



McCormick & Company (MKC)

Updated January 24th, 2025 by Nathan Parsh

Key Metrics

Current Price:	\$75	5 Year CAGR Estimate:	9.3%	Market Cap:	\$20 B
Fair Value Price:	\$76	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	04/04/25 ¹
% Fair Value:	99%	5 Year Valuation Multiple Estimate:	0.1%	Dividend Payment Date:	04/22/25 ²
Dividend Yield:	2.4%	5 Year Price Target	\$106	Years Of Dividend Growth:	39
Dividend Risk Score:	B	Retirement Suitability Score:	B	Rating:	Hold

Overview & Current Events

McCormick & Company produces, markets, and distributes seasoning mixes, spices, condiments and other products to customers in the food industry. McCormick was founded in 1889 by Willoughby M. McCormick and controls ~20% of the global seasoning and spice market.

On November 19th, 2024, McCormick announced that it was increasing its quarterly dividend 7.1% to \$0.45, extending the company's dividend growth streak to 39 consecutive years.

On January 23rd, 2025, McCormick reported fourth quarter and full year results for the period ending November 30th, 2024. For the quarter, revenue grew 2.7% \$1.8 billion, which was \$28 million more than expected. Adjusted earnings-per-share of \$0.80 compared unfavorably to \$0.85 in the prior year, but this topped estimates by \$0.03. For the year, revenue grew 1% to \$6.7 billion while earnings-per-share of \$2.92 compared to \$2.52 in the prior year.

For the quarter, volume and mix improved 2.2% while pricing was weaker by 0.4%. The Consumer segment grew 2.4% for the period. Volume and mix improvements (+3.7) were only partially offset by pricing (-1.3%). The Americas had organic growth of 3.7% as volume gains were offset by lower prices. EMEA continues to perform well, with sales higher by 2.9% as volume and mix were up 4.9%. Asia/Pacific decreased 10.3% due to weaker results in China. Flavor Solutions grew 0.8% as pricing (+1.0%) was offset by lower volumes (-0.2%). The Americas grew 1.4% due to better pricing. EMEA decreased 4.0% as demand from quick service restaurants was down. Asia/Pacific returned to growth as sales were up 6.5% due to increases in volume related to promotions and new products. McCormick's gross margin expanded 20 basis points to 40.2% for the quarter and improved 90 basis points to 38.5% for the year.

McCormick provided guidance for 2025 as well. The company expects revenue to be in a range of flat to up 2% compared to 2024. Adjusted earnings-per-share are projected to be in a range of \$2.99 to \$3.04. We have initiated our forecast as a result.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.74	\$1.89	\$2.13	\$2.49	\$2.68	\$2.83	\$3.05	\$2.52	\$2.52	\$2.92	\$3.02	\$4.24
DPS	\$0.80	\$0.86	\$0.94	\$1.04	\$1.14	\$1.27	\$1.36	\$1.48	\$1.56	\$1.68	\$1.80	\$2.52
Shares³	255	251	262	264	266	267	267	270	270	270	270	265

Prior to 2022, McCormick had increased earnings-per-share every year for the past ten years. Since 2015, earnings have increased at an average rate of 5.9% per year. The addition of RB Foods and other acquisitions have worked in the company's favor, especially in the area of hot sauce, where McCormick now has the top two brands in the \$5 billion market. In fact, we feel that the company's acquisition over the past few years will help to aid earnings growth going forward. We reaffirm our projected annual earnings growth rate of 7% through 2030.

¹ Estimated ex-dividend date

² Estimated dividend payment date

³ Share count in millions

Disclosure: This analyst has a long position in the security discussed in this research report.



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The new annualized dividend of \$1.80 per share equates to a 2.4% yield at current prices. We assume dividends will grow by 7% annually through 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	22.5	25.1	22.9	23.3	28.3	33.8	31.7	32.9	25.7	26.1	24.8	25.0
Avg. Yld.	2.0%	1.8%	1.9%	1.6%	1.3%	1.3%	1.4%	1.8%	2.4%	2.2%	2.4%	2.4%

Shares of McCormick have decreased \$8, or 9.6%, since our October 1st, 2024 report. Based off earnings estimates for the year, the stock trades with a price-to-earnings ratio of 24.8. We are reaffirming our 2030 price-to-earnings ratio target of 25 to better reflect the stock’s average valuation over the last decade. We believe this multiple is warranted given McCormick’s performance during the pandemic as well as the strength of the company’s core business and leadership position in its industry. If the stock reverted to our target P/E by 2030, then valuation would be a 0.1% tailwind to annual returns over this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	46%	46%	44%	42%	43%	45%	45%	59%	62%	58%	60%	60%

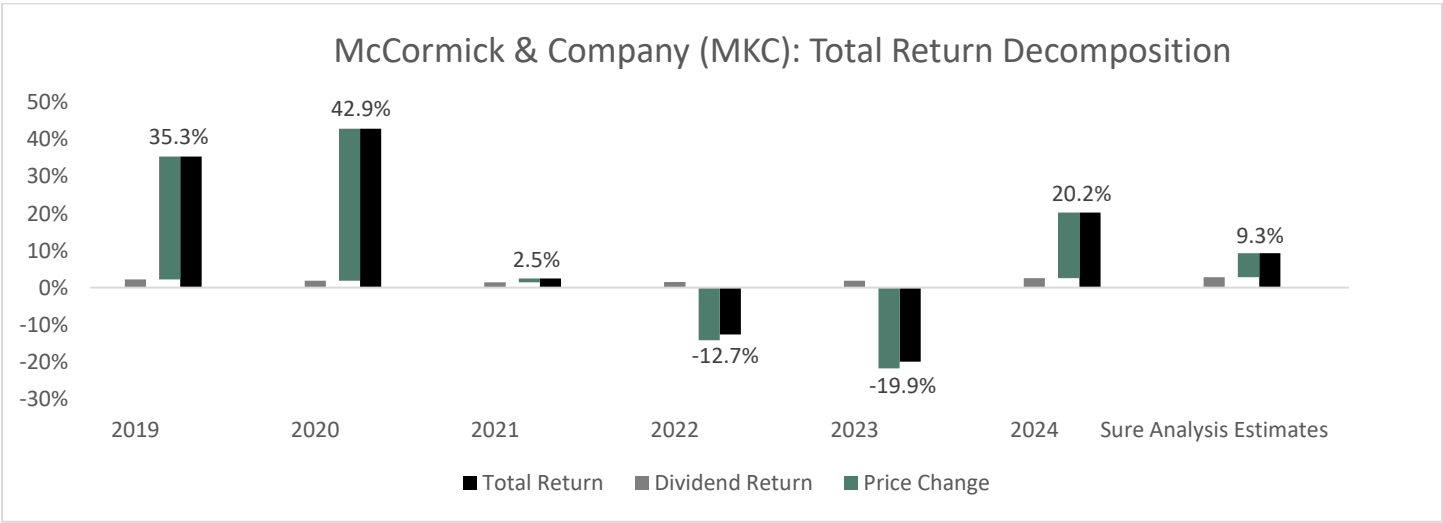
McCormick’s competitive advantage stems from its 20% market share of the global market for seasonings and spices. McCormick is four times as large as its nearest competitor, which gives it unmatched size and scale. With a portfolio of popular products, the company has the ability to negotiate with retailers on pricing and shelf space.

Shares of McCormick performed remarkably well during the last recession. While many companies saw declining earnings per share during the Great Recession, McCormick increased its earnings in 2008 and 2009.

Final Thoughts & Recommendation

Following fourth quarter results, McCormick & Company is expected to return 9.3% through 2030, up from our prior estimate of 6.0%. Our projected return stems from an expected annual earnings growth rate of 7%, a starting yield of 2.4%, and a small tailwind from multiple expansion. McCormick had enjoyed pricing power in recent years, but that was not the case last year as average prices were down in several areas of the company. Still, the company is a leader in its industry. We also note that the current dividend yield is higher than usual for the stock. We have raised our five-year price target \$5 to \$106, but maintain our hold rating on shares of McCormick due to projected results.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	4,296	4,412	4,730	5,303	5,347	5,601	6,318	6,351	6,662	6,724
Gross Profit	1,737	1,832	1,794	2,093	2,145	2,300	2,495	2,275	2,503	2,591
Gross Margin	40.4%	41.5%	37.9%	39.5%	40.1%	41.1%	39.5%	35.8%	37.6%	38.5%
SG&A Exp.	1,127	1,175	1,031	1,163	1,167	1,282	1,404	1,357	1,478	1,521
D&A Exp.	106	109	125	151	159	165	186	201	199	209
Operating Profit	610	657	763	930	979	1,019	1,091	917	1,024	1,070
Operating Margin	14.2%	14.9%	16.1%	17.5%	18.3%	18.2%	17.3%	14.4%	15.4%	15.9%
Net Profit	402	472	477	933	703	747	755	682	681	789
Net Margin	9.3%	10.7%	10.1%	17.6%	13.1%	13.3%	12.0%	10.7%	10.2%	11.7%
Free Cash Flow	462	504	633	652	773	816	550	390	973	647
Income Tax	131	153	151	(157)	157	175	193	169	175	184

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4,473	4,636	10,386	10,256	10,362	12,090	12,906	13,125	12,862	13,070
Cash & Equivalents	113	118	187	97	155	424	352	334	167	186
Accounts Receivable	455	465	555	518	503	529	550	574	588	587
Inventories	711	756	793	786	801	1,033	1,182	1,340	1,127	1,240
Goodwill & Int. Ass.	2,131	2,196	7,561	7,445	7,429	8,342	8,929	8,761	8,777	8,726
Total Liabilities	2,786	2,998	7,815	7,074	6,905	8,150	8,480	8,426	7,779	7,754
Accounts Payable	412	451	640	710	847	1,032	1,064	1,171	1,119	1,238
Long-Term Debt	1,394	1,447	5,027	4,696	4,324	4,904	5,283	5,150	4,411	4,342
Shareholder's Equity	1,670	1,627	2,560	3,171	3,444	3,926	4,411	4,681	5,061	5,291
LTD/E Ratio	0.83	0.89	1.96	1.48	1.26	1.25	1.20	1.10	0.87	0.82

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	9.0%	10.4%	6.4%	9.0%	6.8%	6.7%	6.0%	5.2%	5.2%	6.1%
Return on Equity	23.0%	28.4%	22.7%	32.4%	21.2%	20.2%	18.1%	14.9%	13.9%	15.2%
ROIC	13.0%	15.3%	8.9%	12.1%	9.0%	9.0%	8.1%	7.0%	7.0%	8.2%
Shares Out.	255	251	262	264	266	267	267	270	270	270
Revenue/Share	16.63	17.23	18.42	19.90	19.95	20.81	23.41	23.50	24.69	24.94
FCF/Share	1.79	1.97	2.46	2.45	2.88	3.03	2.04	1.44	3.61	2.40

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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