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# The Campbell's Co. (CPB)

Q3 2026 Earnings Call - Q&A

## CORPORATE PARTICIPANTS

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**Todd E. Cunfer**

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## OTHER PARTICIPANTS

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**Thomas Palmer**

*Analyst, JPMorgan Securities LLC*

**Peter Grom**

*Analyst, UBS Securities LLC*

**Peter T. Galbo**

*Analyst, BofA Securities, Inc.*

**Chris Carey**

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning and welcome to The Campbell's Company Third Quarter 2026 Earnings Question-and-Answer session. Today's conference is being recorded. All lines will be muted during the introductory remarks, with an opportunity for questions and answers afterwards. [Operator instructions]

I would now like to turn the call over to Joshua Levine, Chief Investor Relations Officer at Campbell's.

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**Joshua A. Levine**

*Chief Investor Relations Officer, The Campbell's Co.*

Good morning, and thank you for joining The Campbell's Company's third quarter fiscal 2026 earnings question-and-answer session.

Earlier this morning, in conjunction with today's earnings announcement, the company published its press release, Form 10-Q and slide presentation, as well as both a written and audio recording of management's prepared remarks. All of these materials can be found on the Investors section of our website. Shortly after the conclusion of today's live Q&A session, we will post a transcript and audio replay of this call. Joining me today are Mick Beekhuizen, President and Chief Executive Officer and Todd Cunfer, our Chief Financial Officer.

During today's discussion, management may make forward-looking statements which reflect our current expectations about future plans and performance. These statements rely on assumptions and estimates and are

subject to risks and uncertainties. Please refer to slide 3 of our presentation or our SEC filings for a discussion of factors that could cause our actual results to differ materially.

We also use non-GAAP financial measures that we believe provide useful information for investors. Reconciliations to the most directly comparable GAAP measures are included in the appendix of our earnings presentation. Non-GAAP financial measures are not intended to be considered in isolation from, or as a substitute for the financial information presented in accordance with GAAP.

We will now open the call for questions. Operator?

## QUESTION AND ANSWER SECTION

**Operator:** [Operator instructions] Our first question comes from Andrew Lazar from Barclays. Please go ahead. Your line is open.

**Andrew Lazar**

*Analyst, Barclays Capital, Inc.*

Great. Thanks so much. Good morning, everybody.

Q

**Todd E. Cunfer**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

Good morning.

A

**Andrew Lazar**

*Analyst, Barclays Capital, Inc.*

Good morning. In today's prepared remarks, you discussed some "tough decisions" that will need to be made in Snacks as well as the potential for an incremental 2% to 3% unmitigated inflation above normal levels, again, potentially. I know we're not getting into specific 2027 guidance at this point, but maybe you can help us with maybe the magnitude of some of these key puts and takes for next year, including the size of potential mitigating actions. I'd assume much of your ongoing productivity is going to be used to offset sort of baseline or underlying inflation.

Q

**Todd E. Cunfer**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

Yeah, sure. Andrew, so base inflation pre – before the Middle East conflict, we were looking at base inflation of around 3%. Obviously, with the price of oil where it is, and look, if oil stays around \$100 a barrel, we're looking at an additional 2% to 3% inflation on top of the core 3%.

A

Also, as you probably know, there's a driver shortage out there that not only are we having higher diesel costs, but that is causing higher inflation from a logistics and freight perspective as well. We obviously have the reset of our incentive comp, as we've talked about before. That's now about a \$40 million impact to next year. We'd love to be able to obviously continue to invest in our brands, so we're anticipating some higher marketing investments.

So with all that as context, elevated productivity is essential for us going into next year. As we had the previously announced \$100 million SG&A takeout over the next couple years, we announced an early retirement package,

which was well-received, so we'll have some significant savings from that. And so we're going to have to get as much of that \$100 million into next year as we possibly can. It won't all get into next year, but we'll fast-forward as much as we can to offset some of those cost pressures.

And obviously, net price realization as needed, as required. We're going to look really hard at our trade ROIs. And if we need to take some pricing, that's kind of a last resort. But obviously, we'll need to do that. So definitely, some cost pressures going into next year. We're taking this very, very seriously. We have some elevated productivity, and RGM will be a very, very key component going into next year.

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**Andrew Lazar**

*Analyst, Barclays Capital, Inc.*

Q

Okay. Thank you for that. And then just a follow-up. You talked about previously tightening your belt around cash flow and sort of capital allocation options. I guess given all the potential costs and reinvestment coming in fiscal 2027, I guess, how should we think about what changes in capital allocation may be needed and sort of your current thoughts on where the dividend is at? Thanks so much.

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**Todd E. Cunfer**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

A

Yeah. So, look, the dividend is extremely important to our shareholders. As we talked about before, we have no intention of increasing that dividend anytime soon obviously. The dividend rate is a board decision that we have on a very regular basis, and we're obviously trying to balance that dividend rate with our ability to reduce leverage as quickly as we possibly can.

Look, maintaining that investment-grade rating is an imperative to the management team, it's an imperative to the board, and so we are getting very aggressive on how we can get back down to the low-3s over the next couple of years. Obviously, first and foremost is we've got to stabilize earnings and ultimately grow the profitability of this business, so we're working very hard on that.

We will aggressively reduce working capital over the next couple of years. From a CapEx perspective, we are focusing on the highest priority projects. And then as some of our peers have done, we will consider hybrid debt instruments to try to make the rating a little bit stronger than it normally would be. And obviously M&A right now is off the table. So, these are constant conversations we are having internally. We obviously – this is very important to the management team and shareholders. And so we're working as hard as we can to get that down into low-3s as soon as possible.

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**Andrew Lazar**

*Analyst, Barclays Capital, Inc.*

Q

Thanks so much.

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**Operator:** Our next question comes from Tom Palmer from JPMorgan. Please go ahead. Your line is open.

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**Thomas Palmer**

*Analyst, JPMorgan Securities LLC*

Q

Good morning. Thanks for the question.

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**Todd E. Cunfer**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

Hey, Tom.

A

**Thomas Palmer**

*Analyst, JPMorgan Securities LLC*

In the prepared remarks – I did want to follow-up a little bit on Andrew's comment in terms of Snacks and the commentary about rationalizing the portfolio and consolidating nodes in the network. I wondered if you might expand on this. Are there brands that you have in mind when we're talking about rationalizing? And then when I hear nodes in the network, should we be thinking manufacturing or distribution as kind of that area of focus? And I guess anything on the timing of when we start hearing more definitive action taken? Thanks.

Q

**Mick J. Beekhuizen**

*President, Chief Executive Officer & Director, The Campbell's Co.*

Sure. Hey, Tom. Let me give you a little bit of context. So, I'm really looking at this in the context of simplification. And you hear us talk about focusing on the core of the portfolio and also the core of the brand.

A

So good example of that is when you hear us talk about Goldfish and focusing on households with kids. That has proven to be a fruitful strategy. You've seen that over the past two quarters that core part of the Goldfish brand has stabilized, and we are going to continue to put incremental fuel behind that. That's the Goldfish example. We have other examples throughout the portfolio. So it is really at the brand level, focus on the core.

And then additionally, from an innovation perspective, making sure that we support fewer, more meaningful innovation. Instead of having a broad proliferation of small innovations, actually go bigger on certain pieces of innovation and make sure that we support them so that they truly become meaningful for the brand.

Another area in the context of brands and the role of the brands within the broader Snacks portfolio are choices that we're making around brand support. And specifically, certain brands require more advertising support and are ready for that versus others. So we're being very consciously (sic) [conscious] about that allocation. That doesn't mean that we're going to focus on growth across the broader Snacks brand portfolio; however, making very conscious choices across the portfolio.

And finally, from a cost perspective, we need to make sure that we have fuel to support our brands. Todd gave a couple of examples of different initiatives that we have across the broader organization. But when I look, for instance, within the Snacks portfolio that the – there are certain cost savings initiatives that we have implemented in the past. We're going to continue to focus on the broader improvement of margins that is both on the SG&A side as well as on the supply chain side. And we have made some changes in the past. Particularly with continued volume pressures, there's more opportunity there.

And then finally, when I look more broadly at the brand portfolio coming back to the top line and the focus on the core, there are – there is a tail of SKUs in certain brands. It's not a lot of sales. However, we believe that the reduction of that tail could actually allow for further simplification, and as a result, improve the overall operations and improve our overall network. So hopefully, that gives you a little bit of context of what we're working through.

**Thomas Palmer**

*Analyst, JPMorgan Securities LLC*

Q

It did. Thanks for that, Mick. I had just a quick follow-up. In the fourth quarter, it seems like there's a mention of a tariff refund. I didn't see it quantified anywhere, including in the Q. Maybe any framing of that? And will that be isolated to the fourth quarter or is there any tail there?

**Todd E. Cunfer**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

A

Yeah. So the impact we're projecting for Q4 from a tariff refund is about \$0.03 to \$0.04 a share. That is solely offset by the higher fuel costs, the driver shortage, the impacts of the Iran conflict that we're already seeing so far. So those – that \$0.03 to \$0.04, a good guy and a bad guy kind of offset each other.

The tariff refunds, there's two pieces. There's the direct piece that we are able to get back directly that – think about that as the Rao's, La Regina part of our business. Then there's the piece – there's a second piece, which is a bit smaller, which is our vendors who are getting those refunds for us. That will probably take a little bit more time until they get the money, and then we can get that money back. There's a chance we could get some of that in Q4, some of that might roll into next year.

**Thomas Palmer**

*Analyst, JPMorgan Securities LLC*

Q

Okay. Thank you.

**Operator:** Our next question comes from Peter Grom from UBS. Please go ahead. Your line is open.

**Peter Grom**

*Analyst, UBS Securities LLC*

Q

Great. Thank you. Good morning, everyone. So I was hoping just to get some perspective on just kind of the organic sales outlook for the fourth quarter, which implies a pretty material improvement versus what we've seen year-to-date. So can you maybe just unpack the 4Q outlook in terms of some of the timing dynamics that are help – that will help that you mentioned versus maybe what you were expecting in terms of underlying consumption?

**Todd E. Cunfer**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

A

Yeah. So, obviously, some noise around the ERP conversion from Sovos affecting Rao's particularly Q3 versus Q4. So that negatively impacted Q3. That \$30 million lap comes into Q4. So, M&B will have some strong growth from a net sales perspective in the quarter. Their consumption is running right now slightly positive, so that is a good story. We're anticipating it'll probably kind of continue to hover in that range as we close out the year. There's also a fair amount of pipeline fill from innovation. M&B has got some pretty exciting innovation, primarily on soups and sauces, which will help Q4 as well.

So M&B, from a net sales perspective, we are anticipating having a very solid Q4. Snacks will probably be fairly similar to what you saw in Q3, might be a little bit worse than that. So all in all, net sales should be flattish to slightly up for the quarter.

**Peter Grom**

*Analyst, UBS Securities LLC*

Q

That's really helpful. And, Todd, a lot of moving pieces as it relates to earnings as well, which you alluded to in Tom's question, but the outlook still embeds a relatively wide range. So can you maybe frame what would put you

closer to the higher end relative to the lower end? And just given the higher share count, input costs, etcetera, is the lower end more realistic at this point? Thanks.

**Todd E. Cunfer**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

A

Yeah. Yeah, I would say from a net sales perspective, I think the lower end at minus 2% is probably more realistic assumption at this point. From a gross margin perspective, organically, we should probably have similar results to what we had in Q3. We were down 240 basis points. So somewhere in that range. Though, with the La Regina acquisition now – partial acquisition now being in our financials as we go into Q4, if you remember, so that co-man margin will come into our P&L. We'll get about 70 to 80 basis points of a benefit from there for the first time.

Marketing and selling, we anticipate, will be up slightly. We thought it would actually be up more in Q3. Some of the marketing shifted out of Q3 into Q4. We originally thought Q4 would be down, and it will be slightly up. Interest, taxes, no big impact in there. But the share count, because of the way GAAP requires us now to include approximately \$7 million shares from that acquisition will kind of artificially raise our share count from 299 million to 306 million.

So, I would say net sales, definitely at the lower end of that minus 1% to minus 2%. And I would say that EPS, still some moving parts there, but that probably is going to hit more \$2.20 to below.

**Peter Grom**

*Analyst, UBS Securities LLC*

Q

Great. Thank you so much. I'll pass it on.

**Operator:** Our next question comes from Peter Galbo from Bank of America. Please go ahead. Your line is open.

**Peter T. Galbo**

*Analyst, BofA Securities, Inc.*

Q

Hey, guys. Good morning. Thanks for taking the question. Todd, in your response to Andrew's question around kind of the puts and takes for 2027, I just wanted to clarify, that would include the stepped up share count from La Regina. Just wanted to make sure that, mechanically, that's flowing through next year as well.

**Todd E. Cunfer**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

A

Yeah, yeah. So for the full year, we'll have approximately 306 million shares, yes.

**Peter T. Galbo**

*Analyst, BofA Securities, Inc.*

Q

Okay, okay. And then, Todd, my other question is just around the – in your comments, the possibility of issuing hybrid debt. Understanding – and maybe I'm a little out of my depth here, but understanding it'll help more on the leverage side but you also mentioned kind of trying to stabilize earnings, I would think that a hybrid issuance would come with a higher coupon rate. Just how do you think about reconciling those two things of kind of stabilizing the earnings on one hand versus kind of...

**Todd E. Cunfer**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

Yeah.

A

**Peter T. Galbo**

*Analyst, BofA Securities, Inc.*

...the EBITDA piece? I know that they're considered differently by different constituents, but just maybe you can help frame that for us.

Q

**Todd E. Cunfer**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

Yeah. So I mean, the hybrid debt, as you said, tends to be 150, 200 basis points higher. So yes, that will be a drag on EPS. Obviously, would not affect EBITDA. So, different people look at it differently. So there's a little bit of a negative impact from an earnings perspective. Depending on what type of hybrid debt you do, what you execute, you tend to get about 50% equity credit, so that's a positive from a rating agency perspective. So that's obviously the consideration there.

A

So, look, everything is in balance. We're trying to balance what's best for shareholders, what's best from a credit perspective. So we're trying to thread that needle right now. But look, hybrid can be a very, very useful tool. And as I've said earlier in the call, some of our peers have done it very successfully. So, it's something we'll consider.

**Peter T. Galbo**

*Analyst, BofA Securities, Inc.*

Okay. Thanks very much, guys. I'll pass it on.

Q

**Operator:** Our next question comes from Chris Carey from Wells Fargo Securities. Please go ahead. Your line is open.

**Chris Carey**

*Analyst, Wells Fargo Securities LLC*

Hi. Good morning, everybody. I just wanted to start on the price increases or the concept that you might be willing to use price increases in the – as this sort of tool in the toolkit to confront this higher inflation backdrop. Can you just expand on how you would think about this, given the competitive dynamic right now? And perhaps how you would see net price realization versus RGM and specific areas in the portfolio where you would think you would have the highest cost justification for incremental pricing?

Q

**Mick J. Beekhuizen**

*President, Chief Executive Officer & Director, The Campbell's Co.*

Yeah, maybe I'll start off, and Todd – so first of all, I mean, Todd mentioned this earlier as well, as we continue to see those inflationary pressures, we're going to stay focused on generating elevated levels of productivity, incremental cost savings initiatives. And then also focus on that positive net price realization. Todd also mentioned that we're building up the revenue growth management capability. That's been something that we've been very focused on over the past six months. We're making good progress on that. And as a result, I believe that there is opportunity there.

A

Now, as we also mentioned earlier, as a last resort, I would go towards, hey, is there any need for potential list price increases? But Todd, anything else that you'd like to add there?

**Todd E. Cunfer**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

A

Yeah, look, if the cost pressures are – remain kind of where they're sitting right now, we could obviously – we could actually be looking at 5% to 6% inflation. So the different components of RGM will have to be utilized. There is a big opportunity in just the trade investment ROIs. There's a number of our investments that quite frankly just are not returning terrific benefits for our company, and we are adjusting those as we speak.

If that's not enough, if we need to do some surgical pricing in different parts of the portfolio to maintain our margins, we'll clearly take a look at that. But more to come. I would say, the environment externally here globally is very volatile, it changes day to day. We're going to take the appropriate actions as necessary.

**Chris Carey**

*Analyst, Wells Fargo Securities LLC*

Q

Okay. Perfect. Regarding the margins in snacking during the quarter, there was an improvement relative to last quarter, which is encouraging. Obviously, you remain below where you had wanted the business to be over time. Give us a sense of how that fiscal Q3 margin came in relative to your own expectations? Was there any timing dynamic with lower marketing, or are you starting to get your hands wrapped around the margin structure, and perhaps we could expect some stabilization at a minimum from here? Thanks.

**Todd E. Cunfer**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

A

Yeah, look, the good news is we went from EBITDA margin last quarter of a little over 7% to about 10% this quarter. So we said we'd have sequential improvement from Q2 to Q3. We did. It was largely in line with our expectations. That's the good news.

The bad news is both quarters we're still down around 400 basis points year-over-year, which is obviously not acceptable. The higher margin in Q3 was really driven both sequentially and year-over-year by lower trade spend. So again, some of those RGM capabilities are starting to kick in, which is great. And then we had a little bit less marketing. We had more marketing spending year-over-year in Q2 than we did in Q3. So that really helped the margin structure a lot.

And as we talked about the bakery performance, the good news is it is getting to be stabilized. We are improving on shelf availability. And to get that improvement in on-shelf availability, we basically canceled all promotions in Q3. So that hurt volume in the top line, probably helped margins a little bit because we pulled out of the vast majority of the trade. So kind of a mixed story here again. We feel good that we got it up to 10%, but it's not nearly where it needs to be. We'll probably see a similar type of profile in Q4.

But as we talked about, look, we have significant things we have to go do. The key to improving those margins over the next couple of years is, number one, got to grow Goldfish. We've stabilized the business, but it's still kind of down 1%, 2%. We've got to get that to growth. That's the biggest and most profitable piece of the Snacks portfolio.

Mick has mentioned simplifying the portfolio, which we're in the process of doing, which will improve mix. It reduces the amount of waste we have out there and quite frankly makes the plants more efficient. And then we're

just going to have to continue to look at the fixed cost structure of the Snacks business, both from a network and from an overhead perspective. And those projects are well on their way.

**Chris Carey**

*Analyst, Wells Fargo Securities LLC*



Okay. Thank you very much. Thank you.

**Operator:** Our next question comes from David Palmer from Evercore ISI. Please go ahead. Your line is open.

**David Palmer**

*Analyst, Evercore ISI*



Thanks. Obviously, heading into fiscal 2027, you're going to be dealing with the inflation you talked about and the choices you're making around Snacks, and those things will be cause for noise and varying degrees of sales or profit pressure. But I'm wondering, as you're just thinking about your core businesses and the goal of returning those to at least some modest growth, profitable growth, where do you think are the near and medium-term potential wins, most improved areas that we'll see from an organic sales perspective? And then I have a quick follow-up.

**Mick J. Beekhuizen**

*President, Chief Executive Officer & Director, The Campbell's Co.*



Sure. Even if you look at this quarter, I'll highlight a couple of areas, and I appreciate you asking the question because there are very clear proof points in this quarter that we can continue to support. Within the Meals & Beverage portfolio, the at-home cooking consumer trend is resilient, and we expect that trend to continue. And that is a big part of our Meals & Beverage portfolio plays right into that consumer trend.

We've seen consistent growth throughout this fiscal year, and I expect us to continue to support our portfolio within that particular area. That is both within cooking soups as well as Rao's, and another great brand within that is Pacific as well. So that's very clearly an area within Meals & Beverage that's working and I expect us to continue to support it, and we'll have some great innovation going to the next fiscal year.

Then from a snacking perspective, you heard us talk about Goldfish. Goldfish is an important part of the Snacks portfolio. We're stabilizing the core, and we need to make sure that we bring the brand back to growth. We're doing everything across that brand in order to support that growth and it's also important from an overall profitability perspective.

And then within Pepperidge Farm, which is obviously another core part of the Snacks portfolio, we're making great progress from an operational perspective, and Todd just described that, which is really important. And those are – again, if you hear me talk about it, you'll also hear me talk about our big brands with – we now have \$4 billion-plus brands with Campbell's, Rao's, Goldfish and Pepperidge Farm. And we need to make sure that we're set up for success and are growing those different areas.

**David Palmer**

*Analyst, Evercore ISI*



I guess I had one quick follow-up, and it's just about just that soup and sauces business. You're doing Campbell's condensed sauces. Why is that a big idea and why is that the right extension of condensed? And I wonder – I don't want to say how hopeless it is for ready-to-serve and condensed, the eating soups, if you will, that part. Is there anything you can do to stabilize that part of the portfolio? And I'll pass it on. Thank you.

**Mick J. Beekhuizen**

*President, Chief Executive Officer & Director, The Campbell's Co.*

A

Yeah. Good. So let me address those in two parts. First of all, our condensed soup portfolio. About 50% of that portfolio, actually a little bit over 50% these days is used for cooking as an ingredient. So think of Cream of Mushroom. The other half is the eating part of the portfolio. The cooking part of the portfolio has consistently been growing. And we're seeing consumers go to the soup aisle, buy our condensed cooking products in order to make scratch meals at home. That's a consumer trend that's working, that's been around for a little while, and that's what we're leaning into with the condensed sauces that we're launching.

So it's really coming back from a consumer insight that, on the one hand, they're already using our condensed cooking products for that purpose. And then on top of it, what we're seeing, and we've talked about this in the past, is that the consumer is exploring different flavors. And that's exactly what these different products lean into. So it's really the combination of, on the one hand, that continued cooking resilience, people go to the condensed cooking aisle and are buying as a result some of our products, and we're combining that with incremental flavors. And I'm very excited about that innovation that is going to come out in the next fiscal year.

Then with regards to ready-to-serve soup, ready-to-serve soup is an area where we've got some work to do. So on the one hand, we have part of the portfolio is working. So the premium part of that ready-to-serve portfolio is working. That's about 20% of the RTS portfolio. That's Rao's and Pacific. They are growing. However, that mainstream part of the portfolio is under pressure.

So what are we, as a result, are going to do? We've got to make sure that we support that premium brand growth because that's working. And then additionally, we need to increase the relevance of our mainstream portfolio. So on the one hand, we're looking at within the existing portfolio at the tail, and that's where we see a disproportionate headwind. So, we need to address that.

And on top of it, we need to make sure that we increase the relevance of some of that part of the soup aisle, which is the ready-to-serve soup aisle. And that comes back with some exciting innovation that we're launching next year. It's really focused on better for you and some of the positives of the product. So more to come on this.

**David Palmer**

*Analyst, Evercore ISI*

Q

Thank you.

**Operator:** Our next question comes from Megan Clapp from Morgan Stanley. Please go ahead. Your line is open.

**Megan Alexander Clapp**

*Analyst, Morgan Stanley & Co. LLC*

Q

Hi. Good morning. Thanks so much. I wanted to come back to some of the comments on the 2% to 3% additional inflation that you cited as we look ahead to fiscal 2027, if oil stays around \$100, and appreciate you giving that number. I guess maybe just to dig into it a little bit more, can you just maybe help us understand how the inflation cadence might flow through the year? Presumably, given where you were hedged, I would think it might be a little bit more back half loaded as hedges roll off. But maybe you can just give us some context on where we are hedged today for fiscal 2027 and maybe bucketing kind of the biggest pockets of pressure, just as we think about tracking, given oil is very volatile. Thank you.

**Todd E. Cunfer**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

A

Yeah. So I mean, obviously, we're almost fully hedged for our fiscal year 2026, which ends in July. So, should be very little noise around that area. We do have some hedges in the first half of the year. Given the elevated cost environment, we probably have a little bit less than we would normally do because we're anticipating things will calm down a little bit and prices, which are extremely elevated right now, will mitigate. But obviously, there is a risk in that.

Look, just given where prices are right now, the one thing that is looking more and more clear every day is that the first half inflation will be pretty high. Those prices are kind of set. Even if the war ended – conflict ended today, it would take a while for oil prices to come down. It would take a while for fertilizer to start moving and for aluminum to start moving out of the region and in a way that would bring prices down off their highs. So, we'll have elevated inflation for sure in the first half of the year.

The question mark is what does the second half look like? Do things calm down and we get more closer to the 3% versus the 5% to 6%? If the war continues for several more months, we could be looking at a full year of elevated innovation – elevated inflation. So, that – those are some of the kind of moving parts right now. And as we said, we're looking aggressively at cost savings. We're – the RGM team is looking aggressively with – of optimizing our trade spend and then pricing, as necessary.

**Megan Alexander Clapp**

*Analyst, Morgan Stanley & Co. LLC*

Q

Okay. Thanks Todd. That's helpful. And then maybe just a follow-up on Snacks, Mick. Just trying to put the pieces together, there's been a lot of helpful commentary. Goldfish core seems to have stabilized. Bakery, although we haven't talked about it much, I think in the prepared remarks, some of those self-inflicted headwinds seem to be abating.

And so the real question mark just feels like salty, and I know we've talked about it a lot. But the question is could things get worse before they get better on the salty side, just in terms of talking about SKU rationalization and simplifications as we go through that? Is there any way to kind of help us understand the trajectory of salty and maybe what a realistic timeline in your mind is for that business to stabilize? Thanks.

**Mick J. Beekhuizen**

*President, Chief Executive Officer & Director, The Campbell's Co.*

A

Yeah, yes. You're right is – on the positives, Goldfish working, making sure that we maintain momentum. On the fresh bakery side, as Todd mentioned, feeling better from an operational perspective, which allows us to start reintroducing some of the promotional activity, which would allow us to start to do better on that front as well. And from a salty perspective, and you also saw this in my prepared remarks, really focus on the simplification with like strengthening the core.

It comes also back to some bigger, bolder innovation, and we need to improve overall in-market execution. That's going to take a little bit longer. So, I'd see that in the near term, we're going to continue to feel some pressure on salty. And then as some of these plans take shape, that should start to improve the trajectory. But you're right, that's going to take a little bit of time.

**Megan Alexander Clapp**

*Analyst, Morgan Stanley & Co. LLC*

Q

Understood. Thank you.

**Operator:** Our next question comes from Robert Moskow from TD Cowen. Please go ahead. Your line is open.

**Robert Moskow**

*Analyst, TD Securities (USA) LLC*

Q

Hey, thanks for the question. Todd and Mick, you both talked about improving your RGM and finding those opportunities to eliminate trade programs that weren't working. Is there any further detail you can give or anything thematic there? Are there any types of promotions that are proving out to be more effective than others? And maybe in terms – you could break it out in terms of like, hey, we need longer duration deals or we need deeper deals. Is there any theme to this? Thanks.

**Todd E. Cunfer**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

A

Yeah. So I'll start off. Look, the most, and this is fairly obvious, but something we just need to get a lot better at. Look, when we run a TPR, just on the shelf, you don't get a great return, and we've got to limit those as much as we possibly can. When we get feature in display, the ROIs are really, really impressive. And so we need to work from both the marketing and the sales organization to make sure we're getting as much feature and display as we possibly can, and that's where we focus our investment.

And TPRs, if we can't get a feature in display, we're probably going to walk away from some of those TPRs because the returns, we feel good; but the reality is the returns aren't there. So I would say that that's the biggest thing that we're working on.

**Mick J. Beekhuizen**

*President, Chief Executive Officer & Director, The Campbell's Co.*

A

Yeah, the couple of other...

**Robert Moskow**

*Analyst, TD Securities (USA) LLC*

Q

Okay.

**Mick J. Beekhuizen**

*President, Chief Executive Officer & Director, The Campbell's Co.*

A

...pieces that I'd add is from a making sure that we have the right price point when it really matters. And there are certain dry periods that are obviously critical and making sure that we support those. And to Todd's point, whether it's feature display, whether it's also broader brand support, so that the whole package works.

Then the other piece that I'd add, and this is maybe a little bit of a nugget around Goldfish. If you look at it from a price pack perspective, you see that multi-packs are growing. So in the last 13 weeks, actually multi-packs has grown 6%. So it's areas like that that even within the brand that making sure that we have the right price points, that we have the right price pack in the marketplace is absolutely critical.

**Robert Moskow**

*Analyst, TD Securities (USA) LLC*

Q

Okay. Thank you.

**Operator:** Our last question today comes from Max Gumport from BNP Paribas. Please go ahead. Your line is open.

**Max Gumport**

*Analyst, BNP Paribas Securities Corp.*

Q

Hey, thanks for the question. First off, with regard to the tariff refunds, it seems like you're [indiscernible] (38:10) is able to hold them. Commentary from [ph] retailers (38:14) would suggest there's potential that they're looking to give back tariff refunds to the consumer. So do you see any risk that the retailer puts pressure on you to give them back some of these funds as well?

**Todd E. Cunfer**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

A

I guess there's always a risk there. We have no intention at this point to give any of that money back. Look, we – if you look at our gross margins, we obviously have not – we have not been able to offset those tariffs and just the normal inflation. We took some minimal pricing this past year. So, right now our intention is not to refund any of those tariffs.

**Mick J. Beekhuizen**

*President, Chief Executive Officer & Director, The Campbell's Co.*

A

Yeah. And the only thing that I'd add to it is there's obviously always a lot of puts and takes. And part of my earlier comments, we are very focused on making sure that we provide value to the consumer. That's something that we think about every day, we talk about every day. And there are obviously a lot of different considerations that are taken into account when we work through that, those decisions.

**Max Gumport**

*Analyst, BNP Paribas Securities Corp.*

Q

Great. And then I just wanted to clarify. There's the 2 points to 3 points of incremental inflation that you've called out for FY 2027. That's a holistic number beyond just oil and commodities related to oil, correct? It's your best guess at this point of time based on every input that you are procuring?

**Todd E. Cunfer**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

A

Yeah. So, again, prior to the conflict, as we were looking at our initial planning for FY 2027, we were looking at inflation close to 3%. The incremental piece from oil and the things around the Strait being shut down will add another 2 points to 3 points, which gets you to the 5 points to 6 points. So it's just not oil directly, but it's everything that oil – obviously, gets into products, whether it's packaging, whether it's logistics. And then we're seeing some aluminum, which comes out of that region is very, very elevated at this point. Fertilizer, which could have an impact on the farming community this year, could have an impact as well. So everything that that conflict is impacting goes into that incremental 2 points to 3 points.

**Max Gumport**

*Analyst, BNP Paribas Securities Corp.*

Q

Okay. Thanks very much. I'll leave it there.

**Operator:** And we are out of time for questions today. This will conclude today's conference call. Thank you for your participation. You may now disconnect.

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