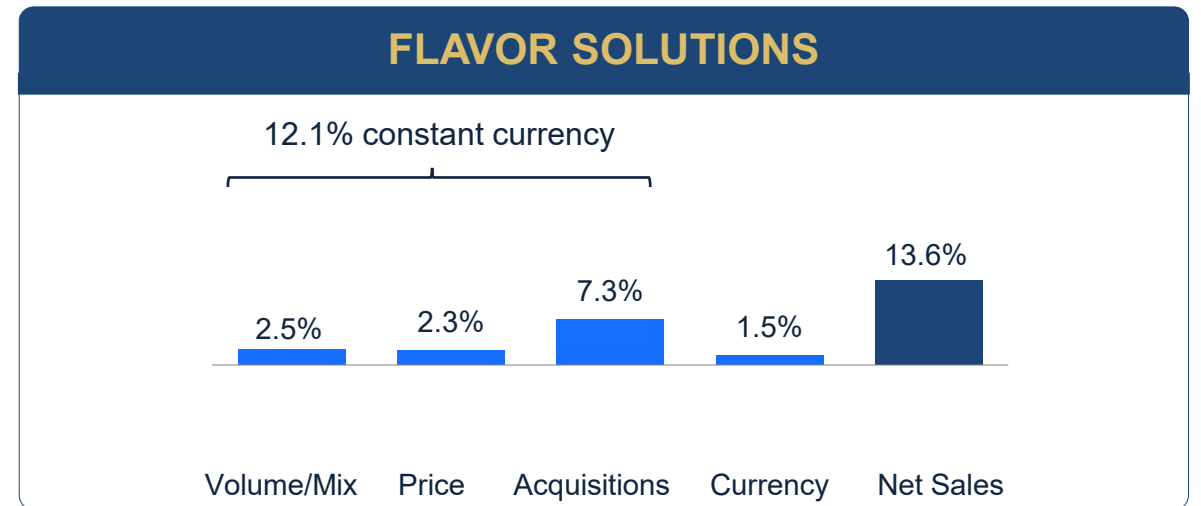
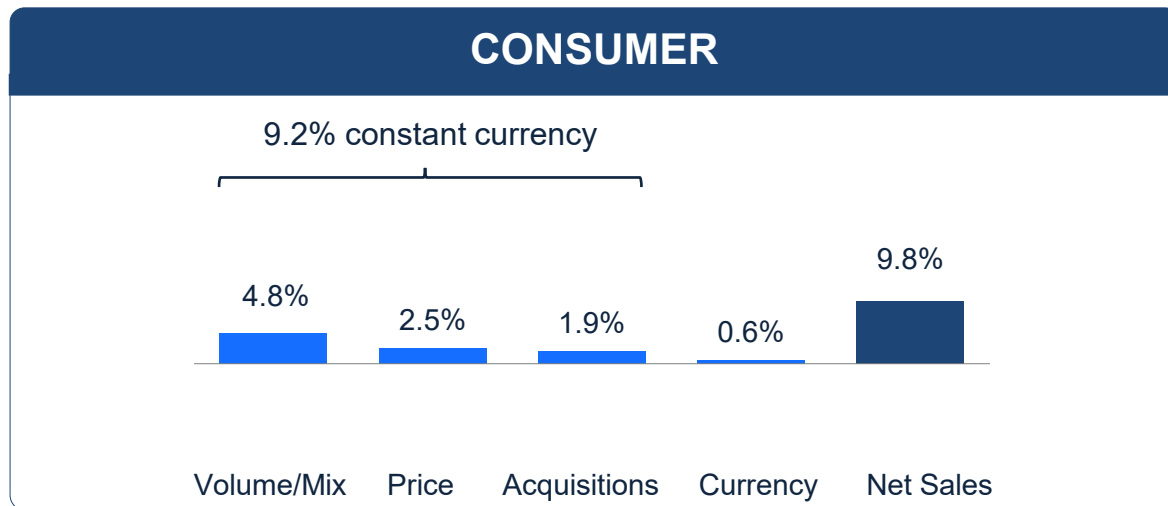
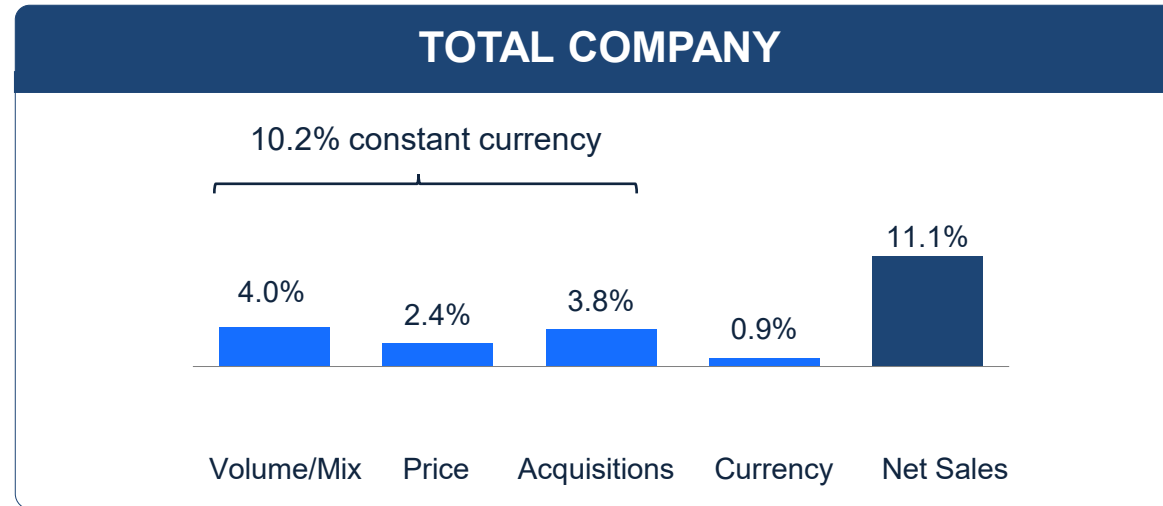
## ASIA / PACIFIC



- 4Q compared to 2020
  - Recovery of branded foodservice sales in China
  - Higher sales of cooking-at-home products across the region
- 4Q compared to 2019
  - Comparable in constant currency
  - Growth across region offset by exit of lower margin business in India



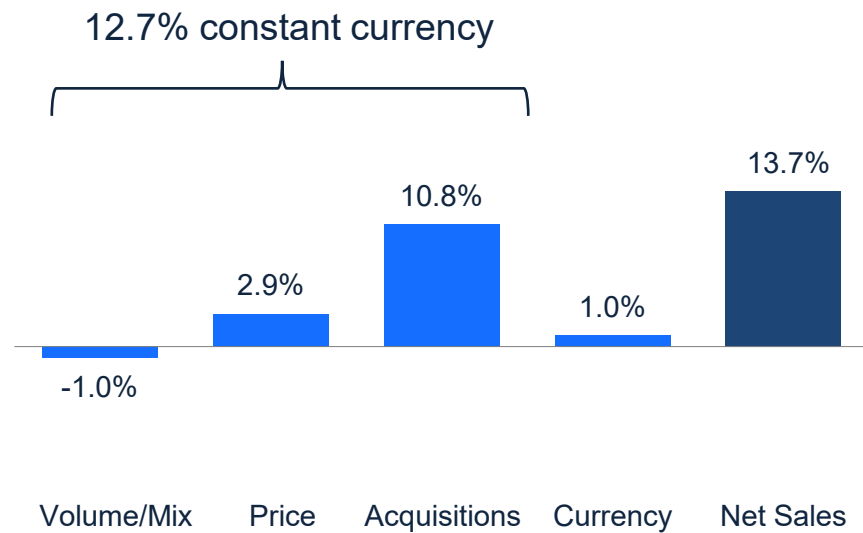
# 4Q 2021 SALES RESULTS





# 4Q 2021 SALES RESULTS: FLAVOR SOLUTIONS SEGMENT

## AMERICAS

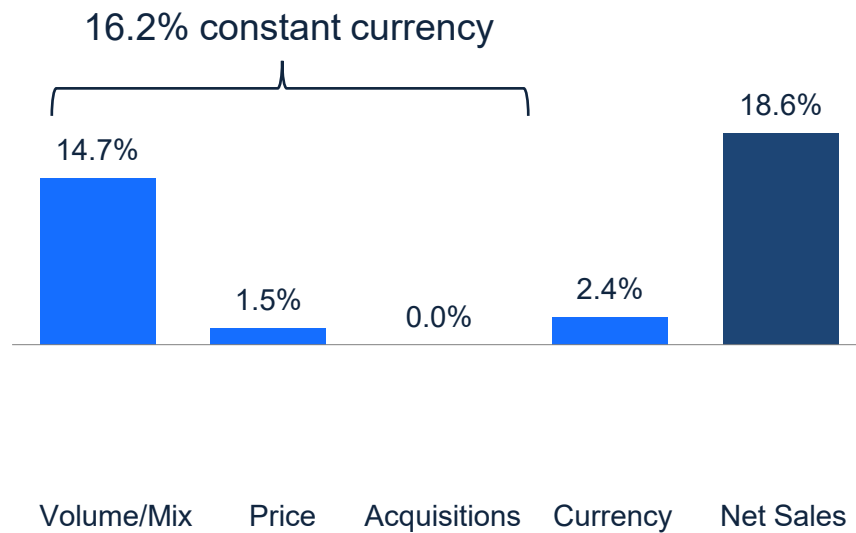


- 4Q compared to 2020
  - FONA and Cholula acquisitions growth
  - Pricing to partially offset cost inflation
  - Volume impacted by exit of low margin business
- 4Q compared to 2019
  - 15% constant currency growth
  - Higher sales from acquisitions and packaged food and beverage companies



# 4Q 2021 SALES RESULTS: FLAVOR SOLUTIONS SEGMENT

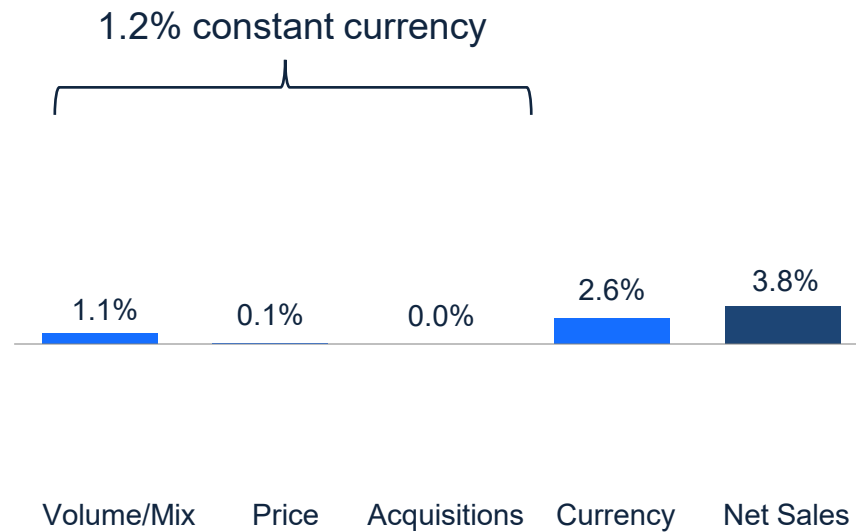
## EMEA



- 4Q compared to 2020
  - Quick service restaurants and branded foodservice growth
  - Continued growth momentum with packaged food and beverage companies
- 4Q compared to 2019
  - 26% constant currency growth
  - Strong sales growth with packaged food and beverage companies and quick service restaurants

# 4Q 2021 SALES RESULTS: FLAVOR SOLUTIONS SEGMENT

## ASIA / PACIFIC



- 4Q compared to 2020
  - Growth driven by quick service restaurants
  - Partially impacted by timing of customers' limited time offers and promotional activities
- 4Q compared to 2019
  - 8% constant currency growth



# OPERATING INCOME

<i>(in millions)</i>	4Q 2021	4Q 2020	4Q Fav/(Unfav) Change	FY2021 Fav/(Unfav) Change
Operating income	\$276.2	\$274.9	0%	2%
Adjusted operating income	\$308.7	\$290.2	6%	8%
Consumer	250.4	220.7	14%	3%
Flavor Solutions	58.3	69.5	(16%)	25%

- 6% constant currency adjusted operating income growth for total company
  - Consumer segment growth of 13% driven by higher sales, CCI-led cost savings and planned lower brand marketing investment partially offset by cost pressures from inflation and logistics challenges
  - Flavor Solutions segment decline of 15% with higher sales and CCI-led savings more than offset by cost pressures, unfavorable product mix and supply chain investments
  - Incremental ERP investment spending offset by lower COVID-19 related costs
  - Brand marketing investments increased 3% for the full year
- Integration expenses were \$2 million in 4Q 2021 versus \$12 million in 4Q 2020
- Special charges were \$30.5 million in 4Q 2021 versus \$2.9 million in 4Q 2020



# OPERATING MARGIN

<i>(in millions)</i>	4Q 2021	4Q 2020	4Q Fav/(Unfav) Change	FY2021 Fav/(Unfav) Change
Gross Margin	40.6%	42.4%	(180) bps	(160) bps
Adjusted Gross Margin	40.9%	42.4%	(150) bps	(140) bps
Selling, general & administrative expenses as percent of net sales	23.1%	23.8%	70 bps	60 bps
Operating margin	16.0%	17.6%	(160) bps	(170) bps
Adjusted operating margin	17.8%	18.6%	(80) bps	(80) bps

- Adjusted gross margin declined 150 basis points driven by the net impact of cost pressures and phase-in of pricing actions
- Selling, general and administrative expenses as a percent of net sales declined 70 basis points driven by sales growth leverage and brand marketing reduction
- 2021 adjusted operating margin declined 80 basis points driven by adjusted gross margin compression of 140 basis points due to cost pressures experienced in the second half of the year and a lag in pricing



# INCOME TAXES

<i>(in millions)</i>	4Q 2021	4Q 2020
Income tax rate	<b>23.0%</b>	<b>23.2%</b>
Adjusted income tax rate	<b>21.3%</b>	<b>22.9%</b>

FY2021	FY2020
<b>21.5%</b>	<b>19.8%</b>
<b>20.1%</b>	<b>19.9%</b>

- Both periods favorably impacted by discrete items



# INCOME FROM UNCONSOLIDATED OPERATIONS

<i>(in millions)</i>	4Q 2021	4Q 2020	4Q Fav/(Unfav) Change	FY2021 Fav/(Unfav) Change
Income from unconsolidated operations	\$6.4	\$10.6	(40%)	28%
Adjusted income from unconsolidated operations	\$6.4	\$10.6	(40%)	(5%)

- Adjusted income from unconsolidated operations unfavorably impacted by
  - Elimination of higher earnings associated with minority interest
  - Sale of minority stake in Eastern Condiments at the end of March 2021
- Strong fiscal year McCormick de Mexico joint venture performance



# EARNINGS PER SHARE

<i>(in millions)</i>	4Q 2021	4Q 2020	4Q Fav/(Unfav) Change	FY2021 Fav/(Unfav) Change
Earnings per share	<b>\$0.73</b>	<b>\$0.74</b>	(1%)	1%
Adjusted earnings per share	<b>\$0.84</b>	<b>\$0.79</b>	6%	8%

## Change in adjusted earnings per share

Increase in adjusted operating income	\$0.05
Decrease in adjusted income tax rate	0.02
Decrease in unconsolidated income	<u>(0.02)</u>
<b>Total increase</b>	<b><u>\$0.05</u></b>





# BALANCE SHEET AND CASH FLOW

- Cash flow provided from operations was \$828 million for 2021
  - Impacted by higher inventory levels to support significantly increased demand and mitigate supply and service issues
  - Includes payment of transaction and integration expenses
- \$363 million of cash returned to shareholders through dividends
- Capital expenditures of \$278 million in 2021

## BALANCED USE OF CASH



- ✓ Drive growth
- ✓ Return to shareholders
- ✓ Pay down debt

**We expect 2022 to be a year of strong cash flow**

# 2022 OUTLOOK GROWTH RATES

	Reported Currency	Constant Currency
Sales growth	3% to 5%	4% to 6%
Adjusted operating income increase	7% to 9%	8% to 10%
CCI-led cost savings	Approximately \$85M	
Cost inflation	Mid-teens increase	
Adjusted gross profit margin	Comparable to 2021 to 50 bps decrease	
Brand marketing	Low-single digit increase	
Adjusted income from unconsolidated operations	Comparable	
Adjusted tax rate	22% - 23%	
Adjusted earnings per share	\$3.17 to \$3.22	
Adjusted earnings per share growth	4% to 6%	5% to 7%
Shares outstanding	Approximately 271M	



# KEY TAKEAWAYS

**Record sales growth in 2021**

**2021 operating performance underscored strength of business model, value of products and capabilities and resilience of employees**

**Cholula and FONA have proven to be fantastic additions**

**Compounded growth regardless of short-term pressures**

**Confidence in driving a strong 2022 growth and building shareholder value**



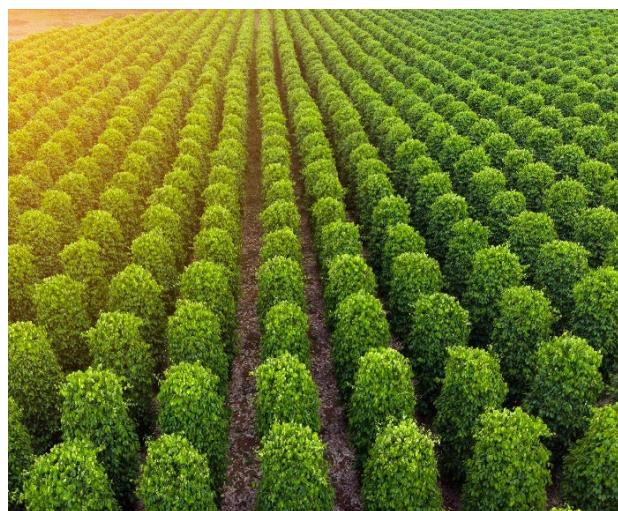


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McCormick & Company, Inc.

January 27, 2022

The following slides accompany a January 27<sup>th</sup>, 2022, earnings release conference call. This information should be read in conjunction with the press release issued on that date.



# NON-GAAP FINANCIAL MEASURES

The tables below include financial measures of adjusted gross profit, adjusted gross profit margin, adjusted operating income, adjusted operating income margin, adjusted income tax expense, adjusted income tax rate, adjusted net income and adjusted diluted earnings per share. These represent non-GAAP financial measures which are prepared as a complement to our financial results prepared in accordance with United States generally accepted accounting principles. These financial measures exclude the impact, as applicable, of the following:

**Special charges** - In our consolidated income statement, we include a separate line item captioned “Special charges” in arriving at our consolidated operating income. Special charges consist of expenses associated with certain actions undertaken by the Company to reduce fixed costs, simplify or improve processes, and improve our competitiveness and are of such significance in terms of both up-front costs and organizational/structural impact to require advance approval by our Management Committee. Upon presentation of any such proposed action (including details with respect to estimated costs, which generally consist principally of employee severance and related benefits, together with ancillary costs associated with the action that may include a non-cash component or a component which relates to inventory adjustments that are included in cost of goods sold; impacted employees or operations; expected timing; and expected savings) to the Management Committee and the Committee’s advance approval, expenses associated with the approved action are classified as special charges upon recognition and monitored on an on-going basis through completion.

**Transaction and integration expenses associated with the Cholula and FONA acquisitions** – We exclude certain costs associated with our acquisitions of Cholula and FONA in November and December 2020, respectively, and their subsequent integration into the Company. Such costs, which we refer to as “Transaction and integration expenses”, include transaction costs associated with each acquisition, as well as integration costs following the respective acquisition, including the impact of the acquisition date fair value adjustment for inventory, together with the impact of discrete tax items, if any, directly related to each acquisition.

**Income from sale of unconsolidated operations** – We exclude the gain realized upon our sale of an unconsolidated operation in March 2021. The sale of our 26% interest in Eastern Condiments Private Ltd resulted in a gain of \$13.4 million, net of tax of \$5.7 million. The gain is included in Income from unconsolidated operations in our consolidated income statement.

We believe that these non-GAAP financial measures are important. The exclusion of the items noted above provides additional information that enables enhanced comparisons to prior periods and, accordingly, facilitates the development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of our ongoing operations and analyze our business performance and trends.

These non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP, but they should not be considered a substitute for, or superior to, GAAP results. In addition, these non-GAAP financial measures may not be comparable to similarly titled measures of other companies because other companies may not calculate them in the same manner that we do. We intend to continue to provide these non-GAAP financial measures as part of our future earnings discussions and, therefore, the inclusion of these non-GAAP financial measures will provide consistency in our financial reporting. A reconciliation of these non-GAAP financial measures to the related GAAP financial measures is provided below:



# NON-GAAP FINANCIAL MEASURES

(in millions except per share data)

	Three Months Ended		Twelve Months Ended	
	11/30/2021	11/30/2020	11/30/2021	11/30/2020
Gross profit	\$ 702.9	\$ 660.7	\$ 2,494.6	\$ 2,300.4
Impact of transaction and integration expenses included in cost of goods sold (1)	—	—	6.3	—
Impact of special charges included in cost of goods sold (2)	4.7	—	4.7	—
Adjusted gross profit	\$ 707.6	\$ 660.7	\$ 2,505.6	\$ 2,300.4
Adjusted gross profit margin (3)	40.9 %	42.4 %	39.7 %	41.1 %
Operating income	\$ 276.2	\$ 274.9	\$ 1,015.1	\$ 999.5
Impact of transaction and integration expenses included in cost of goods sold (1)	—	—	6.3	—
Impact of other transaction and integration expenses (1)	2.0	12.4	29.0	12.4
Impact of special charges included in cost of goods sold (2)	4.7	—	4.7	—
Impact of other special charges (2)	25.8	2.9	46.4	6.9
Adjusted operating income	\$ 308.7	\$ 290.2	\$ 1,101.5	\$ 1,018.8
% increase versus year-ago period	6.4 %		8.1 %	
Adjusted operating income margin (3)	17.8 %	18.6 %	17.4 %	18.2 %
Income tax expense	\$ 57.2	\$ 57.5	\$ 192.7	\$ 174.9
Impact of transaction and integration expenses (1)	0.4	1.9	(2.7)	1.9
Impact of special charges (2)	2.2	0.9	7.1	2.1
Adjusted income tax expense	\$ 59.8	\$ 60.3	\$ 197.1	\$ 178.9
Adjusted income tax rate (4)	21.3 %	22.9 %	20.1 %	19.9 %
Net income	\$ 197.4	\$ 200.7	\$ 755.3	\$ 747.4
Impact of transaction and integration expenses (1)	1.6	10.5	38.0	10.5
Impact of special charges (2)	28.3	2.0	44.0	4.8
Impact of after-tax gain on sale of unconsolidated operations	—	—	(13.4)	—
Adjusted net income	\$ 227.3	\$ 213.2	\$ 823.9	\$ 762.7
% increase versus year-ago period	6.6 %		8.0 %	
Earnings per share - diluted	\$ 0.73	\$ 0.74	\$ 2.80	\$ 2.78
Impact of transaction and integration expenses (1)	—	0.04	0.14	0.04
Impact of special charges (2)	0.11	0.01	0.16	0.01
Impact of after-tax gain on sale of unconsolidated operation	—	—	(0.05)	—
Adjusted earnings per share - diluted	\$ 0.84	\$ 0.79	\$ 3.05	\$ 2.83
% increase versus year-ago period	6.3 %		7.8 %	

- Transaction and integration expenses include transaction and integration expenses associated with our acquisitions of Cholula and FONA. These expenses include transaction expenses, integration expenses, including the effect of the fair value adjustment of acquired inventory on cost of goods sold and the impact of a discrete deferred state income tax expense item, directly related to our December 2020 acquisition of FONA. This discrete tax item had an unfavorable impact of \$10.4 million or \$0.04 per diluted share for the year ended November 31, 2021.
- Special charges for the three and twelve months ended November 30, 2021 both include \$4.7 million which is reflected in Cost of goods sold as well as an \$11.2 million non-cash impairment charge associated with the impairment of certain intangible assets.
- Adjusted gross profit margin is calculated as adjusted gross profit as a percentage of net sales for each period presented. Adjusted operating income margin is calculated as adjusted operating income as a percentage of net sales for each period presented.
- Adjusted income tax rate is calculated as adjusted income tax expense as a percentage of income from consolidated operations before income taxes, excluding transaction and integration expenses and special charges, or \$280.7 million and \$982.2 million for the three and twelve months ended November 30, 2021, respectively, and \$262.9 million and \$900.8 million for the three and twelve months ended November 30, 2020, respectively.

# NON-GAAP FINANCIAL MEASURES

Because we are a multi-national company, we are subject to variability of our reported U.S. dollar results due to changes in foreign currency exchange rates. Those changes have been volatile over the past several years. The exclusion of the effects of foreign currency exchange, or what we refer to as amounts expressed “on a constant currency basis”, is a non-GAAP measure. We believe that this non-GAAP measure provides additional information that enables enhanced comparison to prior periods excluding the translation effects of changes in rates of foreign currency exchange and provides additional insight into the underlying performance of our operations located outside of the U.S. It should be noted that our presentation herein of amounts and percentage changes on a constant currency basis does not exclude the impact of foreign currency transaction gains and losses (that is, the impact of transactions denominated in other than the local currency of any of our subsidiaries in their local currency reported results).

Percentage changes in sales and adjusted operating income expressed on a constant currency basis are presented excluding the impact of foreign currency exchange. To present this information for historical periods, current period results for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollars at the average exchange rates in effect during the corresponding period of the prior fiscal year, rather than at the actual average exchange rates in effect during the current fiscal year. As a result, the foreign currency impact is equal to the current year results in local currencies multiplied by the change in the average foreign currency exchange rate between the current fiscal period and the corresponding period of the prior fiscal year. Rates of constant currency growth (decline) follow:

	Three Months Ended November 30, 2021 as compared to Three Months Ended November 30, 2020		
	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis
<b>Net sales</b>			
<b>Consumer segment</b>			
Americas	12.7 %	0.4 %	12.3 %
EMEA	(5.2)%	(0.3)%	(4.9)%
Asia/Pacific	15.5 %	4.7 %	10.8 %
Total Consumer segment	9.8 %	0.6 %	9.2 %
<b>Flavor Solutions segment</b>			
Americas	13.7 %	1.0 %	12.7 %
EMEA	18.6 %	2.4 %	16.2 %
Asia/Pacific	3.8 %	2.6 %	1.2 %
Total Flavor Solutions segment	13.6 %	1.5 %	12.1 %
<b>Total net sales</b>	11.1 %	0.9 %	10.2 %
<b>Adjusted operating income</b>			
Consumer segment	13.5 %	0.4 %	13.1 %
Flavor Solutions segment	(16.1)%	(0.6)%	(15.5)%
<b>Total adjusted operating income</b>	6.4 %	0.1 %	6.3 %

	Three Months Ended November 30, 2021 as compared to Three Months Ended November 30, 2019		
	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis
<b>Net sales:</b>			
<b>Consumer segment:</b>			
Americas	18.9 %	0.4 %	18.5 %
EMEA	9.2 %	4.7 %	4.5 %
Asia/Pacific	8.1 %	8.4 %	(0.3)%
Total Consumer <sup>(1)</sup>	16.2 %	1.9 %	14.3 %
<b>Flavor Solutions segment:</b>			
Americas	14.8 %	(0.1)%	14.9 %
EMEA	26.3 %	(0.1)%	26.4 %
Asia/Pacific	15.0 %	6.9 %	8.1 %
Total Flavor Solutions	17.1 %	0.7 %	16.4 %
<b>Total net sales</b>	16.5 %	1.4 %	15.1 %

## Net sales:

EMEA Flavor Solutions segment

	Twelve Months Ended November 30, 2021 as compared to Twelve Months Ended November 30, 2019		
	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis
	20.3 %	0.9 %	19.4 %

1) Net sales associated with our acquisitions of Cholula and FONA contributed 2.0% of our growth as reported and in constant currency in the Consumer segment for the three months ended November 30, 2021 as compared to the three months ended November 30, 2019. Excluding the impact of these acquisitions, organic sales for the Consumer segment grew 14.2% as reported and 12.3% in constant currency for the three months ended November 30, 2021 as compared to the three months ended November 30, 2019.

# NON-GAAP FINANCIAL MEASURES

To present the percentage change in projected 2022 net sales, adjusted operating income and adjusted earnings per share — diluted on a constant currency basis, 2022 projected local currency net sales, adjusted operating income, and adjusted net income for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollars at currently prevailing exchange rates and are compared to those 2022 local currency projected results, translated into U.S. dollars at the average actual exchange rates in effect during the corresponding months in fiscal year 2021 to determine what the 2022 consolidated U.S. dollar net sales, adjusted operating income and adjusted earnings per share — diluted would have been if the relevant currency exchange rates had not changed from those of the comparable 2021 periods. To estimate the percentage change in adjusted earnings per share — diluted on a constant currency basis, a similar calculation is performed to arrive at adjusted net income divided by historical shares outstanding for fiscal year 2021 or projected shares outstanding for fiscal year 2022, as appropriate

	<u>Projections for the Year Ending November 30, 2022</u>
Percentage change in net sales	3% to 5%
Impact of unfavorable foreign currency exchange	1 %
Percentage change in net sales in constant currency	<u>4% to 6%</u>
Percentage change in adjusted operating income	7% to 9%
Impact of unfavorable foreign currency exchange	1 %
Percentage change in adjusted operating income in constant currency	<u>8% to 10%</u>
Percentage change in adjusted earnings per share— diluted	4% to 6%
Impact of unfavorable foreign currency exchange	1 %
Percentage change in adjusted earnings per share— diluted in constant currency	<u>5% to 7%</u>





# NON-GAAP FINANCIAL MEASURES

The following provides a reconciliation of our estimated earnings per share to adjusted earnings per share for 2022 and actual results for 2021:

	Twelve Months Ended	
	2022 Projection	11/30/21
Earnings per share - diluted	\$3.07 to \$3.12	\$ 2.80
Impact of transaction and integration expenses	0.01	0.14
Impact of special charges	0.09	0.16
Impact of sale of unconsolidated investment	—	(0.05)
Adjusted earnings per share	<u>\$3.17 to \$3.22</u>	<u>\$ 3.05</u>

