

MCCORMICK & CO INC  
Form 10-Q  
October 09, 2008  
[Table of Contents](#)

**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 Quarterly Period Ended August 31, 2008

Commission File Number 001-14920

**McCORMICK & COMPANY, INCORPORATED**

(Exact name of registrant as specified in its charter)

MARYLAND  
(State or other jurisdiction of

52-0408290  
(I.R.S. Employer

Edgar Filing: MCCORMICK & CO INC - Form 10-Q

incorporation or organization)

Identification No.)

18 Loveton Circle, P. O. Box 6000, Sparks, MD  
(Address of principal executive offices)

21152-6000  
(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 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" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

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, 2008
Common Stock	12,473,304
Common Stock Non-Voting	117,520,834

**Table of Contents**

TABLE OF CONTENTS

<b><u>PART I FINANCIAL INFORMATION</u></b>	3
ITEM 1 <u>FINANCIAL STATEMENTS</u>	3
ITEM 2 <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	22
ITEM 3 <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	41
ITEM 4 <u>CONTROLS AND PROCEDURES</u>	41
<b><u>PART II OTHER INFORMATION</u></b>	43
ITEM 1 <u>LEGAL PROCEEDINGS</u>	43
ITEM 1A <u>RISK FACTORS</u>	43
ITEM 2 <u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	43
ITEM 6 <u>EXHIBITS</u>	44

**Table of Contents****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 ended		Nine months ended	
	August 31,		August 31,	
	2008	2007	2008	2007
Net sales	\$ 781.6	\$ 716.2	\$ 2,269.7	\$ 2,056.1
Cost of goods sold	473.2	431.9	1,377.6	1,235.6
<b>Gross profit</b>	<b>308.4</b>	<b>284.3</b>	<b>892.1</b>	<b>820.5</b>
Selling, general and administrative expense	212.9	192.6	639.6	581.8
Restructuring charges	2.6	2.8	1.7	16.6
Operating income	92.9	88.9	250.8	222.1
Interest expense	12.8	15.8	40.3	44.9
Other income, net	(10.0)	(2.4)	(16.4)	(6.5)
Income from consolidated operations before income taxes	90.1	75.5	226.9	183.7
Income taxes	26.8	23.2	68.5	55.9
Net income from consolidated operations	63.3	52.3	158.4	127.8
Income from unconsolidated operations	5.3	4.5	15.0	15.5
Loss on sale of unconsolidated operations				(.8)
Net income	\$ 68.6	\$ 56.8	\$ 173.4	\$ 142.5
Earnings per common share basic	\$ 0.53	\$ 0.44	\$ 1.35	\$ 1.10
Average shares outstanding basic	129.3	129.1	128.7	129.8
Earnings per common share diluted	\$ 0.52	\$ 0.43	\$ 1.32	\$ 1.07
Average shares outstanding diluted	132.3	132.4	131.6	133.3
Cash dividends paid per common share	\$ 0.22	\$ 0.20	\$ 0.66	\$ 0.60

See notes to condensed consolidated financial statements (unaudited).

**Table of Contents**

McCORMICK & COMPANY, INCORPORATED  
CONDENSED CONSOLIDATED BALANCE SHEET

(in millions)

	August 31, 2008 (unaudited)	August 31, 2007 (unaudited)	November 30, 2007
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 30.3	\$ 45.7	\$ 45.9
Receivables, net	429.8	399.9	456.5
Inventories			
Finished products	239.9	229.4	222.0
Raw materials and work-in-process	222.4	210.5	208.2
	462.3	439.9	430.2
Prepaid expenses and other current assets	57.6	58.1	50.5
Total current assets	980.0	943.6	983.1
Property, plant and equipment	1,051.5	1,000.3	1,028.8
Less: accumulated depreciation	(574.9)	(530.8)	(541.2)
Total property, plant and equipment, net	476.6	469.5	487.6
Goodwill, net	1,328.3	835.7	879.5
Intangible assets, net	419.7	204.4	207.5
Prepaid allowances	42.0	46.7	39.3
Investments and other assets	183.7	173.4	190.5
Total assets	\$ 3,430.3	\$ 2,673.3	\$ 2,787.5
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
Current Liabilities			
Short-term borrowings	\$ 422.9	\$ 304.3	\$ 149.2
Current portion of long-term debt	50.6	151.4	.4
Trade accounts payable	249.2	209.3	243.3
Other accrued liabilities	334.4	339.0	468.4
Total current liabilities	1,057.1	1,004.0	861.3
Long-term debt	878.2	418.0	573.5
Other long-term liabilities	279.8	282.0	267.6
Total liabilities	2,215.1	1,704.0	1,702.4
Shareholders Equity			
Common stock	224.8	197.1	201.0
Common stock non-voting	353.3	292.3	300.0
Retained earnings	403.3	298.8	323.8
Accumulated other comprehensive income	233.8	181.1	260.3
Total shareholders equity	1,215.2	969.3	1,085.1

Edgar Filing: MCCORMICK & CO INC - Form 10-Q

Total liabilities and shareholders equity	\$ 3,430.3	\$ 2,673.3	\$ 2,787.5
---	------------	------------	------------

See notes to condensed consolidated financial statements (unaudited).

**Table of Contents**

## McCORMICK &amp; COMPANY, INCORPORATED

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

(in millions)

	Nine months ended	
	August 31, 2008	August 31, 2007
<b>Cash flows from operating activities</b>		
Net income	\$ 173.4	\$ 142.5
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization	64.6	61.4
Stock-based compensation	15.0	17.5
Loss on sale of unconsolidated operations		.8
Income from unconsolidated operations	(15.0)	(15.5)
Changes in operating assets and liabilities	(134.1)	(193.4)
Dividends from unconsolidated affiliates	11.4	9.7
 Net cash flow provided by operating activities	 115.3	 23.0
<b>Cash flows from investing activities</b>		
Acquisition of business	(696.8)	(15.9)
Capital expenditures	(56.7)	(50.7)
Net proceeds from sale of Season-All	14.0	
Proceeds from sale of property, plant and equipment	14.8	.1
 Net cash flow used in investing activities	 (724.7)	 (66.5)
<b>Cash flows from financing activities</b>		
Short-term borrowings, net	524.4	223.6
Long-term debt borrowings	255.0	
Long-term debt repayments	(150.3)	(.3)
Proceeds from exercised stock options	47.6	34.1
Common stock acquired by purchase	(9.3)	(146.8)
Dividends paid	(85.5)	(78.1)
 Net cash flow provided by financing activities	 581.9	 32.5
 Effect of exchange rate changes on cash and cash equivalents	 11.9	 7.6
 Decrease in cash and cash equivalents	 (15.6)	 (3.4)
Cash and cash equivalents at beginning of period	45.9	49.1
 Cash and cash equivalents at end of period	 \$ 30.3	 \$ 45.7

See notes to condensed consolidated financial statements (unaudited).

**Table of Contents**

MCCORMICK & COMPANY, INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and notes required by United States generally accepted accounting principles for complete financial statements. In our opinion, the accompanying condensed consolidated financial statements contain all adjustments, which are of a normal and recurring nature, necessary to present fairly the financial position and the results of operations for the interim periods.

The results of consolidated operations for the three and nine month periods ended August 31, 2008 are not necessarily indicative of the results to be expected for the full year. Historically, our consolidated sales, net income and cash flow from operations are lower in the first half of the fiscal year and increase in the second half. The increase in sales, earnings and cash flow from operations in the second half of the year is mainly due to the U.S. consumer business cycle, where customers typically purchase more products in the fourth quarter due to the holiday season.

For further information, refer to the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended November 30, 2007.

Accounting and Disclosure Changes

In March 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Acco