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The Campbell's Co. (CPB)

Q4 2026 Earnings Call - Q&A

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OTHER PARTICIPANTS

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Andrew Lazar
Analyst, Barclays Capital, Inc.

Peter T. Galbo
Analyst, BofA Securities, Inc.

Peter Grom
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David Palmer
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Steve Powers
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MANAGEMENT DISCUSSION SECTION

Operator: Hello and welcome to The Campbell's Company Q4 Fiscal 2026 Earnings Conference call. At this time, all participants are in a listen-only mode. After the speakers' remarks, there will be a question-and-answer session. [Operator instructions] As a reminder, this conference is being recorded.

I will now turn the call over to Joshua Levine, Chief Investor Relations Officer. Mr. Levine, you may begin.

Joshua A. Levine
Chief Investor Relations Officer, The Campbell's Co.

Good morning, and welcome to The Campbell's Company's fourth quarter fiscal 2026 earnings question-and-answer session. Earlier this morning, the company published its earnings press release 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 that 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 actual results to differ materially.

Management may also use non-GAAP financial measures, which we believe provide useful information for investors. Non-GAAP financial measures are not intended to be considered in an isolation from or as a substitute for the financial information presented in accordance with GAAP. Reconciliations to the most directly comparable

GAAP measures are included in the appendix of our earnings presentation. Finally, please note that this is the first quarter following our acquisition of a 49% interest in La Regina, whose results are fully consolidated into Campbell's financial statements. The remaining 51% interest, we do not own, is reflected as earnings from non-controlling interest. Campbell's financial statements, prepared in accordance with GAAP, also include certain fair value adjustments associated with the acquisition, including for the deferred payment of the second tranche due on May 4, 2027, and for the option to acquire remaining interests at a future date.

These fair value adjustments will be excluded from our adjusted earnings. We will now open the call for questions. Operator?

QUESTION AND ANSWER SECTION

Operator: [Operator instructions] Your first question comes from Tom Palmer with JPMorgan. Your line is open.

Thomas Palmer
Analyst, JPMorgan Securities LLC

Q

Good morning, and thanks for the question. There was some helpful commentary in the prepared remarks about expectations for the first quarter. I think some of your sales initiatives and cost savings plans ramp as the year progresses. Could you perhaps discuss expectations for organic sales growth and EPS growth as we move through the fiscal year? For instance, does the outlook sort of embed any sort of growth to close out the year at this point?

Mick J. Beekhuizen
President, Chief Executive Officer & Director, The Campbell's Co.

A

Yeah, absolutely. Morning, Tom. So let me first start off with net sales and then, Todd, I will hand it over to you for EBIT. So on net sales, if we focus on the midpoint of the range of the organic net sales range down about 3%, for M&B we expect M&B to be down slightly and that is fairly consistent throughout the year. Then with regard to Snacks, we are expecting that Q1 to be the low point and then we are assuming a modest improvement throughout the year. And that's really driven by innovation flowing in as well as the brand support that's flowing in throughout the year and some improved execution throughout.

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.

A

From a cost perspective, let's kind of go through some of the buckets and the timing. So from an inflation standpoint, right now we believe the inflation hit is going to be fairly consistent throughout the year, about plus 5% to 6% as we talked about. Logistics is going to be around double digits. That will get a little bit better at the end of the year as we lap some of the inflation that we already had embedded in Q4 of this year. Negative price realization we will have in Q1 as I mentioned in the prepared remarks. We are spending significantly on from a meal – particularly from a Meals perspective on innovation, some sliding fees and activation in Q1, which we're very excited about that innovation. And then we have some terrific holiday programming that will have some trade associated with it as well in Q1, but that's – we think that's going to be fantastic.

But that will put pressure on margins in the first quarter, so we'll have negative price realization in Q1. And then as the pricing action that we took at the end of the fiscal year starts to come aboard in Q2 and throughout the rest of the year, we'll have some very positive price realization, again, beginning in Q2. From a productivity and enterprise cost savings perspective, we got some great programming there and a lots of good things going to happen from a supply chain perspective, but they will build sequentially as the year goes on. They will be more second half-weighted, but we feel very confident that we're going to be able to bring those cost savings to fruition. So from a gross margin perspective, it will be down significantly in Q1. Again, there's no pricing effect. There's negative pricing in Q1 with all the inflation that's already embedded in our plan, and then that gross margin will get much better in Q2 then we anticipate will actually be positive in the second half.

Gross margin for the total year probably down 50 basis points to 100 basis points, but will get sequentially better as the year goes on. And from an EPS perspective, obviously a fairly sharp decline in Q1, will get sequentially better, and we think we will be positive EPS by the fourth quarter.

Thomas Palmer
Analyst, JPMorgan Securities LLC
Q

Great. Thank you for all that detail. I did want to follow up on the planned price increases that you'd noted had been communicated to retailers already. How did these discussions go? And what are your expectations around any distribution changes surrounding these adjustments? Thank you.

Mick J. Beekhuizen
President, Chief Executive Officer & Director, The Campbell's Co.
A

Yeah. Let me put this way. Ongoing dialogue and the conversation is appropriately constructive with the retailer with where we're at.

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.
A

Yeah. I'll just give you a little bit of color on there. So we took fairly modest price increase on about 60% of our portfolio, so 4% to – on average, 4% to 5% price increase. We think we've taken a prudent approach to what the elasticities are, 1.5 times. So that will have – the way that math works, it will have a negative impact on net sales because of the volume impact, but obviously a nice impact on the bottom line. So again, as Mick pointed out, we've had very productive conversations with retailers. I think we're very confident beginning in Q2 we'll start to see some nice price realization come through the P&L.

Thomas Palmer
Analyst, JPMorgan Securities LLC
Q

Great. Thanks, guys.

Operator: Your next question comes from Andrew Lazar with Barclays. Your line is open.

Andrew Lazar
Analyst, Barclays Capital, Inc.
Q

Great. Thanks so much. Good morning, everybody. I was hoping you could dive in...

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.
A

Hey, morning.

Andrew Lazar
Analyst, Barclays Capital, Inc.
Q

Hi, there – dive into the planned $500 million in cost saves with a bit more detail on sort of what was already in play and where specifically the incremental actions are coming from and some of the timing around it.

Todd E. Cunfer

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

A

Sure. So $500 million program over the next four years, beginning this year, so fiscal year 2027 to fiscal year 2030. If you remember, we had a peak program of $375 million. We were able to – that was going through actually fiscal year 2028. So through this fiscal year that we just ended, we got $225 million of that $375 million. So $150 million of that peak savings, those plans are already in place, that will roll over into the new $500 million program, so $350 million of incremental savings that we've identified through fiscal year 2030. Some of it is the head count reductions that we just announced this last quarter. That's a piece of it. The big new item that we're really excited about, there's – we have a major, major procurement savings initiative for both direct and indirect spending. Literally, every line on the P&L will have a large action around to try to reduce costs.

And then there'll be some additional supply chain network optimization that quite frankly will take a little bit longer for it to come to fruition. But we will get between the head count reductions and the procurement savings, we think in the next – this year and the next year, we'll get significant savings.

Andrew Lazar

Analyst, Barclays Capital, Inc.

Q

And okay, thanks for that. And then you mentioned a bit of – some pricing actions, both incremental pricing and some price investments. Can you talk a little bit about just where some of the targeted pricing actions are and where some of the price investments are likely to come through? Thanks so much.

Todd E. Cunfer

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

A

So the pricing investments in Q1 are largely in the Meals business. Again, we have some really exciting new innovation on the soup and sauces side that is just hitting the market right now. So there's, unfortunately, the typical slotting fees that we have to pay to get that innovation and plus just the programming – off-shelf programming that we're getting in Q1. The second piece that's hitting the pricing – negative pricing piece in Q1 is some holiday programming. For – again, for the Meals business, we're going to get some terrific off-shelf display. We think it's going to really drive a lot of consumption volume, so that's the – that is the consumption and that's the Q1 price investment that we're making. And then from a pricing for the rest of the year, it's fairly broad based both around Snacks and Meals.

Again, 60% of portfolio we're touching. We're trying – we did a lot of great RGM work around where we thought we had the ability to take pricing with as little elasticity impact and profit impact as we possibly could make. So we feel good about where we are, but, again, is around 60% of the portfolio on both pieces.

Mick J. Beekhuizen

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

A

And then maybe to add a little bit to that, back, Todd, to your point around RGM and also trade, with the buildup of the RGM capability we have, on the one hand, hear us talk, Andrew, about the list pricing component, but on the other hand also, as Todd also highlighted, the trade component. And within that, we have been very diligent about like what are the dollars that we're spending and are these dollars working hard for the consumer. So it's really coming back to making sure that we've the right price points at the right point in time and particularly on the Snacks side, we've done a lot of work over the past six months going through that. And although from a net perspective it doesn't have per se – it doesn't lead to a reduction in trade, but it's more about a reallocation of trade, which I personally think's doing exactly the right thing in order to make sure that we provide appropriate value in the marketplace.

Andrew Lazar
Analyst, Barclays Capital, Inc.
Q

Great. Thanks so much for that.

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.
A

Thanks, Andrew.

Operator: Your next question comes from Peter Galbo with Bank of America. Your line is open.

Peter T. Galbo
Analyst, BofA Securities, Inc.
Q

Hey, guys. Good morning. Thanks for taking the questions.

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.
A

Morning.

Peter T. Galbo
Analyst, BofA Securities, Inc.
Q

Mick, maybe just to switch gears a little bit back to the quarter itself, pretty strong performance in cooking soups. I think you added a new metric to one of the slides, something like up 6% or 7% in terms of consumption and obviously that's being driven by broth, but maybe you can talk a little bit just more about the initiatives for fiscal 2027 as you think about the focus on cooking soups versus RTS and how we all might think about that over the next 12 months?

Mick J. Beekhuizen
President, Chief Executive Officer & Director, The Campbell's Co.
A

Yeah – yeah. So you're absolutely right. If you look at our overall soup portfolio, you're seeing that the cooking side of the portfolio is working really well and we still got some work to do on the eating side, although we're all over that and you see already some of the actions coming to fruition. From – and maybe to shortly touch on that within eating, it – within the eating soups, it is – some of the innovation that we've recently launched with Campbell's Nourish or the protein soups that are out there, I believe they are exactly connecting with what a lot of consumers are looking for at a great value. And that's a good example of the great work that our teams are doing to really get closer to the consumer and translating that into relevant innovation and doing that fast. That being said, we got more work to do on the eating soups. Premium is working. You saw that probably in my prepared remarks. It is a real specific, continuing to grow double digits.

We're going to, obviously, continue to lean into that, but I'll call it the mainstream RTS portfolio in addition to the innovation that I just described. We got more work to do and particularly in around a brand like Chunky and the team is working through that. So more to come in and around that part of the portfolio. Now back to the piece that is working really well and it's been working well for a while, which is really cooking and that's about half of our soup portfolio, it's on the one hand broth as you're describing. But on the other hand, it's also condensed cooking and condensed cooking has worked really well for a while. Now we are going to continue to lean into that, not only within the soup side and you saw one of the slides that we included in there. If you really look at the Meals & Beverage portfolio and you look at the retail piece of that portfolio, little over 50% of our Meals & Beverages retail sales is exposed to cooking. And that has grown pretty consistently over the past four years, call it, at a CAGR of about 5%.

When we are talking about that, we're really focused on semi-scratch, which represents about 50% of all at-home cooking occasions. And that's where that consistent growth is coming from. It's a behavior that the consumer is focused on. The consumer is seeking convenience and affordability by cooking smarter and this is an area where we have a right to win and something that we're leaning into with our portfolio. That is on the one hand soup, as you just highlighted with broth, condensed cooking, but then also brands like Rao's, which is obviously a shining star of the Meals & Beverage portfolio and of the broader Campbell's portfolio. So what are we doing about it in order to make sure that we continue to expand the opportunity here? It is making sure that our marketing efforts are not only focused on the holiday period, but really starting to dabble more into everyday cooking and that's back to that semi-scratch piece that I just described.

And by the way, semi-scratch means shorter prep, less than 30 minutes and less than five ingredients. Think about it, five ingredients or less. Think about it that way. Innovation is obviously the other space. So, brand support, innovation. With the innovation, a good example is condensed sauces. And then, of course, we're going to continue to focus on supporting Rao's and continuing to grow the brand. So, that gives you hopefully a little bit of additional context around our focus on empowering everyday cooking.

Peter T. Galbo
Analyst, BofA Securities, Inc.

Q

Great. Thanks for that Mick. Very helpful. And Todd, maybe if I could switch to your commentary just around refinancing and capital allocation, obviously the dividend reset today. Last quarter, we had spoken about potential hybrid issuance that may come potentially at some point here. Again today, you're talking about refinancing. So, just want to understand in the context of the interest expense guidance being higher, your commentary today, how we might think about kind of the capital structure going forward? Thanks very much.

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.

A

Yeah, sure. So interest expense we're projecting will be approximately $25 million higher year-over-year. It's really two components to that. Part of it is the La Regina acquisition. They have their own debt, their own interest expense which now we are starting to pick up. Plus when we made the first cash payment of $140 million or so, obviously we financed that with debt and so there's an interest expense that will wrap around for a full year of FY 2027. The other piece is the anticipation of – we have a $500 million bond maturing in March. We're looking at options for refinancing that. As I talked about on the last call, we are strongly considering a hybrid. There's potential we would do that. That would come along with a higher coupon obviously, but we would get 50% equity credit. So more to come on that, but a hybrid is one of the considerations we have for a refinancing.

Peter T. Galbo
Analyst, BofA Securities, Inc.

Q

Thanks very much.

Operator: Your next question comes from Peter Grom of UBS. Your line is open.

Peter Grom
Analyst, UBS Securities LLC

Q

Great. Thank you. Good morning, guys.

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.

A

Hey, Pete. Morning.

Peter Grom
Analyst, UBS Securities LLC

Q

I wanted to start – so I just wanted to start on Snacks. First, just as we think about the organic sales outlook, what's kind of embedded from a Snacks standpoint? You mentioned in response to Tom's question that 1Q is the low point. So just any guardrails to think about in terms of where we start versus where you would expect to exit? What assumptions underpin the outlook? And I guess just bigger-picture, you talk about taking the right steps to turn around performance. So if we were to fast forward 12 months from now, what does that look like?

Mick J. Beekhuizen
President, Chief Executive Officer & Director, The Campbell's Co.

A

Yeah. Okay, let me give first a big picture around the Snacks turn around and then, Todd, I'll hand it over to you to give a little bit more context around some of the numbers underlying the guidance. So with regard to the Snacks turn around, so first of all I'd say it all starts with the team. And we have – I'm very excited about the leadership team that we have in place within Snacks. We've made various changes and pulled that team together over the past six to nine months. The team is focused and they are great operators and have a lot of confidence in what they're focused on in order to make sure that we can deliver. Now the question, what are they focused on? It's really back to three priorities. First of all, focusing on return to the core fundamentals. What does that mean? That is – a good example of that is focus on the core consumer, and you've seen that work within Goldfish.

Within Goldfish, we're focused on households with kids. And as you've seen in our Q4 results, we're seeing some encouraging trends within Goldfish. That's a good example of that focus on the core fundamentals. The other piece that – within that that I'd add is brand support, making sure that we support our brands; that we support our brands in the marketplace, back to the campaign – the national campaign for Goldfish, The Snack That Smiles Back!, as well as a national campaign for Pepperidge Farm that we're rolling out this year. And then on top of it, focused innovation. And just like what I talked about when I talked about Meals & Beverages, it is making sure that we are focused on bigger, better innovation. And a good example of that, staying with Goldfish, is Goldfish better-for-you and that's one of the innovations that's coming out.

We've obviously announced it with Goldfish Gluten-Free, and we're very excited about that innovation coming in later this quarter early Q2. So that's one, return to the core fundamentals. And second priority is really creating fuel to support our brands, which is coming back to two pieces. First of all, the costs; Todd talked about that earlier. As well as making sure that we really utilize the RGM or Revenue Growth Management capabilities that we're building out throughout the organization, and we gave some examples of that earlier. And then third of all, it's coming to everyday great execution. What I mean by that, it is critical to make sure that the product is available on the shelf and the consumer wants to buy it, and there is a lot of focus on that throughout the organization. It obviously comes back to making sure that we produce the right product so there's a very clear alignment between demand, manufacturing, but then obviously also making sure that we have appropriate DSD execution in order to get the product in the store and on the shelf.

And that is obviously on our everyday products, but it's also with regards to, for instance, promotional activity. And a good example of the progress that we're making there is fresh bakery if you look at the sequential improvements that we've had in Q4 versus Q3. Now still more work to do on it. And as a result, we're highlighting that as a third focus area. So overall, I feel very good about the team, I feel very good about the actions that we're taking, and we are making progress. Goldfish is a good example, but there's obviously much more work to do and that's what we're working through this fiscal year.

So with that, Todd...

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.
A

Yeah.

Mick J. Beekhuizen
President, Chief Executive Officer & Director, The Campbell's Co.
A

...I'll hand it over to you.

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.
A

Yeah, let me give you a little more color. So look, to be very direct, Q1 is going to be a very challenging quarter for Snacks. You're seeing the consumption trends. They're not where they need to be right now. And then we have a couple – we have 2 points of headwind from a shipment perspective. 1 point is we shipped ahead of consumption last quarter for some holiday programming that we have to lap. And then we have some trade investment that we have this year and we didn't have last year. So it's high single digit down for Snacks in the first quarter. Obviously, that ends up being a not very pretty P&L. So you have sales decline, you have a pretty large fixed cost deleverage, we have a lot of inflation in logistics costs in the first quarter. So again, just to be very direct, Q1 for Snacks is going to be very, very challenging.

It will start to build back as we get us – in the back quarters, the top line will start to strengthen. It'll still be down, but the volume declines will soften. The pricing will start to take hold in Q2 and for the remaining part of the year. And then there's a lot of cost savings that will start to kick in, in the – primarily in the second half of the year. The key is as kind of Mick has been pointing out, look, innovation is going to be very key to the recovery for the year. We have some terrific innovation on Goldfish and later in the year on Snyder's, which we're really excited about. And then from a brand activation standpoint, we'll have some significant media campaigns on both Goldfish and Pepperidge, which we think are terrific. So, look, we have to get the margin structure back. Mick mentioned RGM and the pricing. That's a huge part of it. Look, the two most profitable brands that we have in the portfolio – the Snacks portfolio are Goldfish and Snyder's.

If we get those two starting to stabilize and eventually grow, there's a massive impact on the profitability of this business. I talked about the procurement savings, which will have a positive impact starting in the second half on both the Snacks and the Meals portfolios. And then, look, we have to get the plants. We're putting some capital in there. We got to get the plants working more efficiently and we feel good that, that will take place over time. Quite frankly the network optimization is going to take a little bit longer. Yes, we closed two chip plants here recently, so that's a positive impact on fixed cost absorption, but there's a lot more work to do there and it's going to take time.

Peter Grom
Analyst, UBS Securities LLC
Q

Thanks. That's really helpful. And then Todd, just maybe a follow-up, but zooming out, right? It's a pretty dynamic external environment. You're implementing a lot of change across the organization. So how would you characterize the level of flexibility or cushion you've embedded in the guidance?

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.

A

Yeah. So I would say, look, there's – between the high end and the low end of the guidance, the $1.65 to $1.80, and also quite frankly, on the top line, there's really two big variables. What is inflation in the second half? We – give context, we're about 80% covered in the first half of our fiscal year. We're about 50% covered in the second half. So, again, we've assumed the inflation is fairly consistent in that plus-5% to 6% range across the quarters, but if it gets better or worse, that obviously is going to have an impact on where we kind of fall within that EPS range. And the other one is the timing and the speed of the Snack recovery. If that volume starts to come back a little bit better, obviously that's going to have a very, very positive impact on our top and bottom line. If it takes a little bit longer for it to recover, obviously that gets you to the lower end. But those are the two big variables.

Peter Grom
Analyst, UBS Securities LLC

Q

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

Operator: Your next question comes from David Palmer of Evercore ISI. Your line is open.

David Palmer
Analyst, Evercore ISI

Q

Yeah, thanks. Just a quick follow-up, and thanks for that commentary around Snacks. After the first quarter, you talked about improvement partially based on pricing. Do you see consumption possibly getting to flat or better or maybe some growth by the end of the year in the Snacks segment?

Mick J. Beekhuizen
President, Chief Executive Officer & Director, The Campbell's Co.

A

We are not anticipating, David, that we will get to positive around consumption. That being said, we are expecting that we're going to make continued modest progress throughout the year.

David Palmer
Analyst, Evercore ISI

Q

Great. And one of the things you talked about in the prepared remarks is talking about sort of getting closer to the consumer. And you looks like you're doing some things that are – particularly with Goldfish that make a lot of sense, the – playing into your core, making sure the pricing is right, protein, whole grain, Gluten Free offerings. I'm wondering – and it seems like that part of Snacks is more of a near in than maybe a more of a confident area that you feel like this is going to turn. Could you maybe share what some of the other insights are and other areas that you also see some improvement coming within Snacks beyond Goldfish? And I'll pass it on.

Mick J. Beekhuizen
President, Chief Executive Officer & Director, The Campbell's Co.

A

Yeah. Yeah. So you're right. And you see it in the numbers with regard to Goldfish. I mentioned earlier the Q4 numbers are very encouraging. And I believe the team is doing the right thing. Obviously, as you're pointing out, still work to do, but we're on the right path and we have the right actions in place. We are replicating that across the broader Snacks portfolio. And that's a little bit back to where I mentioned earlier, focus on those core fundamentals is really critical across the portfolio. A good example, for instance, on pretzels is where you've seen the focus on the unflavored part of the portfolio has actually been bearing fruit and you saw in this past quarter, that was partially driven by the America250 implementation or activation in the marketplace that we actually saw encouraging trends within the unflavored pretzels.

Now we still have work to do around the flavored part of that portfolio, but really focusing on what is the consumer looking for, what does the consumer want and making sure that we're very clear about where do we have a right to win. Another good example of that is, for instance, within Snack Factory. In Snack Factory, we were operating both in the deli-aisle as well as in the salty aisle of the grocery store. And we're very focused on where is our core right to win. It's the deli-aisle so really bringing it back to that. Another good example of that is cookies. I – cookies has been a little bit more volatile throughout the different quarters. But if you step back and you look at the full year, you are actually seeing that overall cookies for the year were flat, and that's really driven by an innovation playbook that the team has focused on and is executing on. And as a result, we've had great innovation with Milano White Chocolate, we've had some great innovation with Chessmen and we're going to continue to work through that.

Also, because if you think about it, cookie portfolio is still a relatively small business. So again, it's a good example of how we are going to be able to continue to win in each of these different areas. The one area that I'd say is probably going to take us a little bit more time, back to your point around kind of the [ph] by when, what (00:32:21), is with regard to chips. I think chips, the team is doing some really good work in order to make sure that we're improving our competitive position. They're taking proactive actions. However, these actions are going to take a little bit of time to implement them in the marketplace. So when I step back, we are making great progress on Goldfish, we're all over Pepperidge Farm and turning that around whether it's on the execution side on bakery or whether it's some of the exciting innovation in bakery as well as in cookies and then on the salty side, it's going to take a little bit longer, particularly with regard to the chips trajectory that I just described. Hopefully that gives you some additional context.

David Palmer
Analyst, Evercore ISI
Q

That's great. Thank you.

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.
A

Thanks, Dave.

Operator: [Operator Instructions] Thank you. Your next question comes from Steve Powers of Deutsche Bank. Your line is open.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.
Q

Great. Thanks. Can you hear me okay?

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.
A

Yeah. Hey, Steve.

Mick J. Beekhuizen
President, Chief Executive Officer & Director, The Campbell's Co.

A

Hi, Steve.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Okay, perfect...

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.

A

Morning.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Perfect. Sorry. Some static on my line. I guess if I only have one question, let me think about it this way. You talked about a lot of investments in consumer capabilities, Revenue Growth Management, better forecasting, kind of stepping away from the immediate 2027 needs. There's a lot of investments in forward-looking capabilities that you're trying to build. And I guess if you had those three years ago, what decisions do you think you might have made differently or what might – how might the outcomes that we're looking at today be different if you had the capabilities you're now trying to build looking backwards? Thanks.

Mick J. Beekhuizen
President, Chief Executive Officer & Director, The Campbell's Co.

A

Yeah. Yeah. One, I think we would have been in a better place. And I personally believe we would have also been faster. So for me, the overall environment and the consumer has been evolving pretty quickly, and it is important for us as an organization that we quickly adjust accordingly. It's really – one of the pieces we talk a lot about internally is rapidly turning these consumer insights into relevant food and brands. The better we are at that – the better we are at that in the individual brand level, the more relevant we are going to be in the marketplace and the better we're going to be to perform because we're going to make sure that we fulfill those consumer needs. And I think the team is doing a fantastic job at leaning into it.

And as you see with some of the examples, whether it was the RTS example and Campbell's that I talked about earlier which the team very quickly developed or whether it's condensed sauces within Campbell's and some other great highly relevant innovation or whether it is Goldfish better-for-you with the Gluten-Free launch. So I feel those are great examples of already – of us already being able to deliver based on the capabilities that we're building because I also don't want to give you the sense that all of this is on the come, right? If you look at the Growth Office, we started the Growth Office a year ago. We implemented that in order to make sure that we step up commercial capabilities at scale across the organization. We implemented that and we're starting to see the fruit of that labor coming through. RGM is a capability within the Growth Office that we've been investing in now for the past six to nine months, and we're already utilizing those capabilities in some of the things that we talked about earlier in the call.

So long story short, I think we're on the right path. I think we are increasing the focus on the consumer throughout the organization, which I think is really important as the consumer is evolving. But at the same time, we're also becoming better and better operators across the company.

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.

A

Yeah. I would just give just a little bit more on our RGM and trade. Look, I think – look, we are – the bad news is we have been behind the curve in both our capabilities, our tools. The good news is there's a lot of low-hanging fruit that we can extract over the next couple of years. So as we've mentioned before, we've just put a brand new team in. They are going to be terrific. They've already done some great work on not only list price increases, but starting to rework the trade budgets and spend them in a much more efficient way. So I am really excited and confident over the next couple of years we're going to see some great returns from there. And Mick mentioned speed. Look, we got this team together. And when we said we got to do some pricing actions, within six weeks we did the analysis and communicated to retailers. Historically, we could have never done that within that short period of time.

And so again, there's – we're still in early innings on this, but I'm super, super excited about the capabilities that we are building and it's going to create a lot of value for us.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thanks to you both. I'll pass it on.

Operator: Your next question comes from Chris Carey of Wells Fargo Securities. Your line is open.

Chris Carey
Analyst, Wells Fargo Securities LLC

Q

Hi. Good morning, everyone.

Mick J. Beekhuizen
President, Chief Executive Officer & Director, The Campbell's Co.

A

Hi. Good morning.

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.

A

Hey, Chris.

Chris Carey
Analyst, Wells Fargo Securities LLC

Q

One clarification and then I want to jump into a bigger question. But just the improvement in the margin rate relative to fiscal Q1 as you get into fiscal Q2 and the rest of the year, will that be driven primarily by Snacks given the low starting point for Q1 and then margins get better from the Q1 starting point? Or will that happen in both divisions? So that's kind of a clarification of the phasing question, I suppose, at the beginning of the call. The...

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.

A

Yes.

Chris Carey
Analyst, Wells Fargo Securities LLC

Q

The broader – yeah, sorry, go ahead. Go ahead with that and I'll – and then I'll...

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.

A

Let me tackle that one first. The Snacks margin recovery really won't happen until the second half. So as it starts to improve in Q2, it'll be mostly on the Meals side. But then both will kick in and benefit in the second half of the year.

Chris Carey
Analyst, Wells Fargo Securities LLC

Q

Okay, okay. The broader question may lack a bit of distinctness if that's a word, but I'm struck by – there's this dynamic and your peers – some of your peers are doing the same thing that there's been so much focus on improving volumes and improving competitiveness. And now in your outlook, perhaps reasonably so, you've acknowledged that you just can't do it anymore and that you're going to turn to positive pricing now, and it's actually going to drive even worsening volumes. And obviously, the macro backdrop has shifted a lot so I don't begrudge that decision. But in a way, what are you trying to accomplish now in the medium term? If I look at the commentary, maybe you're planning a smaller snacking portfolio focused more on dollars and perhaps acknowledging that overly – being overly focused on volume was perhaps not the right strategy given the margin degradation of the business.

Just can you give us a sense of what the strategic shift now is that you're acknowledging that you have to start protecting the bottom line and you're going to be accepting that volumes will be yet worse again going into this year and the implications for what you're trying to accomplish over the next several years? Sorry for the big question, but I'm just struck by the strategy shift that you and your peers are underway, and I'd be curious your thoughts. Thanks.

Mick J. Beekhuizen
President, Chief Executive Officer & Director, The Campbell's Co.

A

Yeah, yeah. And maybe I'll kick it off with the bigger picture and then, Todd, I'll hand it over to you around kind of the pricing and around kind of the dynamics within the P&L. I would say the key thing that, as I mentioned earlier, we're really focused on is making sure that we set ourselves as an organization up for success in the medium term, because where we've been, those numbers are obviously not where we should be and that's unacceptable. So for us, we believe that getting back to growth, it's actually really important to focus, as I mentioned earlier, on the consumer, act with speed and also execute really well. So those are the three things that we are focused on across the organization. That being said, with our brands, we need to make sure that our brands are relevant. How do we do that? It is back to making sure that we support them in the marketplace. And every brand plays a role, right, within our broader portfolio.

But our big brands, we need to make sure that we support them and we grow them with broader campaigns like, for instance, Goldfish, where we are supporting Goldfish with a national campaign, but also brands like Rao's where we still, from an overall, call it, like awareness perspective, the awareness is still relatively low compared to, take another brand in our portfolio, Prego. So – and we have a big opportunity there to continue to grow Rao's, the – whether it's within the sauce aisle or outside of the sauce aisle and you see the brand and the products that we have resonate with the consumer, we just need to continue to make sure that we support the brand. So hence, you'll see that national campaign come through this coming year, combined with a continued focus on innovation and I talked already about that before, but you see us really picking our spots throughout our portfolio on how are we going to continue to make sure that we deliver what the consumer is looking for or what we believe is the consumer need.

So that's really the dialogue in the organization. That's what we're focused on. And we believe that that over time will support growth for the broader organization. And you'll see me highlight whether it's on the Meals & Beverage side certain areas or certain other areas within Snacks, that we obviously believe we're going to have a little bit disproportionate growth. So anyway, that's really kind of the approach that we're taking. Pricing, I'd see much more as, call it, like a short term action with regards to the broader P&L. Also in service to what I just described, in order to be able to make sure that we continue to have healthy margins and that we can support our brands, that we can continue to invest in our brands, whether it's through marketing or continued innovation launches. So that's a little bit kind of how I describe the medium term versus, call it, like some of the short term actions that we're taking in fiscal 2027. I don't know, Todd, whether you have any additional thoughts.

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.
A

Yeah, I think, Chris, couple more thoughts and obviously, it's a really important question you asked. Look, pricing is not black and white pricing. There's no strategy where there's one-size-fits-all. So we talked about what we're doing in the first quarter, specifically on the Meals part of the business, where we are actually investing in price, i.e., promotional activity to – and the result is we're getting great off-shelf display during a really important holiday period and we – again, using the RGM framework, that math, that activity says you're going to get terrific returns by actually lowering the price for an important period of time, but that doesn't work all the – that doesn't work in every aspect, on every time and every brand and lowering TPRs and price in the shelf is often not effective. And we've seen – look, we've seen from ourselves and our peers who have lowered price over the last year or two that the results have been kind of underwhelming.

And so there are periods of time where if the math works, we will invest in price, because we get terrific volume and activity around it. But given the inflationary environment that we're seeing right now, we need to protect those margins, we need to take some – unfortunately some pricing activities to make the math work on our P&L. So again, there's not one-size-fits-all and we're going to look at it from case to case.

Mick J. Beekhuizen
President, Chief Executive Officer & Director, The Campbell's Co.
A

Yeah. And I think, Todd, maybe the final point is like – as we've talked about is offsetting that inflationary pressure. Price is only one of the measures that we're taking. I mean, Todd talked a lot about the cost savings and the productivity initiatives. I think, across the organization, the team is doing a phenomenal job...

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.
A

Yeah.

Mick J. Beekhuizen
President, Chief Executive Officer & Director, The Campbell's Co.
A

...in order to make sure that we turn over every dollar that we spend in order to help offset some of those raw material price increases.

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.

A

Absolutely.

Chris Carey
Analyst, Wells Fargo Securities LLC

Q

Thanks, guys. It's a big question. I appreciate you taking the time. Thanks so much.

Mick J. Beekhuizen
President, Chief Executive Officer & Director, The Campbell's Co.

A

[ph] Of course (00:46:49).

Operator: Your last question will come from Robert Moskow with TD Cowen. Your line is open.

Robert Moskow
Analyst, TD Cowen

Q

Thanks for the last question. I want to know, Todd and Mick, can you talk a little bit about how the board's view on the dividend has evolved over the last three months? I mean, I think at that time, three months ago, it sounded like there was a commitment to it, but did something change in the last three months to make them re-evaluate? And then lastly, I wanted to dig in a little bit on the elasticity assumption, more as to what Chris was asking. It's like the new normal now in food is to have elasticity that goes beyond negative 1.0, your volume is going to be down mid-single digit and I want to know, big picture, is that a function of how you think consumers are going to react to the pricing or are you also acknowledging that maybe Snacks in particular, you're going to have some less shelf space, a narrower product line, some conscious volume contraction before you can grow? Thanks.

Mick J. Beekhuizen
President, Chief Executive Officer & Director, The Campbell's Co.

A

Yeah. Let me first start off with the dividend and then, yeah, Todd, can talk about the price elasticity, but the – so as I mentioned also in my prepared remarks, I mean, reducing dividend is obviously a difficult decision, but it's unfortunately a necessary decision that we needed to take. And I'd say from my vantage point, very constructive dialogue with the board and the dialogue obviously has continued to center around, hey, we need to make sure that we do the right thing in order to create long term value for the shareholders.

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.

A

Yeah. Let's talk about the price elasticity for a second here. Look, I agree with you. Typically, I've – in my former life, I've seen more kind of 1 to 1 elasticity. You're starting to see higher elasticities. Could it be some of the pressure on the consumer? I'm sure. Look, we've tried to be prudent in how we built the elasticity assumptions. We've largely assumed that there's no – that we're – people – other competitors don't follow us. And a lot of our categories, there's not necessarily a direct comparison. So it's a little bit tricky in some of our brands and categories, but we've largely assumed that not everybody across that category follows. So, look, if other people eventually take some price, our elasticities could be a little bit better than we modeled, but we want to make sure that the pricing actions that we took and the assumptions that we build in to the P&L give us a little bit of flex, and we feel good about that assumption.

Robert Moskow
Analyst, TD Cowen

Q

Thank you.

Todd E. Cunfer
Executive Vice President & Chief Financial Officer, The Campbell's Co.

A

Thanks, Rob.

Mick J. Beekhuizen
President, Chief Executive Officer & Director, The Campbell's Co.

A

Thank you.

Operator: Thank you. This concludes today's conference call. Thank you for joining. You may now disconnect.