

Second Quarter of Fiscal Year 2014 Earnings Call & Webcast

February 14, 2014


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Important Reminders: Second Quarter of Fiscal Year 2014

Jennifer Driscoll

Vice President, Investor Relations




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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 based on our current expectations and assumptions regarding our business, our industry and other future conditions. 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; the effectiveness of our promotional programs; the impact of portfolio changes; our ability to realize projected cost savings 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 continuing operations were impacted by the following items (pre-tax):
 - \$13MM of restructuring charges in Q2 to restructure the manufacturing and streamline the soup business operations in China.
 - \$23MM of restructuring and related costs in Q1 to streamline our salaried workforce and for previously announced initiatives.
 - \$9MM loss on foreign exchange forward contracts and \$7MM tax expense for the sale of the European business in Q1.
- Last year's continuing operations were impacted by the following items (pre-tax):
 - \$48MM of restructuring and related costs in Q2 to improve our U.S. supply chain and related to the new commercial agreements in Mexico.
 - \$43MM of restructuring and related costs in Q1 for our U.S. supply chain.
 - \$10MM of transaction costs in Q1 associated with the Bolthouse Farms acquisition.



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.



**Campbell Presentation:
Wednesday, February 19th
at 10:30 a.m. Eastern**

**Campbell-sponsored
Luncheon 11:30 a.m. to 12:30
p.m.**



Investor Update

Second Quarter of Fiscal Year 2014

Denise Morrison
President & CEO



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Agenda

- My perspective on Q2 and 1st half results
- Update on the unusual factors that negatively impacted Q1 and how those played out in Q2
- Our plans to drive stronger growth in 2nd half to deliver full-year guidance

Q2 Results

- +6% increase in reported net sales, +3% organic net sales growth*
- +15% growth in adjusted EBIT*
- +19% increase in adjusted EPS, which rose to \$0.76 per share*



* See Non-GAAP reconciliation



Drivers That Impacted Q1 Results

Movements in Inventory

1



Core Business Trends

2



Frontloaded Marketing

3



Plum Organics Recall

4



Inventory Movements



- U.S. Soup benefited from positive retailer inventory movements in Q2
- Late Thanksgiving holiday helped U.S. Soup & Pepperidge Farm as it pushed shipments into Q2
- Strong sales and consumption during the holiday season; well-executed holiday programs in U.S. Soup and Pepperidge Farm



Core Business Improved in Q2

- U.S. Simple Meals delivered 7% sales growth and 12% earnings growth
- U.S. Soup sales increased 5%
- Pepperidge Farm delivered 5% growth in *Goldfish* as well as higher sales in cookies and fresh bakery
- Bolthouse Farms sales increased 6%



Challenged Businesses

U.S. Beverages



**New National Distributor
Network**

Australia



New Leadership Team

Front-Loaded Marketing

New Products



Bolthouse Farms Brand Building



Plum Organics



**Plum Acquisition
Contributed
Half of 16%
Q2 Growth in
U.S. Sauces**



First-Half Overview

- Slow start in Q1, recovered in Q2
- Sales from continuing operations increased 2%
- Adjusted EBIT declined 5%*
- Adjusted EPS decreased 4%*
- Must deliver strong second-half results to achieve full-year guidance



* See Non-GAAP reconciliation



Second-Half Plans

U.S. Soup & Simple Meals

- Expect U.S. Soup to deliver modest growth:
 - Strong promotional calendar and marketing
 - 8 new soups launched in January
 - Expect to drive continued growth in Swanson
- Momentum in *Campbell's* dinner sauces
- Continued growth in *Prego*
- Expect Plum Organics to improve



Second-Half Plans

Global Baking & Snacking

- Expect Pepperidge Farm to deliver stronger growth in snacks with plans to drive *Goldfish*
- Accelerating innovation in *Goldfish* and cookies
- Expect continued double-digit growth in Indonesia
- Focused marketing on *TimTam*, *Shapes*, and *Arnott's* in Australia



Second-Half Plans



- Robust Spring innovation lineup with new beverages and salad dressings

U.S. Beverages



- New national distributor network for immediate consumption channels
- Expanding V8 V-Fusion Refreshers

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





CFO Perspective

B. Craig Owens

SVP, CFO and

Chief Administrative Officer




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Agenda

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

Second-Quarter Financial Summary

(\$ millions, except per share)

Continuing Operations	Second Quarter	% Change
Net Sales	\$2,281	6%
<i>Organic Net Sales*</i>		3%
EBIT*	\$374	15%
Diluted EPS – Continuing Operations*	\$0.76	19%

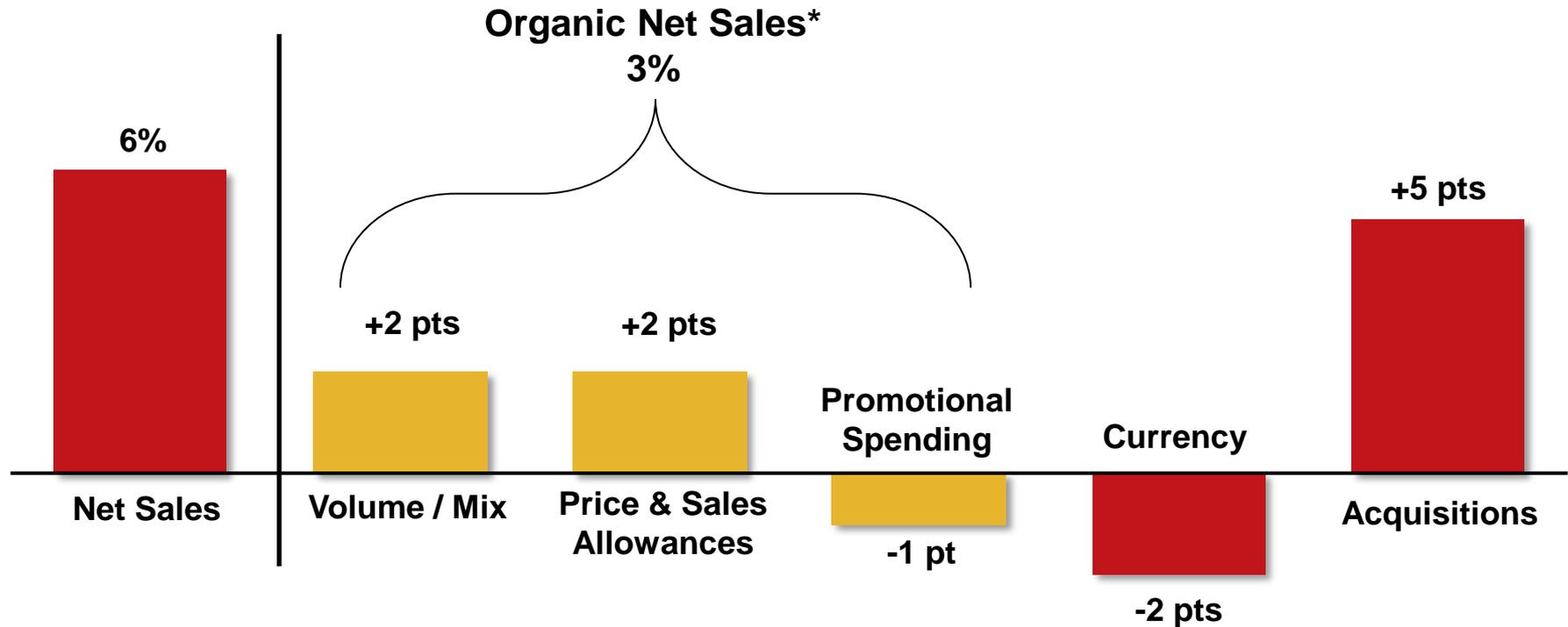


* See Non-GAAP reconciliation



Second Quarter – Components of Net Sales Change

Continuing Operations



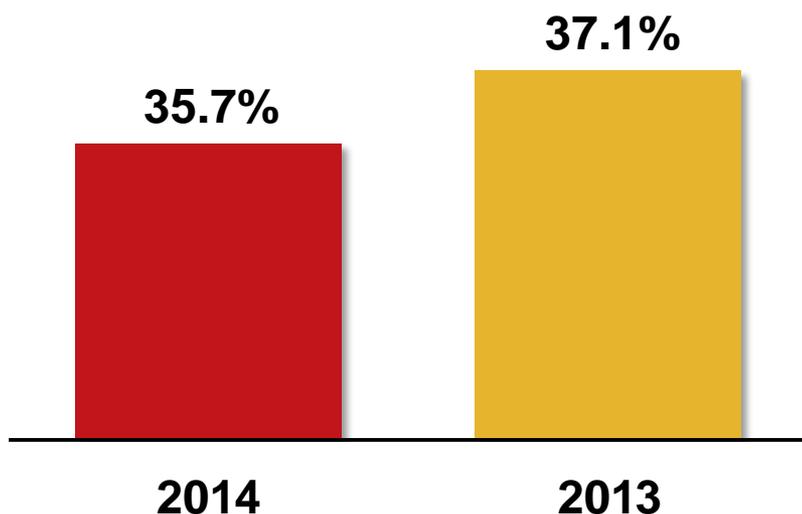
* See Non-GAAP reconciliation



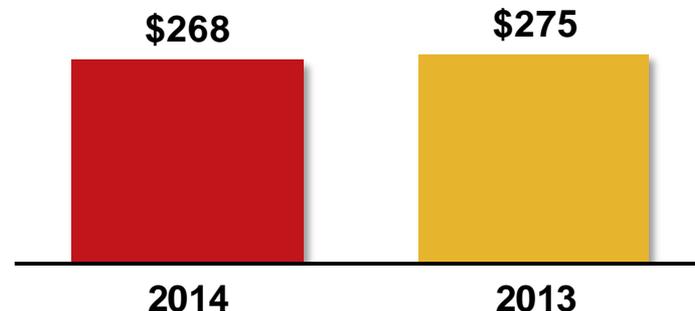
Second Quarter – Gross Margin and Other Operating Items

Continuing Operations
(\$ millions)

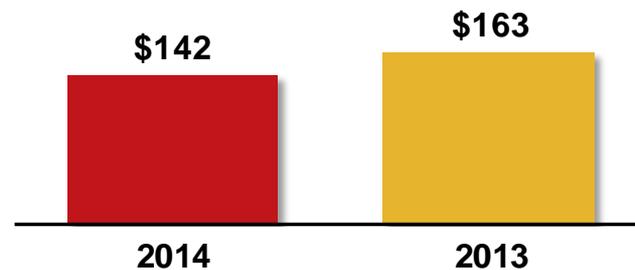
Gross Margin Percentage*



Marketing & Selling Expenses



Administrative Expenses



* See Non-GAAP reconciliation



Second-Quarter Financial Summary

(\$ millions, except per share)

Continuing Operations	Second Quarter	% Change
EBIT*	\$374	15%
Interest, Net	\$29	-6%
Tax Rate*	31.0%	-1.7 pts
Earnings – Continuing Operations*	\$240	19%
Diluted EPS – Continuing Operations*	\$0.76	19%
Diluted Shares	316	-



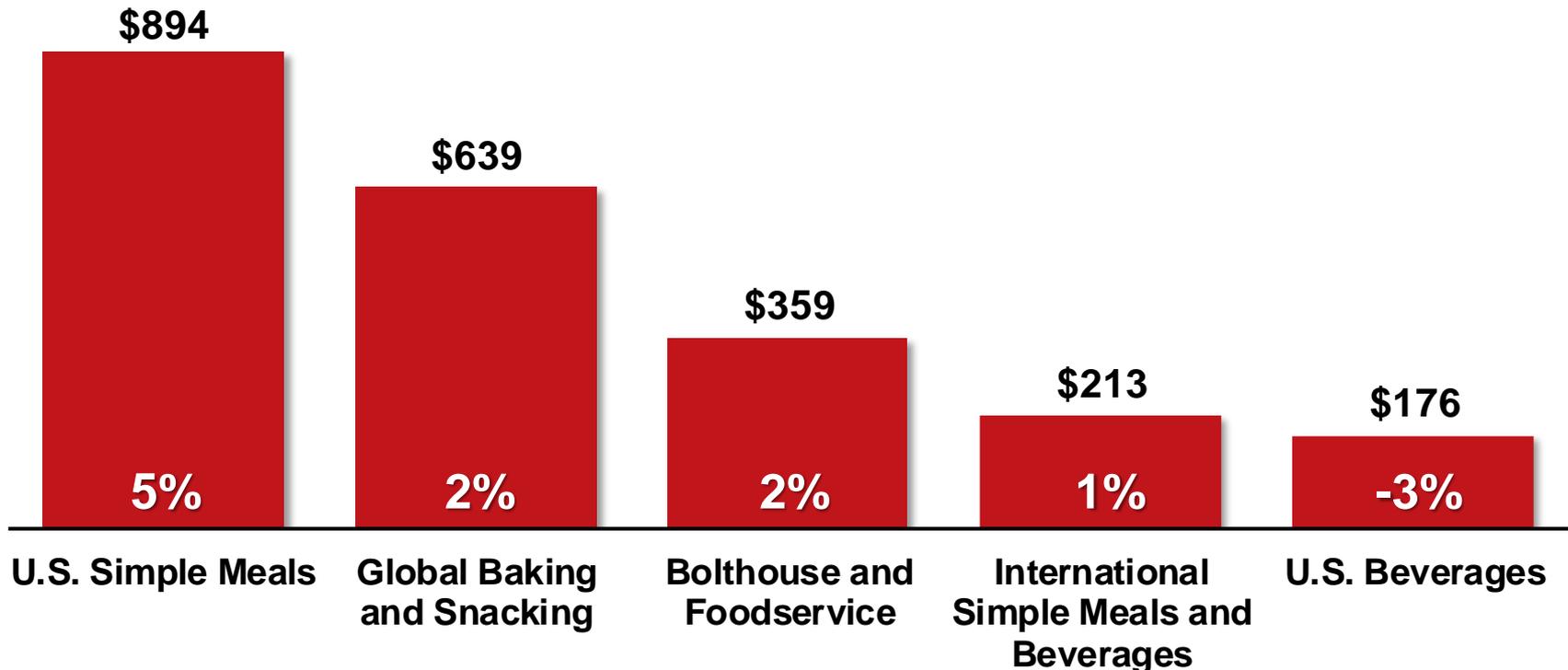
* See Non-GAAP reconciliation



Second Quarter – Sales by Segment

(\$ millions)

Net Sales by Segment and Organic Growth Rates*



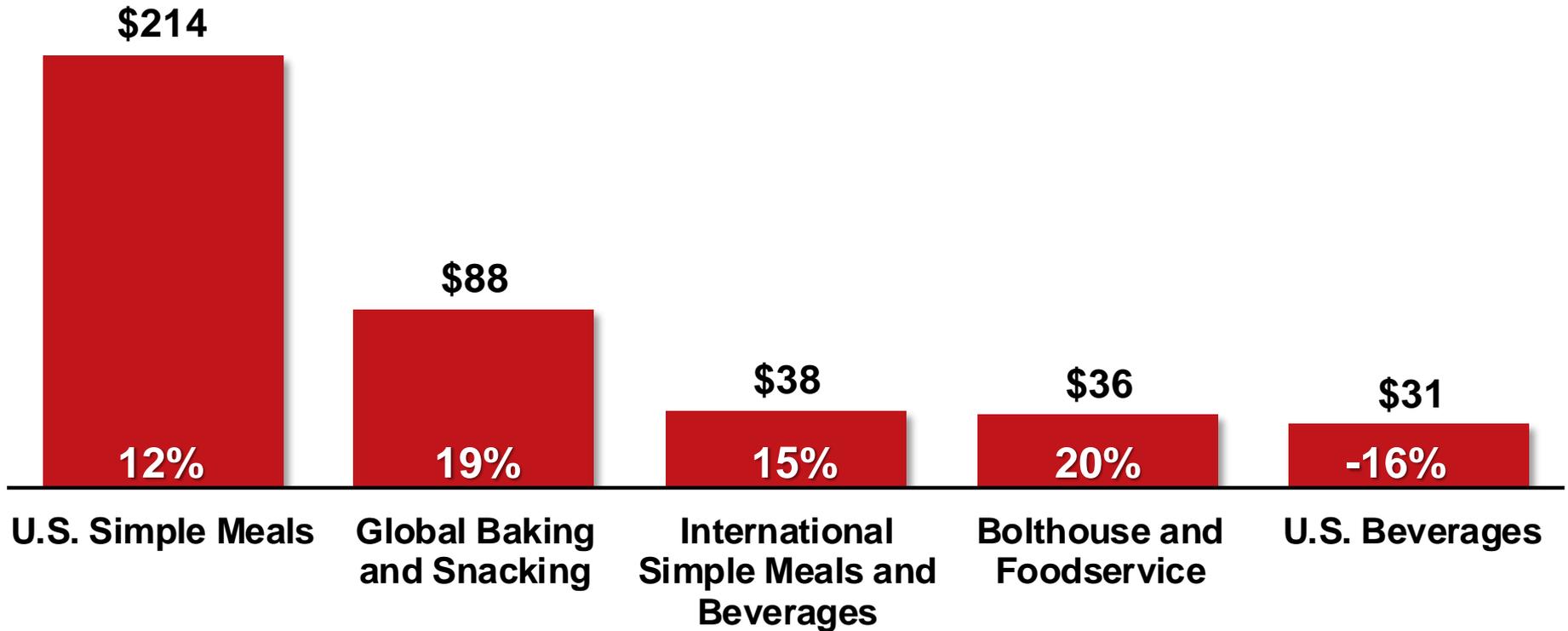
Note: Percent change represents organic growth.

* See Non-GAAP reconciliation



Second Quarter – Operating Earnings by Segment

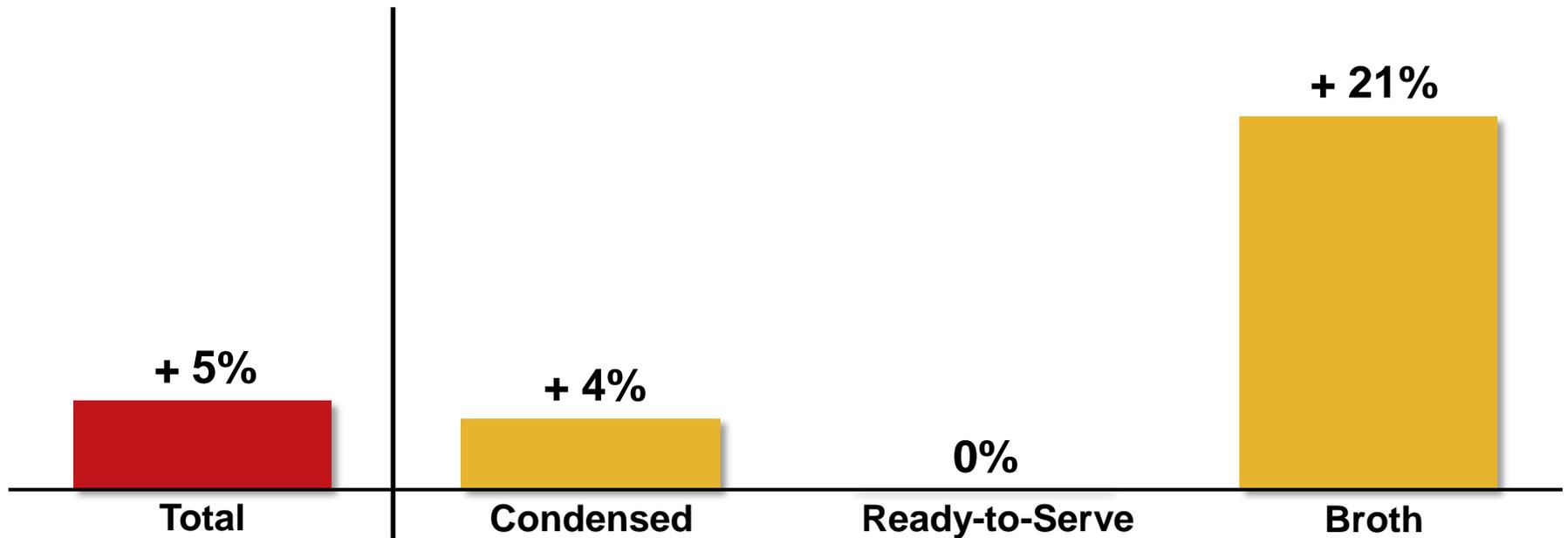
(\$ millions)



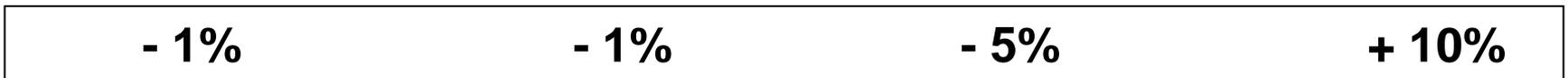
U.S. Soup Net Sales

Second Quarter

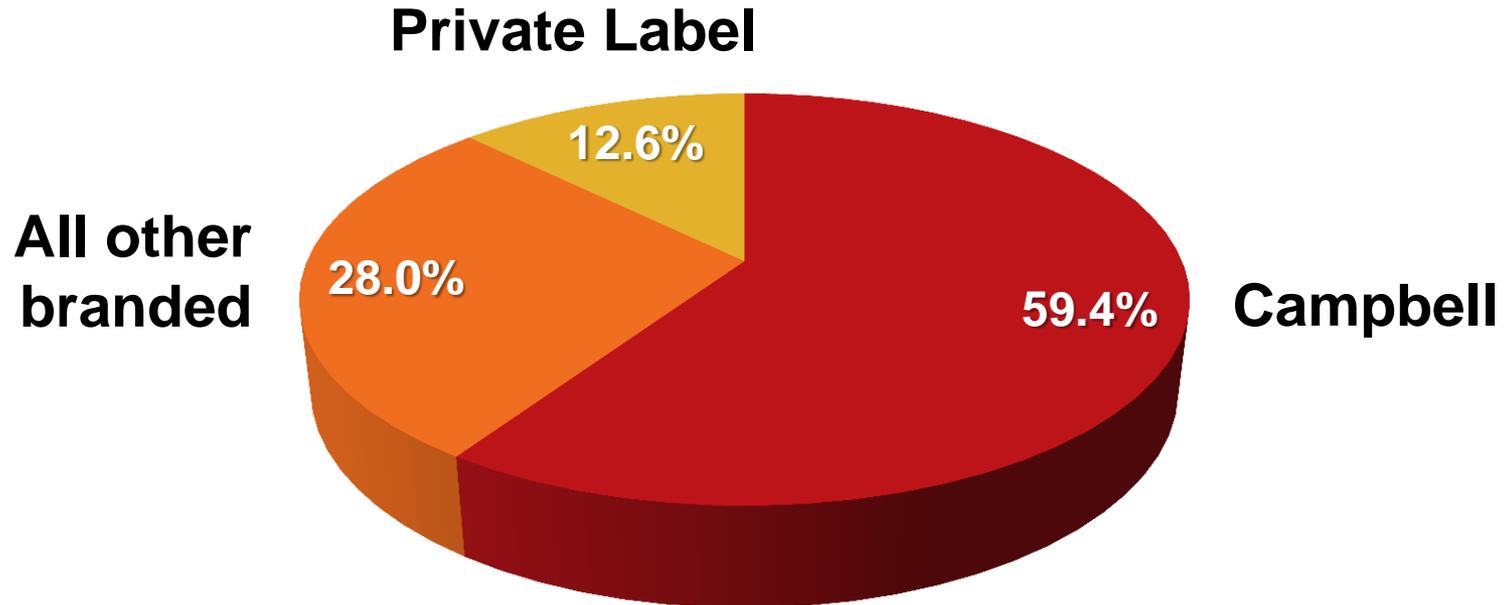
% Change vs. prior year



First Half



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



	<u><i>Campbell</i></u>	<u><i>AO Branded</i></u>	<u><i>Private Label</i></u>
Dollar Share Change	+0.2 ppts	+0.2 ppts	-0.4 ppts
Dollar Sales Change	+1.9%	+2.5%	-1.8%

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

Source: IRI Total U.S. Multi-Outlet

*For 52-week period ending Jan. 26, 2014



First-Half Financial Summary

(\$ millions, except per share)

Continuing Operations	First Half	% Change
Net Sales	\$4,446	2%
<i>Organic Net Sales*</i>		-1%
EBIT*	\$711	-5%
Diluted EPS – Continuing Operations*	\$1.42	-4%

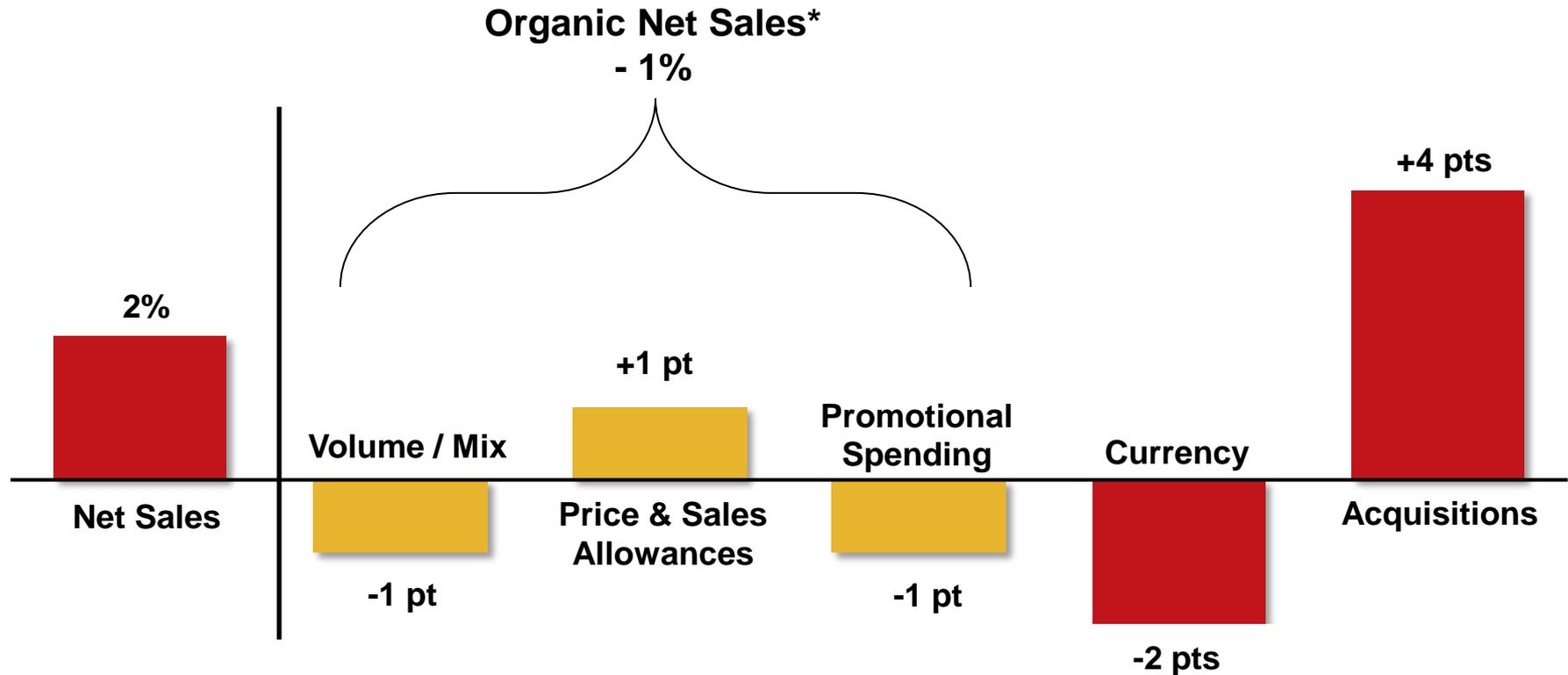


* See Non-GAAP reconciliation



First Half— Components of Net Sales Change

Continuing Operations



* See Non-GAAP reconciliation

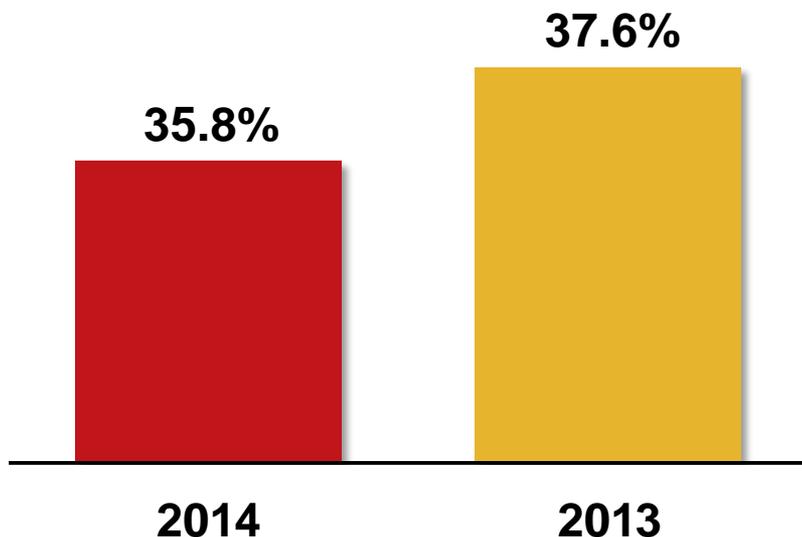
Note: Does not add across due to rounding



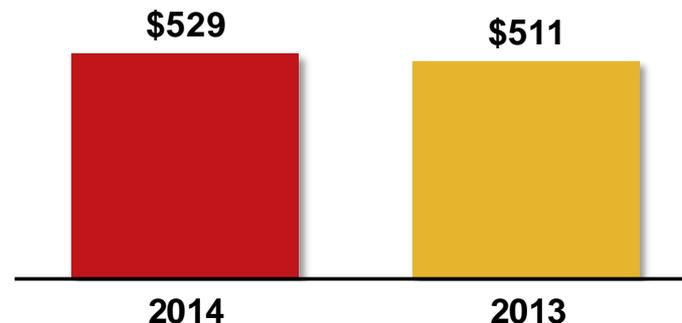
First Half– Gross Margin and Other Operating Items

Continuing Operations
(\$ millions)

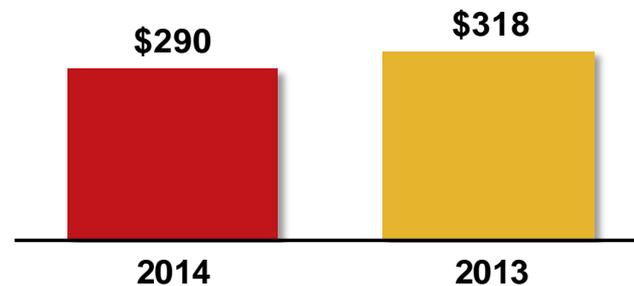
Gross Margin Percentage*



Marketing & Selling Expenses



Administrative Expenses



* See Non-GAAP reconciliation



First-Half Financial Summary

(\$ millions, except per share)

Continuing Operations	First Half	% Change
EBIT*	\$711	-5%
Interest, Net	\$59	-8%
Tax Rate*	31.6%	-0.7 pts
Earnings – Continuing Operations*	\$449	-4%
Diluted EPS – Continuing Operations*	\$1.42	-4%
Diluted Shares	316	-



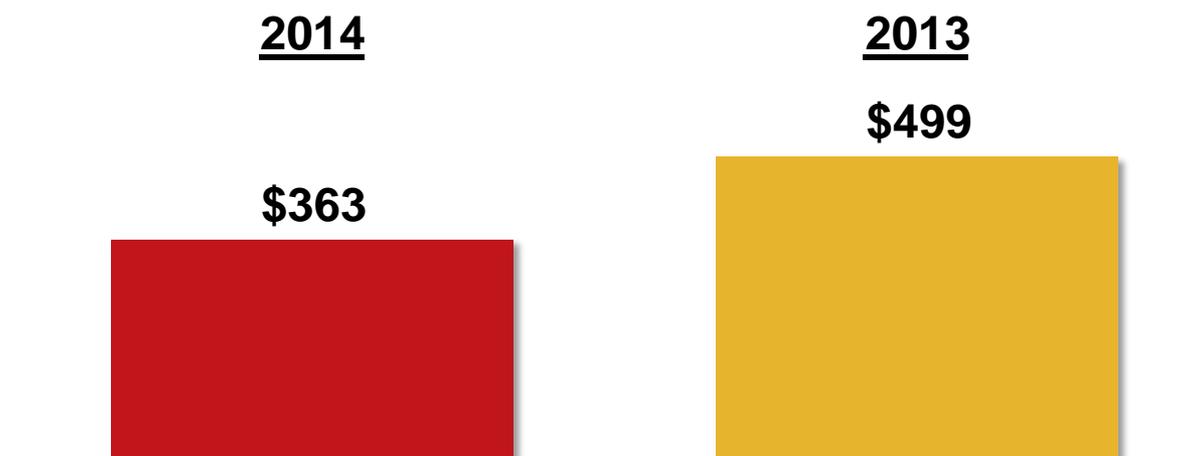
* See Non-GAAP reconciliation



Cash Flow and Balance Sheet

(\$ millions)

First Half Cash Flow from Operations



	2014	2013
Year-to-Date Capital Expenditures	\$127	\$110
Year-to-Date Share Repurchases	\$76	\$63
Net Debt*	\$3,912	\$4,019



* See Non-GAAP reconciliation



Results from Discontinued Operations

(\$ millions, except per share)

First Half	2014	2013
Earnings	\$81	\$32
Diluted EPS	\$0.26	\$0.10

In the second quarter, we recognized a net gain of \$90MM after tax (\$0.28/share) 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
January 26, 2014							
U.S. Simple Meals	\$ 894	\$ (17)	\$ -	\$ -	\$ 877	7%	5%
Global Baking and Snacking	639	(92)	23	-	570	14%	2%
International Simple Meals and Beverages	213	-	16	7	236	-9%	1%
U.S. Beverages	176	-	-	-	176	-3%	-3%
Bolthouse and Foodservice	359	-	1	-	360	2%	2%
Net Sales from continuing operations	\$ 2,281	\$ (109)	\$ 40	\$ 7	\$ 2,219	6%	3%
January 27, 2013							
U.S. Simple Meals	\$ 833	\$ -	\$ -	\$ -	\$ 833		
Global Baking and Snacking	561	-	-	-	561		
International Simple Meals and Beverages	234	-	-	-	234		
U.S. Beverages	182	-	-	-	182		
Bolthouse and Foodservice	352	-	-	-	352		
Net Sales from continuing operations	\$ 2,162	\$ -	\$ -	\$ -	\$ 2,162		



Reconciliation of GAAP and Non-GAAP Financial Measures

Continuing Operations

Net Sales For the Six 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
January 26, 2014							
U.S. Simple Meals	\$ 1,754	\$ (32)	\$ -	\$ -	\$ 1,722	1%	0%
Global Baking and Snacking	1,248	(144)	42	-	1,146	10%	1%
International Simple Meals and Beverages	406	-	27	10	443	-11%	-3%
U.S. Beverages	349	-	-	-	349	-6%	-6%
Bolthouse and Foodservice	689	(14)	2	-	677	2%	0%
Net Sales from continuing operations	\$ 4,446	\$ (190)	\$ 71	\$ 10	\$ 4,337	2%	-1%
January 27, 2013							
U.S. Simple Meals	\$ 1,729	\$ -	\$ -	\$ -	\$ 1,729		
Global Baking and Snacking	1,135	-	-	-	1,135		
International Simple Meals and Beverages	457	-	-	-	457		
U.S. Beverages	371	-	-	-	371		
Bolthouse and Foodservice	675	-	-	-	675		
Net Sales from continuing operations	\$ 4,367	\$ -	\$ -	\$ -	\$ 4,367		



Reconciliation of GAAP and Non-GAAP Financial Measures

Continuing Operations
(\$ millions)

Second Quarter

	<u>Gross Margin</u>	<u>GM %</u>	<u>Tax</u>	<u>Tax Rate</u>
2014 - As Reported	\$ 814	35.7%	\$ 104	31.3%
Add: Restructuring charges and related costs	-		3	
2014 - Adjusted	<u>\$ 814</u>	<u>35.7%</u>	<u>\$ 107</u>	<u>31.0%</u>
2013 - As Reported	\$ 762	35.2%	\$ 78	31.7%
Add: Restructuring charges and related costs	40		18	
2013 - Adjusted	<u>\$ 802</u>	<u>37.1%</u>	<u>\$ 96</u>	<u>32.7%</u>



Reconciliation of GAAP and Non-GAAP Financial Measures

Continuing Operations
(\$ millions)

Six Months

	Gross Margin	GM %	Tax	Tax Rate
2014 - As Reported	\$ 1,591	35.8%	\$ 199	32.8%
Add: Restructuring charges and related costs	2		11	
Add: Loss on foreign exchange forward contracts	-		3	
Deduct: Tax expense associated with sale of business	-		(7)	
2014 - Adjusted	\$ 1,593	35.8%	\$ 206	31.6%
2013 - As Reported	\$ 1,583	36.2%	\$ 183	31.5%
Add: Restructuring charges and related costs	61		34	
Add: Acquisition transaction costs	-		3	
2013 - Adjusted	\$ 1,644	37.6%	\$ 220	32.3%



Reconciliation of GAAP and Non-GAAP Financial Measures

(\$ millions, except per share)

Second Quarter

	Continuing Operations		
	EBIT	Net Earnings	Diluted EPS*
2014 - As Reported	\$ 361	\$ 235	\$ 0.74
Add: Restructuring charges and related costs	13	5	0.02
2014 - Adjusted	<u>\$ 374</u>	<u>\$ 240</u>	<u>\$ 0.76</u>
2013 - As Reported	\$ 277	\$ 171	\$ 0.54
Add: Restructuring charges and related costs	48	30	0.09
2013 - Adjusted	<u>\$ 325</u>	<u>\$ 201</u>	<u>\$ 0.64</u>
% Change	15%	19%	19%



*May not add due to rounding



Reconciliation of GAAP and Non-GAAP Financial Measures

(\$ millions)

Second Quarter

	<u>EBIT</u>
2014 - Adjusted	\$ 374
Deduct: Kelsen and Plum earnings	(10)
2014 - Adjusted, less acquisitions	<u>\$ 364</u>
2013 - Adjusted	\$ 325
% Change	12%



Reconciliation of GAAP and Non-GAAP Financial Measures

(\$ millions, except per share)

Six Months

	Continuing Operations		
	EBIT	Net Earnings	Diluted EPS
2014 - As Reported	\$ 666	\$ 416	\$ 1.32
Add: Restructuring charges and related costs	36	20	0.06
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>\$ 711</u>	<u>\$ 449</u>	<u>\$ 1.42</u>
2013 - As Reported	\$ 645	\$ 403	\$ 1.28
Add: Restructuring charges and related costs	91	57	0.18
Add: Acquisition transaction costs	10	7	0.02
2013 - Adjusted	<u>\$ 746</u>	<u>\$ 467</u>	<u>\$ 1.48</u>
% Change	-5%	-4%	-4%



Reconciliation of GAAP and Non-GAAP Financial Measures

(\$ millions)

Net Debt

	<u>January 26, 2014</u>	<u>January 27, 2013</u>
Short-Term Borrowings	\$ 1,958	\$ 1,489
Long-Term Debt	2,247	2,940
Total Debt	<u>\$ 4,205</u>	<u>\$ 4,429</u>
Less: Cash and Cash Equivalents	(293)	(410)
Net Debt	<u>\$ 3,912</u>	<u>\$ 4,019</u>



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

