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McCormick buys Reckitt Benckiser food unit for £4.2 B

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The Baltimore-based company has been trying to expand globally and last year launched a failed takeover bid for Premier Foods. The deal will help boost McCormick’s net sales to about $5 billion a year in 2017, and improve profit margins.

Though McCormick’s leverage ratio will increase because of the deal, the company plans to maintain its dividend policy but curtail its share-buyback program in an effort to maintain its investment-grade credit rating.

By selling its foods business, Reckitt can focus on it’s newly acquired infant nutrition unit after its $18 billion purchase of Mead Johnson earlier this year.

Reckitt, which makes products ranging from Durex condoms and Nurofen painkillers to Cillit Bang bathroom cleaners, said in April it had started a strategic review of its non-core food business.

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