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McCormick & Co. will acquire Italian flavorings maker Enrico Giotti for \$127 million.

McCormick & Co.'s acquisition spree continued Tuesday as the Sparks-based company announced plans to acquire the Italian flavorings firm Enrico Giotti SpA of Florence for \$127 million. Giotti makes flavorings for food and drink makers as well as juices and extracts, generating about \$56 million in annual sales.

The acquisition, expected to close in December, is McCormick's fifth in the past two years. It's also the company's second in more than a decade on the industrial side of its business that sells spices and flavorings to food manufacturers and restaurants. "The acquisition of Giotti is another important step in the execution of our growth strategy," Lawrence E. Kurzius, McCormick's president and CEO, said in the announcement. "With this acquisition, we add greater scale to our already substantial industrial segment business in the Europe, Middle East and Africa region." The addition of Giotti, which also has expertise in flavoring health and nutrition products, will help McCormick expand offerings to European packaged food companies and multinational restaurant chains, the company said. Such customers are part of McCormick's industrial business, which has accounted for more than \$1.2 billion of its nearly \$3.2 billion in sales through nine months of its current fiscal year. The company also sells its products to grocery stores and other retailers through its consumer business.

McCormick has grown for more than a decade under two CEOs by acquiring businesses that make similar or complementary



products. But most of those deals have been on the consumer side, said Brittany Weissman, a consumer analyst for St. Louis-based [Edward Jones](#). Enrico Giotti will be just the second industrial business acquisition in 15 years, Weissman said. McCormick had acquired Brand Aromatics, a privately held New Jersey-based maker of marinades and broths, in March 2015 for about \$63 million in cash.

"It seems they're more open to doing acquisitions in this piece of the business now and broadening the scope," said Weissman, suggesting it may be part of the company's direction under Kurzius and an effort to improve profit margins

in the low-margin industrial business. "It makes sense. It's a small, tuck-in acquisition, but it should benefit earnings."

Other recent acquisitions have included Italian spice maker Drogheria & Alimentari, Texas barbecue sauce maker Stubbs, both last year, and, in April, Gourmet Garden, an Australian maker of chilled herbs. In April, McCormick dropped its pursuit of British food company Premier Foods after raising its offer and being turned down twice. A deal for Premier would have represented McCormick's largest acquisition ever, for \$2.2 billion including debt. While Giotti represents one of the smaller acquisitions, additional, larger deals are likely on the horizon, one analyst said in a recent report.

"Kurzius is prepared to take the company in the direction of much larger transactions, perhaps even transformational ones," wrote Credit Suisse analyst Robert Moskow in an October report in which the firm upgraded McCormick's stock to "outperform."

In the report, Moskow said the company is the market leader of a vibrant category. "While the vast majority of packed foods companies have felt the pressure of shifting demographics and changing dietary preferences, the spice and seasonings category has experienced resurgence in popularity," he wrote. Millennials are driving the trend by embracing cooking from scratch as a way to lead healthier lives and connect with friends and family on social media, Moskow said.

Giotti traces its roots to 1928 when a Florentine barkeeper named Enrico Giotti began experimenting with flavorings for his cocktails. He began making beverage flavorings on a larger scale, but the business didn't come into own until after World War II and the introduction of soft drinks to the Italian market. After going public in 1953, the company expanded and now makes natural flavorings, aromatic herbal extracts and concentrated juices at two factories in Italy and one in Macedonia.

"We anticipate strong growth driven by Giotti's expertise in the high growth health and nutrition segment," Malcolm Swift, McCormick's president of global industrial and international business, said in the announcement.

Weissman said she sees Enrico Giotti's focus on health and wellness as a plus. "Health and wellness is going to be a growing area for many food companies, so on the industrial side to supply flavorings that fit into health and wellness mindset is a positive," she said. Shares of McCormick closed Tuesday up 75 cents at \$93.13 each.