

# First Quarter of Fiscal Year 2014 Earnings Call & Webcast

November 19, 2013



# Important Reminders: First Quarter of Fiscal Year 2014

**Jennifer Driscoll**

*Vice President, Investor Relations*



**Campbell's**  
**FOCUS  
FORWARD**



# Forward-Looking Statements

This presentation contains “forward-looking statements.” Forward-looking statements can be identified by words such as “anticipates,” “intends,” “plans,” “believes,” “estimates,” “expects” and similar references to future periods. Examples of forward-looking statements include, but are not limited to, statements we make on guidance for fiscal 2014, on our ability to execute our business strategies successfully, on our expectations related to portfolio changes, and the success of our innovation and marketing initiatives. Forward-looking statements are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements, due to factors such as the impact of strong competitive response to our marketing strategies; risks associated with trade and consumer acceptance of our new and improved products, and effectiveness of our marketing and promotional programs; the impact of portfolio changes; and the other factors described in the company’s most recent Form 10-K and subsequent SEC filings. We undertake no obligation to update these statements to reflect new information or future events.



# Important Reminders

- This year's Q1 continuing operations were impacted by the following items (shown in pretax dollars):
  - \$9MM of loss related to the hedge of the European sale price
  - \$7MM of tax expense related to the European sale
  - \$20MM of restructuring charges related to streamlining our staff functions
  - \$3MM of restructuring and restructuring-related costs related to previously announced programs
- Last year's Q1 was impacted by two items:
  - \$41MM in restructuring and restructuring-related costs connected to previously announced programs and \$10MM in Bolthouse transaction costs

See non-GAAP reconciliations



# Non-GAAP Measures

This presentation includes certain “non-GAAP” measures as defined by SEC rules. We have provided a reconciliation of those measures to the most directly comparable GAAP measures, which is shown as an appendix to this presentation and accessible online at [investor.campbellsoupcompany.com](http://investor.campbellsoupcompany.com).

Get your Campbell app! Search “Campbell IR” at the Apple App store or Google Play



# Investor Update

*First Quarter of  
Fiscal Year 2014*

**Denise Morrison**  
*President & CEO*



**Campbell's**  
**FOCUS  
FORWARD**



# Campbell Lowers Fiscal 2014 Guidance

Continuing Operations  
(\$ millions, except per share)

	2013 Base	2014 Growth Rates
Net Sales	\$8,052	4% to 5%
Adjusted EBIT*	\$1,232	4% to 6%
Adjusted Net Earnings per Share*	\$2.48	2% to 4% (\$2.53 - \$2.58)



\* See Non-GAAP reconciliation



# Key Factors

- Inventory movements by U.S. retailers & program timing
- Weakness in our core business trends
- Front-loaded marketing to support new products
- Voluntary recall of Plum Organics products

# Approximate Impact of Key Factors on EBIT Decline\*

Key Factors	Points
Inventory movements by U.S. retailers & program timing	6
Weakness in our core business trends	6
Front-loaded marketing to support new products	4
Recall of Plum Organics products	4



\* Year-over-year basis.



# U.S. Soup Inventory & Program Timing

- Drove more than half of our decline in organic sales
- Entered 1st Quarter with retailer inventory above year ago
- Some retailers reduced inventory on hand vs. prior year



# Late Thanksgiving Pressured Q1 Results

- U.S. customers placed orders later than prior year
- Impacted Campbell's holiday products
- Expect holiday timing to have positive impact on Q2 sales



# Soup Programming Heavily Weighted to Q2 & Q3



**TOTAL  
U.S. SOUP  
GROSS SALES**  
**↑ 8%**  
**November  
Month to Date  
vs. Prior Year**



# Front-Loaded Marketing

## New Products



## Bolthouse Farms Brand Building



**A & C**  
**Promotion**  
**↑ 14%**

# Challenged Businesses



Performed as Expected

## U.S. Beverages



F14 Q1  
Sales  
\$173 Million  
↓ 8%

F14 Q1  
Operating  
Earnings  
\$24 Million  
↓ 20%

Below Expectations

# November 8<sup>th</sup> Plum Recall



Q1 Impact:

Company Recognized Costs of \$16 Million,  
\$11 Million after Tax or \$0.03 per Share



# Global Baking & Snacking

**Net Sales \$609MM, Organic Sales Comparable to Year Ago**  
**Kelsen Added \$52 Million In Sales**



Note: Percentage change represents organic growth.  
See Non-GAAP reconciliation



# Completed Sale of European Simple Meals Business in Q2



FRANCE



GERMANY



SWEDEN



BELGIUM



# 400 Million Euros



# RESHAPING CAMPBELL



# SG&A / Driving Productivity

- Driving productivity and right-sizing global workforce to fund sustainable growth
- Over past 2 years we exited four plants & streamlined operations to deliver annualized cost savings of \$40 million
- Further right-sizing initiatives in Q1 are expected to deliver annualized cost savings of approximately \$40 million

# Dividend Increase

Increased Quarterly Dividend

7.6%

Campbell Shareholders will receive  
≈ \$1.25 per share **on annualized basis**



**FIRST QUARTER SLOW START**

**FACE TOUGHER ROAD  
THAN WE ANTICIPATED**

**STRENGTHEN OUR PERFORMANCE  
OVER THE BALANCE OF THE YEAR**

**SECOND QUARTER IS  
OFF TO A SOLID START**



# CFO Perspective

**B. Craig Owens**

*SVP, CFO and*

*Chief Administrative Officer*



**Campbell's**  
**FOCUS**  
**FORWARD**



# Agenda

- First-quarter results
- First-quarter segment highlights
- Full-year sales and earnings guidance

# First-Quarter Financial Summary

(\$ millions, except per share)

Continuing Operations	First Quarter	% Change
<b>Net Sales</b>	\$2,165	-2%
<i>Organic Net Sales*</i>		-4%
<b>EBIT*</b>	\$337	-20%
<b>Diluted EPS – Continuing Operations*</b>	\$0.66	-21%



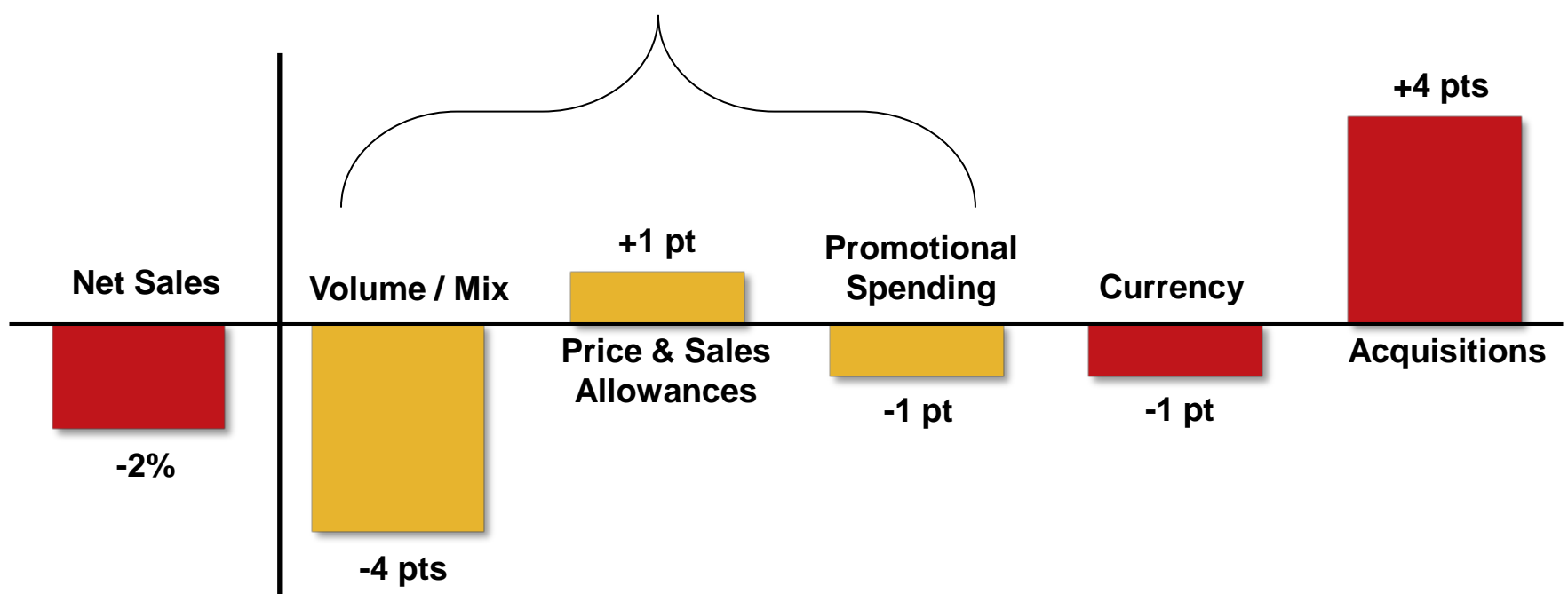
\* See Non-GAAP reconciliation



# First Quarter – Components of Net Sales Change

Continuing Operations

**Organic Net Sales\***  
- 4%



\* See Non-GAAP reconciliation

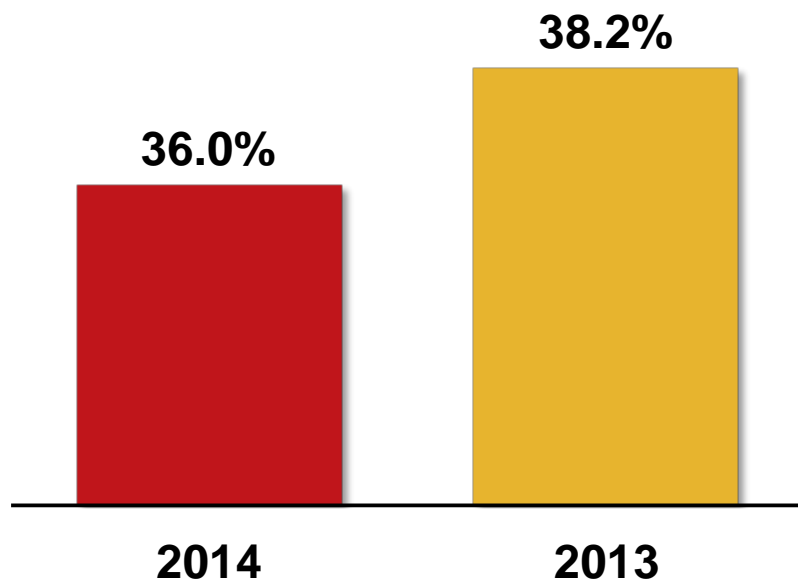
Note: Does not add across due to rounding



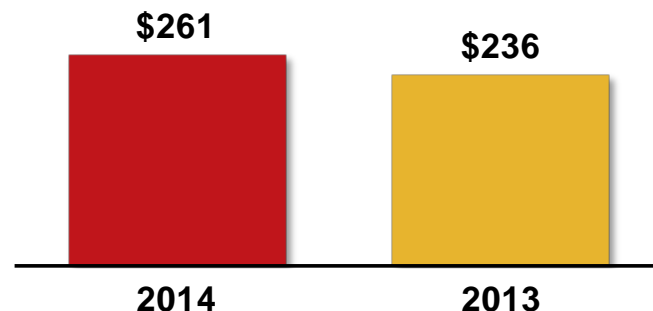
# First Quarter – Gross Margin and Other Operating Items

Continuing Operations  
(\$ millions)

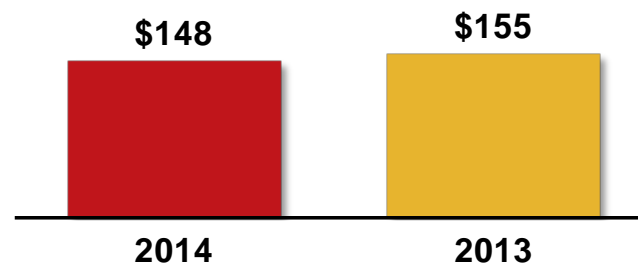
## Gross Margin Percentage\*



## Marketing & Selling Expenses



## Administrative Expenses



\* See Non-GAAP reconciliation



# First-Quarter Financial Summary

(\$ millions, except per share)

Continuing Operations	First Quarter	% Change
EBIT*	\$337	-20%
Interest, Net	\$30	-9%
Tax Rate*	32.2%	0.2 pts
Earnings – Continuing Operations*	\$209	-21%
Diluted EPS – Continuing Operations*	\$0.66	-21%
Diluted Shares	317	-



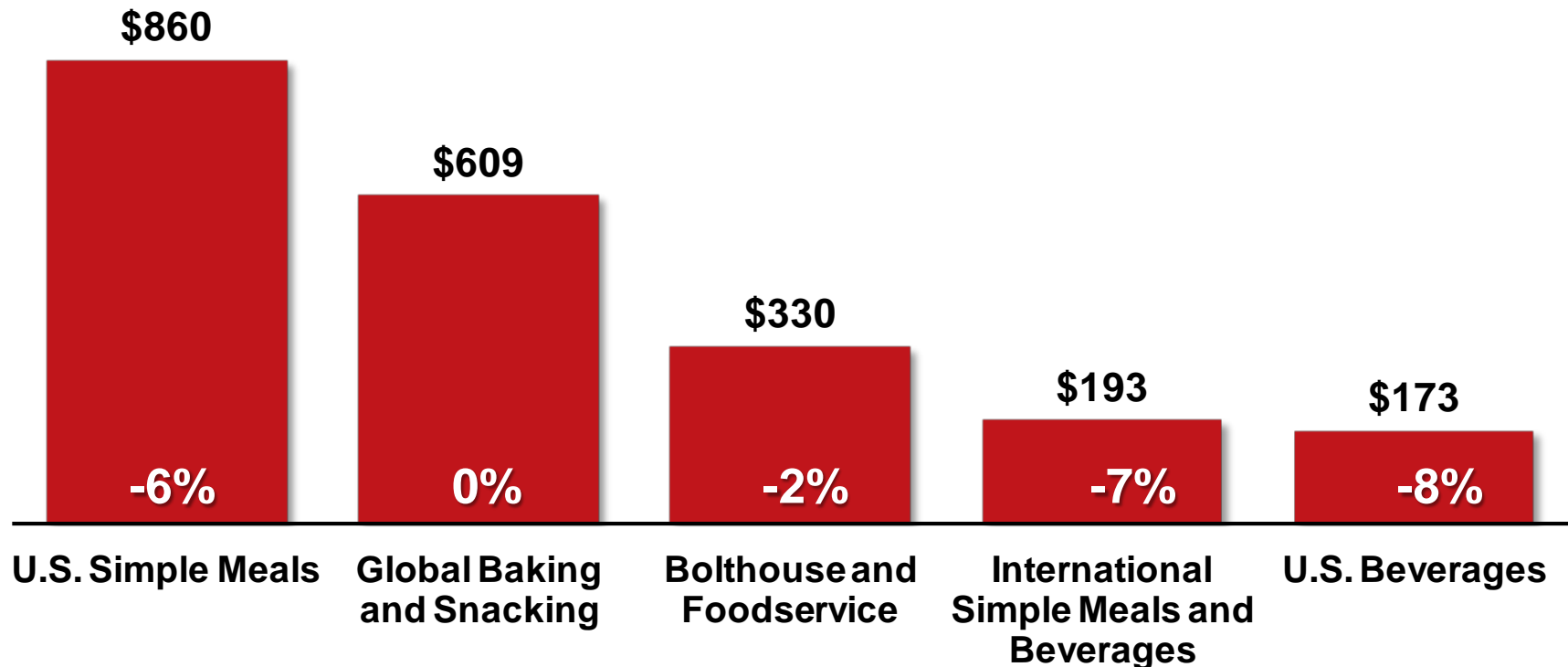
\* See Non-GAAP reconciliation



# First Quarter – Sales by Segment

(\$ millions)

## Net Sales by Segment and Organic Growth Rates

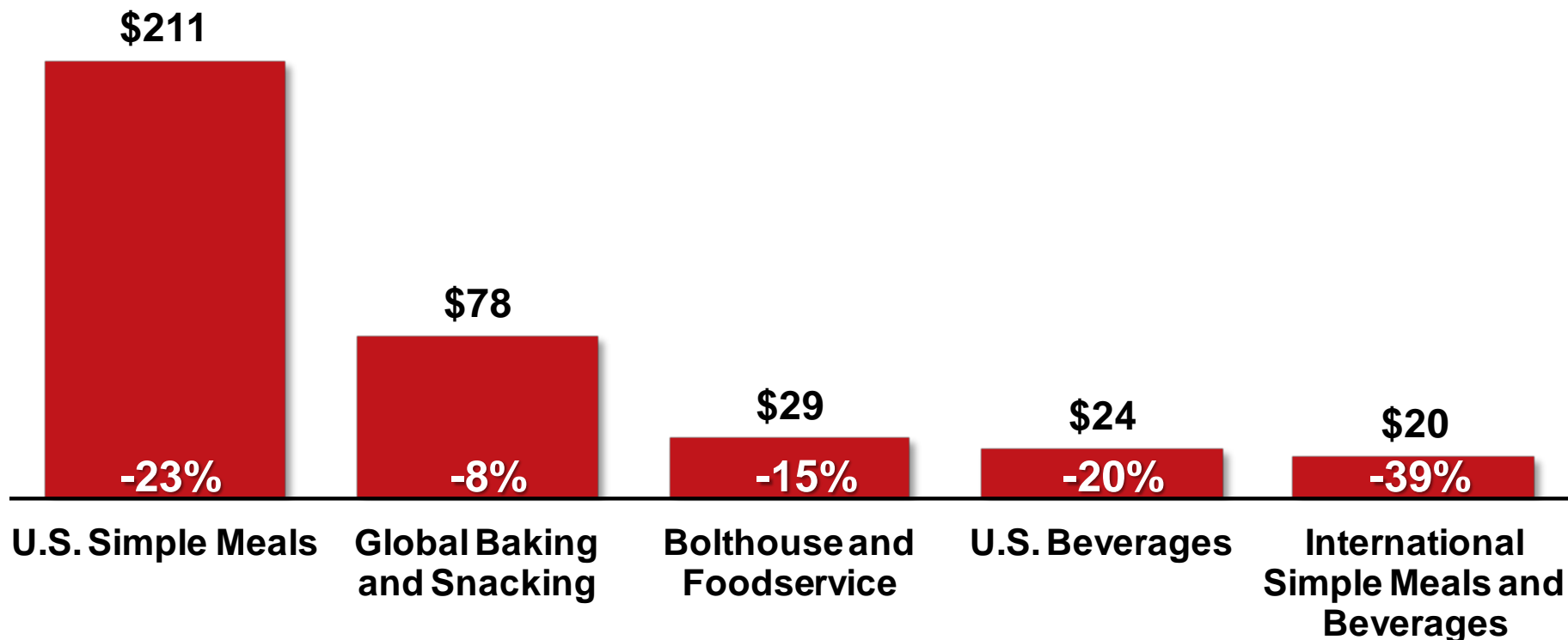


Note: Percent change represents organic growth.  
See Non-GAAP reconciliation



# First Quarter – Operating Earnings by Segment

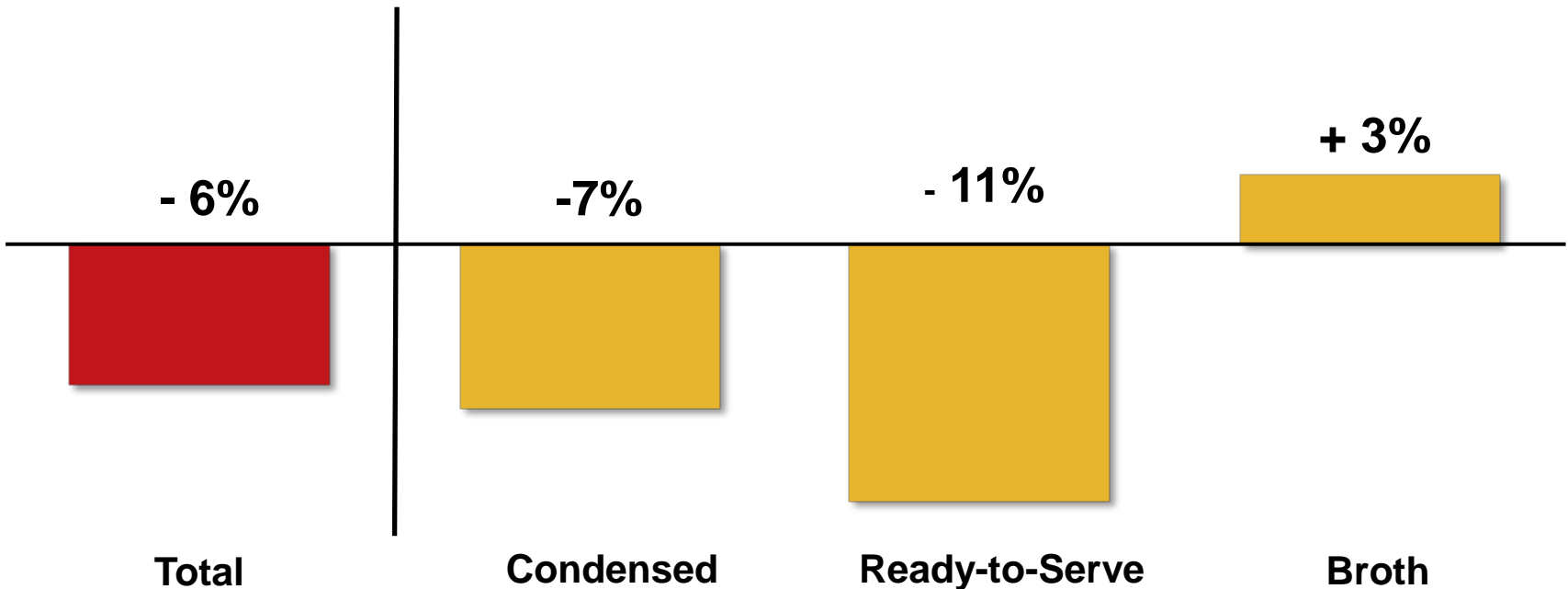
(\$ millions)



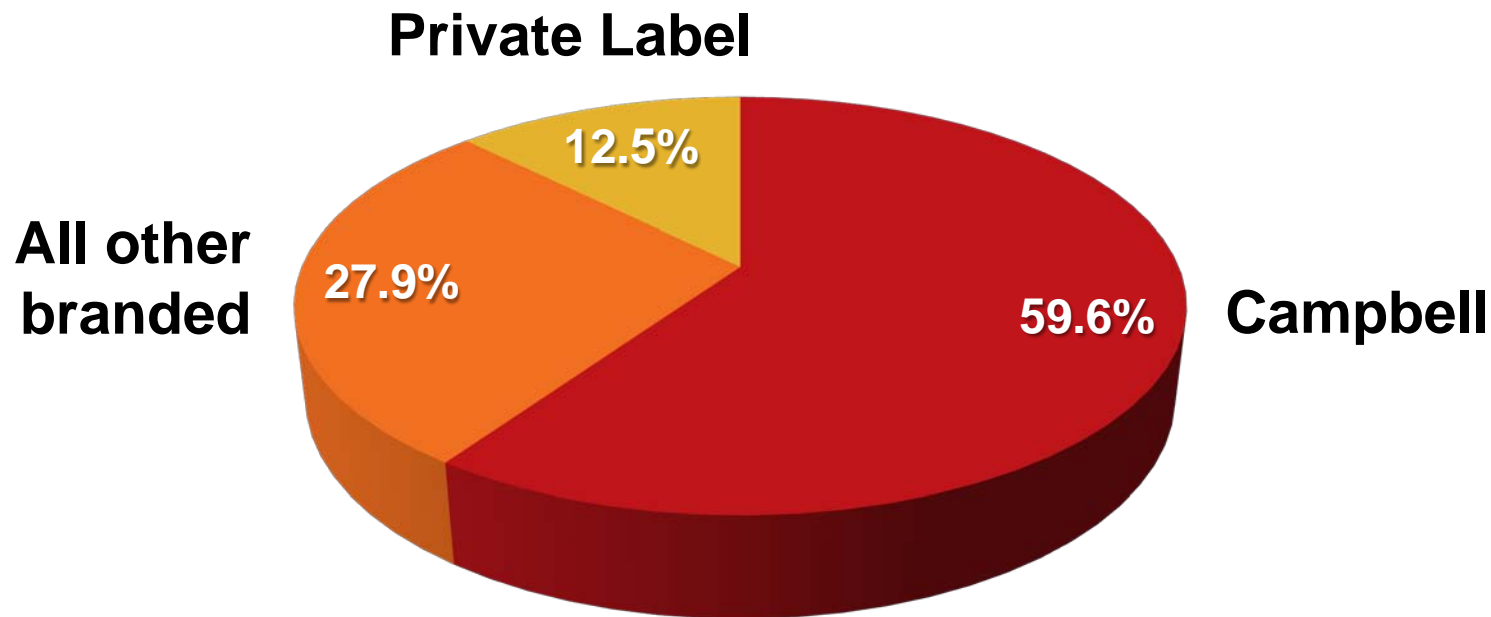
# U.S. Soup Net Sales

## First Quarter

*% Change vs. prior year*



# Retail Sales – U.S. Wet Soup 52-Week\* Market Share and Category Performance



	<u><i>Campbell</i></u>	<u><i>All Other Branded</i></u>	<u><i>Private Label</i></u>
Dollar Share Change	+0.3 pts	+0.2 pts	-0.5 pts
Dollar Sales Change	+3.4%	+3.4%	-1.2%

Campbell/PL figures include condensed and ready-to-serve soup and broth.

Source: IRI Total U.S. Multi-Outlet

\* For 52-week period ending October 27, 2013



# Cash Flow and Balance Sheet

(\$ millions)

## *Q1 Cash Flow from Operations*



	2014	2013
Year-to-Date Capital Expenditures	\$52	\$41
Year-to-Date Share Repurchases	\$2	\$17
Net Debt*	\$4,527	\$4,086



\* See Non-GAAP reconciliation



# Results from Discontinued Operations

	2014	2013
Earnings (loss)	\$(9)	\$13
EPS	\$(0.03)	\$0.04

**A net gain of \$75MM after tax (\$0.24/share) is anticipated in the second quarter from the sale of our European simple meals business.**



# Campbell Fiscal Year 2014 Guidance

Continuing Operations  
(\$ millions, except per share)

	2013 Base	2014 Growth Rates
Net Sales	\$8,052	4% to 5%
Adjusted EBIT*	\$1,232	4% to 6%
Adjusted Net Earnings per Share*	\$2.48	2% to 4% \$2.53-\$2.58



\* See Non-GAAP reconciliation



# Q & A



**Denise Morrison**  
*President and CEO*



**B. Craig Owens**  
*SVP- CFO and CAO*



**Anthony DiSilvestro**  
*SVP-Finance*



**Jennifer Driscoll**  
*VP-IR*



# Appendix

# Reconciliation of GAAP and Non-GAAP Financial Measures

## Continuing Operations

### Net Sales For the Three Months Ended (\$ millions)

	Net Sales, As Reported	Impact of Acquisitions	Impact of Currency	Impact of Net Accounting	Organic Net Sales	% Change	
						Net Sales, As Reported	Organic Net Sales
<b>October 27, 2013</b>							
U.S. Simple Meals	\$ 860	\$ (15)	\$ -	\$ -	\$ 845	-4%	-6%
Global Baking and Snacking	609	(52)	19	-	576	6%	0%
International Simple Meals and Beverages	193	-	11	3	207	-13%	-7%
U.S. Beverages	173	-	-	-	173	-8%	-8%
Bolthouse and Foodservice	330	(14)	1	-	317	2%	-2%
<b>Net Sales from continuing operations</b>	<b>\$ 2,165</b>	<b>\$ (81)</b>	<b>\$ 31</b>	<b>\$ 3</b>	<b>\$ 2,118</b>	<b>-2%</b>	<b>-4%</b>
<b>October 28, 2012</b>							
U.S. Simple Meals	\$ 896	\$ -	\$ -	\$ -	\$ 896		
Global Baking and Snacking	574	-	-	-	574		
International Simple Meals and Beverages	223	-	-	-	223		
U.S. Beverages	189	-	-	-	189		
Bolthouse and Foodservice	323	-	-	-	323		
<b>Net Sales from continuing operations</b>	<b>\$ 2,205</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,205</b>		



# Reconciliation of GAAP and Non-GAAP Financial Measures

Continuing Operations  
(\$ millions)

## First Quarter

	Gross Margin	GM %	Tax	Tax Rate
2014 - As Reported	\$ 777	35.9%	\$ 95	34.5%
Add: Restructuring charges and related costs	2		8	
Add: Loss on foreign exchange forward contracts	-		3	
Deduct: Tax expense associated with sale of business	-		(7)	
2014 - Adjusted	\$ 779	36.0%	\$ 99	32.2%
2013 - As Reported	\$ 821	37.2%	\$ 105	31.3%
Add: Restructuring charges and related costs	21		16	
Add: Acquisition transaction costs	-		3	
2013 - Adjusted	\$ 842	38.2%	\$ 124	32.0%



# Reconciliation of GAAP and Non-GAAP Financial Measures

(\$ millions, except per share)

## First Quarter

	Continuing Operations		
	EBIT	Net Earnings	Diluted EPS
2014 - As Reported	\$ 305	\$ 181	\$ 0.57
Add: Restructuring charges and related costs	23	15	0.05
Add: Loss on foreign exchange forward contracts	9	6	0.02
Add: Tax expense associated with sale of business	-	7	0.02
2014 - Adjusted	<u>\$ 337</u>	<u>\$ 209</u>	<u>\$ 0.66</u>
2013 - As Reported	\$ 368	\$ 232	\$ 0.73
Add: Restructuring charges and related costs	43	27	0.09
Add: Acquisition transaction costs	10	7	0.02
2013 - Adjusted	<u>\$ 421</u>	<u>\$ 266</u>	<u>\$ 0.84</u>
% Change	-20%	-21%	-21%



# Reconciliation of GAAP and Non-GAAP Financial Measures

(\$ millions)

## Net Debt

	October 27, 2013	October 28, 2012
Short-Term Borrowings	\$ 2,585	\$ 1,507
Long-Term Debt	2,247	2,940
Total Debt	\$ 4,832	\$ 4,447
Less: Cash and Cash Equivalents	(305)	(361)
Net Debt	\$ 4,527	\$ 4,086



# Reconciliation of GAAP and Non-GAAP Financial Measures

(\$ millions, except per share)

## Fiscal Year

	Continuing Operations		
	EBIT	Net Earnings	Diluted EPS*
2013 - As Reported	\$ 1,080	\$ 689	\$ 2.17
Add: Restructuring charges and related costs	142	90	0.28
Add: Acquisition transaction costs	10	7	0.02
2013 - Adjusted	<u>\$ 1,232</u>	<u>\$ 786</u>	<u>\$ 2.48</u>



\*May not add due to rounding

