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CPB - Campbell Soup Co at Consumer Analyst Group of New York Conference

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CORPORATE PARTICIPANTS

Denise Morrison *Campbell Soup Company - President and CEO*

Anthony DiSilvestro *Campbell Soup Company - SVP and CFO*

CONFERENCE CALL PARTICIPANTS

Rob Moskow *Credit Suisse - Analyst*

PRESENTATION

Rob Moskow - *Credit Suisse - Analyst*

So our next company presenting today at CAGNY is Campbell Soup. But first I want to thank the Campbell Soup management team for sponsoring our lunch today and just to say we could not do this event without your unwavering support. Thank you very much. We get to do it outside and it is a beautiful day.

Campbell Soup is an $8 billion food company with an enviable portfolio of dominant brands in big important categories. And in recent years the management team has made some tough strategic decisions about rightsizing its organization, shedding non-core businesses and implementing zero-based budgeting and as you can see from yesterday's release, those actions are having a very positive impact on shareholder value and margins.

But in her tenure as CEO, Denise Morrison has challenged Campbell and the industry as a whole to improve its transparency on food ingredients and satisfy the growing demand for health and wellness offerings. And these steps have set the stage for Campbell to become a faster growing company that is much more in sync with dynamic changes in consumer demand.

So without further ado, please join me in welcoming Denise Morrison and her team.

Denise Morrison - *Campbell Soup Company - President and CEO*

Thank you, Rob, for that kind introduction. Good morning. It is great to be back here in Florida with all of you. Before I get into my formal remarks, I wanted to call your attention to our breaking news. Yesterday we raised our full-year earnings guidance for 2016 due to better than expected performance in the second quarter. Following my remarks this morning, our CFO, Anthony DiSilvestro, will provide a strategic financial overview that will touch on our new guidance. We will discuss this topic at length when we report our second-quarter results next Thursday.

This year marks the fifth time that I've had the opportunity to address this conference as President and CEO of Campbell. I have always viewed CAGNY as a platform to provide a broad overview of our industry, share observations and insights about consumers, and discuss major industry dynamics and highlight the evolution of Campbell. You know as I began preparing for this year's conference, I reflected on the massive changes that have occurred in our industry and our world since I became Campbell's CEO. It is a radically different place today with far more complexity and uncertainty than it was a mere five years ago.

Now there are those that yearn for simpler times but not me. The here and now is one of the most energizing times to be in the food industry marked by sweeping social and economic changes and filled with both serious challenges and intriguing opportunities.

The food industry is in the midst of a true revolution. We are living in a time of momentous change that is reshaping the way we grow food, the way we make food, the way we market and sell food and the way we eat food. We have to take a closer look at the forces fueling the food revolution because if we don't, we all risk being left behind.

As I have said from this stage before, the seismic shifts impacting the industry are a function of broader societal changes. They include everything from demographic and economics to the fusion of technology and health and well-being. These seismic shifts are morphing and building momentum toward major disruption. New shifts are emerging with new implications. We are at a critical inflection point in the food business and the future promises more of the same.

We can't understand our industry if we don't first understand the world around us. Global financial markets and political capitals are grappling with weakening economies and security concerns. Like many companies, we are facing challenging conditions in many of the countries where we operate from mature markets such as Australia, Canada and the United States to developing markets like China and Indonesia.

In the US, we are seeing pockets of economic improvement, certainly conditions are more positive than they have been in years but there is no denying that the gap between the haves and the have-nots is widening, casting a long shadow over the lives of many Americans.

This country was built around the promise of a middle-class lifestyle. The American dream has defined the middle class for the better part of a century with its familiar symbols and aspirations, two cars in the driveway, homeownership, family vacations and a good education for your children. Simple and attainable goals. But the American middle class is slipping away. It has declined as a percentage of the population for every decade since the 1970s. Middle income households are no longer the majority in the United States and the rung below the middle class is growing.

More than 46 million Americans are living in poverty and the same number receive government assistance for food. Our consumers are under enormous pressure, a lot of economic pressure and Campbell's is positioned to provide them with greater access to nutritious, healthier foods. This is nothing new.

Back in 1897, Campbell's visionary, Dr. John Dorrance pioneered good, affordable food in America with condensed soup. At that time this brilliant entrepreneur asked himself these questions. Are the ingredients of a grade we would serve at our own table? Does the combination appeal to our own sense of smell and taste? Is the price within reach of most pocketbooks? That philosophy and entrepreneurial spirit are as true today at Campbell's as it was 100 years ago. We are still asking ourselves variations of these same questions.

We believe we have a duty to address this in a way that benefits society and propels our business forward from continuing to improve the quality of our products to making healthier nutritious food more accessible and affordable to more people.

Outside the US there is a different economic picture. Despite short-term dislocations in developing markets, the middle class continues to expand around the world in places like Asia and Latin America. Developing market's economies are expected to grow by 4.3% in 2016 but Asia's growth is projected to be above that average and well above the growth in developed markets.

We recognize that developing markets will account for the preponderance of growth in consumer industries including food over the next several years so it remains important for Campbell to build scale in these markets such as Asia, one of our primary areas of focus.

Switching gears to the second seismic shifts, demographic swings. Many of you have heard me discuss the implications of the rising millennial generation. We have hit a tipping point here as millennials are becoming increasingly dominant in society. For the first time millennials outnumbered baby boomers at Campbell's World Headquarters accounting for more than one-quarter of our employees and they are coming of age throughout Corporate America. In fact, they surpassed Generation Xers as the largest generation in the US labor force. And as they continue to advance their careers and their earning power, this generation's values are becoming more mainstream and they will continue to influence everything from culture to workplace policies to food trends.

And look out, because the next generation is nipping at their heels. In just a few short years, the first wave of Gen Z college graduates will enter the workforce. Generation Z is about 60 million strong with a deep sense for the importance of purpose in the world. This post 9/11 generation is markedly different than millennials in number of aspects. With their formative years spanning the great recession, Gen Z has had a front row seat to the financial struggles of their parents and their siblings and the stress and uncertainty it created.

It shocks me to realize that they have less faith in the American dream. They are more risk-averse than the millennials and seek careers that are more worthwhile and stable. Like millennials, Gen Z is fully fluent in the language of technology. While they may not be the first digital natives, they are the first smartphone generation. They process information instantly and lose interest just as quickly. They are a far more diverse group than their predecessors so it is no wonder that their views on social, racial and cultural issues are radically different than previous generations.

The mash up of these two large generations will soon replace Baby Boomers and Gen Xers as the dominant forces in our society setting the trends and defining the culture and we can all count on the fact that they will have different values than our own.

Another sea change is the redefinition of the family, especially as developed markets become increasingly multicultural. The traditional image of mom and dad sitting down at dinner for 6 PM which two kids and a golden retriever is as outdated as a typewriter. Today's families are a mosaic of ethnicities, cultures and generations and same-sex orientations. America is quickly becoming a polycultural society with diverse tastes and norms which will clearly increase demand for new ingredients, new flavors and new cuisines. The days of a one-size-fits-all approach are long gone for all of us.

Turning to the third seismic shift, digital. We live in an on-demand, always on network world where information and commerce are a swipe away. Technology has been altering the marketing landscape for some time and e-commerce continues to grow as consumer demand for new delivery models for everything from electronics to clothing to food exists. But the real game changer in this space is mobile. The number of mobile devices in the world from tablets to smartphones now exceeds the number of people on the planet. As a result. consumer's ability to access information, communicate and make transactions has never been easier.

Industry watchers expect total mobile commerce to reach nearly $150 billion in the US by 2019. This explosion of mobile devices is replacing the traditional shopping process with an individualized more automated experience. With helpful suggestions built in along the way, they send consumers social media interest and search patterns. Right now empowered consumers can order almost anything online and have it delivered the very same day.

Beyond convenience and ease of use, digital continues to drive consumers' veracious appetite for information. People want to know how and where their food is made. People want transparency and for consumers, there is no middle ground. Your company is either transparent or it is not.

That brings us to the fourth shift, increasing consumer demand for healthier, real foods, foods with fewer artificial ingredients and minimal processing. For many this means fresh and simple.

Nearly 70% of adults indicate that fresh is an important attribute when buying food. You see the impact of this shift everywhere from the grocery store to the changing nature of fast food. And while fresh foods continue to drive growth in the perimeter of the store, we are also seeing a center store reinvention fueled by purpose driven brands that are making simple and better for you foods.

The major inflection point within this shift is the fusion of health and technology. We call it wired for well-being and it will have a profound impact on consumers' food choices. People will soon make decisions about what to eat or what not to eat based on individual needs. They are already leading quantified lives, tracking their activities and fitness through wearables that measure every aspect of their overall health.

The emerging trend in this area is biomonitoring. We are seeing it in healthcare and in medicine and it is only a matter of time before it comes to the food industry. In the future consumers will no longer wonder about the right food for them because biosensors will scan their metabolism and recommend the right diets.

So stepping back now, how do we make sense of the monumental changes taking place in our industry and our world? What does it mean for all of us?

First, middle class consumers in the US are feeling intense economic pressure. Their spending habits are cautious and restrained, impacting the type of foods they buy and the frequency of those purchases. In contrast, the middle class continues to expand in developing markets.

Second, a big generational blend is defining cultural norms and preferences.

Third, technology is making it easier than ever before for people to purchase almost anything at almost any time.

Fourth, consumers are seeking fresher and healthier foods and measuring and managing their well-being.

And finally, a byproduct of the digital age is a growing distrust of established institutions from governments to legal systems to media and yes, large food companies. Is it really a surprise that consumers are anxious with the enormity of change swirling around them? These seismic shifts are contributing to the challenging operating environment and as a result, sales growth remains elusive for food companies especially in traditional center store categories. We all know how the food industry has responded with aggressive cost-cutting, consolidation, spinoffs, acquisitions and new budgeting disciplines.

So welcome to the brave new world of food in 2016. Quite a dramatic difference from when I first addressed this conference and when the food industry was growing at an average of 5% annually.

While the industry has changed quite a bit since February 2011, so has Campbell. We are not done by any stretch of the imagination. Several years ago we recognized the early signs of these shifts and we started taking action. Our purpose in the four strategic imperatives that we are pursuing provide a roadmap to deliver sustainable, profitable growth and to navigate the changing landscape.

This morning I will update you on our progress since we last discussed these imperatives with you in July at our Investor Day in Camden.

As I have discussed before, our purpose, real foods that matters for life's moments, has been the single most important cultural change at Campbell. It has fundamentally altered the way we think, talk and act about our food. It is our North Star that guides our thinking and serves as a filter for decisions. I describe it as equal parts aspiration, inspiration and perspiration.

Aspiration in that it has set a lofty standard for us to live up to. Inspiration in that it has truly engaged and motivated our entire Company. And perspiration in that it is important and challenging work for everyone from our chefs to our marketers.

These seven simple words have instilled a challenger mindset and unified us, our core businesses and the new companies we have acquired. It has created a bond between the old and the new, fusing the scale, capabilities and heritage of a Fortune 500 enterprise with the attributes and the soul of a small agile startup.

As a purpose driven company, we recognize that people, even our own employees are questioning food. They are demanding to know how and where it is grown and why certain ingredients are used and whether it comes from a sustainable source. Transparency is the new coin of the realm.

That is why we launched whatsinmyfood.com to set a new bar for openness about our food. Since its launch this summer, we have shared information on more than a dozen of our brands including our icon soups and we are adding more every day. This information will fit nicely with the food industry's new smart label initiative.

In July, I spoke about our goal of setting the standard for transparency in the food industry. This stems from our belief that consumers have the right to know what is in their food. People have an insatiable appetite for transparency and expect information in a variety of ways from instantaneous digital disclosure through mobile to more detailed information on websites and they expect it to be no further than a fingertip away.

This commitment to transparency is an important step for Campbell and it has played a critical role in a decision we recently made.

Let's talk about the moose on the table. Everyone here knows that one of the most pressing issues facing the food industry is genetically modified organisms or GMO labeling. There has been a chorus of discord for years. Everyone also knows that the majority of Americans want GMOs labeled. For years Campbell along with the rest of the food industry has advocated for a voluntary federal solution to preempt the state by state laws that are emerging such as Vermont's legislation.

But both the issue and Campbell has evolved. In January, we announced our support for comprehensive federal legislation for mandatory national GMO labeling. The time has come for the federal government to level the playing field and provide food companies with clear direction, definitions and standards for disclosure. The time has come for a new level of transparency. The time has come for mandatory national standard for GMO labeling. If not, all of us will be faced with a patchwork of state laws. Along with the rest of the industry, Campbell strongly opposes the state by stage approach. It is costly, it is impractical and it is confusing.

Let's be clear, the Vermont law is not helpful to consumers. It is incomplete, arbitrary and misleading. It doesn't even require the labeling of USDA-regulated product and provides a lot of other loopholes.

I want to state clearly and unequivocally that our decision was not a question of safety. We believe GMOs are safe, the science tells us so. GMOs are pervasive in our food system. In fact, over 90% of canola, corn, soybean and sugar beets in America are grown using genetically modified seeds. These crops are used to make the foods we all eat every day and we will continue to use them in our food. We also believe the technology will play a crucial role in feeding the world on a sustainable basis. For us and for you, it is a simple question of transparency.

This approach to transparency is allowing Campbell to engage in a different kind of dialogue with consumers and begin to address the issues that are most meaningful to them. It has also accelerated our efforts to make significant changes to our recipes and to the ingredients we use. At our Investor Day in July, we talked about removing certain artificial ingredients from our current portfolio. Since then we have made many changes. We have put in place new product development requirements in our America Simple Meals and Beverages Division. We call it the no-go list, no artificial flavors or colors, no added preservatives, and no MSG. These ingredients will not be used in any new product we are creating in the Americas Division and we will continue to look for ways to reduce our use of high fructose corn syrup.

This is bigger than just removing certain ingredients from our products. It represents the start of a real food design philosophy, one that harkens back to our roots and is based on those questions that Dr. John Dorrance asked. Are we using high-quality ingredients that people recognize that we would serve at our own table? Does our food taste and smell delicious? And is it affordable and accessible to most people?

As we answer these questions, we will ensure that the food we make is the food that consumers want, real food that tastes great that is made with real ingredients and fits into their real lives. Over the next several years, we will be making more meaningful changes in the ingredients we use and how we develop our products. These changes are not easy. They require a great deal of ingenuity and resolve. But these changes are necessary to meet the increasing consumer appetite for good, healthy, affordable food and for us to live up to our purpose. Over time we believe these efforts will enable us to appeal to new generations of consumers that have far different tastes and expectations.

This is just one way that we are connecting with consumers in new ways. Another is through marketing. Our approach in this area has evolved over the past several years partly due to the changing consumer landscape, partly due to our insights and partly due to what we have learned from the companies we have acquired.

Case in point is our new Made For Real, Real Life advertising, our first integrated soup portfolio campaign in more than five years. Developed in response to the seismic shifts, the campaign is inspired by how Americans are living, eating and engaging with each other and with their food. It holds up a mirror to what the American family looks like today from traditional families to single-parent households to same-sex couples.

Response to the campaign has been positive especially among women and younger consumers. It is getting people to think about Campbell in a different light.

This year we took steps to ensure that we are connecting to the right consumers in the right places. We increased the weight of our digital media in our soup marketing to 33% from 20% a year ago. Overall, we continue to expect digital to represent about 40% of our total marketing spend across the Company this year.

To complement our digital marketing, we continue to develop e-commerce capabilities in both the United States and other regions with an eye on markets like China where e-commerce is growing even faster than it is here.

Now let's turn to health and well-being, a strategically important area for Campbell. There are several components in this space from driving scale on the perimeter to reinventing the center store with organic and pure and simple products. The gravitational pull of fresh foods is strong for both consumers and customers. We are creating a unique position in this space through our Campbell Fresh Division.

With C-Fresh, we have a $1 billion refrigerated platform that includes juices, simple meals, snacks, dressings, dips and produce, including the garden fresh gourmet portfolio that we acquired in June 2015.

Let me spend a moment on why this faster growing business is so important. C-Fresh is part of the $19 billion Packaged Fresh category and is positioned at the epicenter of the growing demand for fresh and healthy foods. People are striving to take better care of themselves and their families and we know that once they adopt this healthy lifestyle, they stay on the path and they don't go back. This holistic approach to health and well-being is not a fad or a trend, it is a fundamental societal shift and we expect it to accelerate.

Consumers adopting this healthy lifestyle are extremely brand centric and we a have great stable of appealing brands in Bolthouse Farms and Garden Fresh Gourmet and we are actively seeking to add others through innovation and smart external development. We will continue to invest and nurture these vibrant health focused brands and deliver new on trend products across the C-Fresh portfolio.

For instance, we have our strongest Bolthouse Farms innovation line-up in years with 14 new products hitting shelves this spring across beverage and dressings. We are expanding 1915 by Bolthouse Farms, an ultra-premium coldpressed organic juice. We will launch six new items including the first plant-based protein drink in this category.

Since acquiring Bolthouse, we have made several investments to expand capacity for both beverage and salad dressing and we will continue to support other growth areas within C-Fresh. We believe this approach will drive growth, inspire the fresh revolution and lead to systemic changes in the food system.

Beyond the fresh space, we are pursuing innovation to accelerate growth in other aspects of health and well-being including center store categories. The center store is ripe for reinvention. While traditional center store categories are growing only 1%, it continues to be one of the most profitable areas of the store for retailers and food makers and we see growth opportunities in the organic and pure and simple segments of the market.

We have taken a number of steps in this area already with the launch of a wide range of products such as Campbell organic soups, Swanson organic stock, Pace organic salsa and Campbell's dinner sauces where we use familiar ingredients and no artificial colors and flavors. We have additional plans to reinvent the center store.

We will continue to expand into mainstream organic and pure and simple offerings in the second half of this fiscal year with Prego Farmers Market sauce, V8 Veggie Blends and three new varieties of Goldfish made with organic wheat. And we are extending our Plum portfolio with easy prep meals, baked snacks and even Plum organics infant formula.

As I outlined earlier, the food industry is being transformed by the fusion of food, well-being and technology. New business models are emerging at every step of the value chain from farming and agriculture through food home delivery. There is a massive influx of venture capital aimed at disrupting the food ecosystem flowing from traditional VC firms and from funds managed by large food companies. Since 2010, approximately 400 food startups have received more than $6 billion in funding.

Today, our participation in that space has been limited. We have made some direct early stage investments in startups such as Juicero, a Silicon Valley Company that is innovating within the fresh food space through new technology. However, we believe a more strategic and methodical approach is required in this area.

We are announcing today that we are partnering to form a new $125 million venture fund to more fully participate in these growth opportunities. Acre Venture Partners will be an independent fund managed by outside partners. Campbell will be the sole limited partner in the fund.

We believe that defining the future of real food requires new approaches, new business models, smart external development and an ecosystem of innovative partners.

Now let's discuss faster growing geographies and our commitment to increase our footprint in developing markets despite the current volatility. Through our Global Biscuits and Snacks Division, we are expanding into faster growing spaces while also managing our margins. This new divisional structure unifies our Arnott's, Kelsen and Pepperidge Farm brands under one operating unit.

Now as an integrated organization, we can fully leverage all of our assets and capabilities across the globe. Our Global Biscuits and Snacks primary operations are located in two developed markets, the United States and Australia and two developing markets where we have footholds in China and Indonesia. This morning I will focus on China.

While it is a small part of our business today, China represents a significant growth opportunity for Campbell over time. China's $10 billion biscuit category is growing at nearly 9% despite the current economic slowdown. Since our 2013 acquisition of the Kelsen Group, we have made the expansion of this business a key priority. The heritage and authenticity of these ultra-premium butter cookies have made Kelsen a sought after gifting item in Hong Kong and Southern Chinese cities for nearly 30 years. This year we began working with new distribution partners and unveiled improved marketing that highlights Kelsens prestige and history. We have just completed our biggest season, the traditional gifting season leading up to Chinese New Year.

Looking ahead, we are beginning to increase our e-commerce activities in China. This represents a significant opportunity for our advantaged biscuit and snack brands including the Kelsen portfolio, Goldfish and Tim Tam. China has more than 600 million Internet users and nearly 50% of them shop online.

As I mentioned earlier, China's e-commerce market is larger and faster growing than the US. It accounted for nearly 13% of total retail sales in 2014 and analysts estimate that e-commerce will account for 20% of total retail sales by 2019.

As we build capability, the breadth and accessibility of e-commerce platforms in China will be instrumental to our growth as we stretch into new cities across the southern and eastern provinces and establish go-to-market plans for our priority global biscuit brands.

With our new organization structure in place and experts in category development, digital and consumer marketing, we are poised to claim a greater share of the $92 billion global biscuits category.

Before wrapping up, I want to spend a moment on our enterprise redesign. Last year at this conference, we outlined a series of momentous changes to our Company including a redesigned organization, a major cost savings initiative and over the last 12 months, we have given Campbell's an extreme makeover that is enabling a new approach to the changing consumer and changing marketplace.

We have successfully implemented significant changes to fully align our enterprise structure with our strategy and created three new divisions with clear portfolio roles that Anthony will talk about in a minute.

While it is still early days, these divisions are beginning to deliver against their defined roles within our enterprise strategy. To fund our growth while improving returns to shareholders, we also made other important changes. We began implementing a three-year $250 million cost savings initiative that is delivering earlier than expected benefits. In fact, yesterday we announced an increase in this cost savings target to $300 million. We created integrated global services to provide shared services to our divisions more efficiently and effectively and we initiated the first phase of zero-based budgeting to instill greater cost discipline and created ownership mindset among all of our employees.

All of these actions have had positive impact on our costs and over time will contribute to our culture. As a result, we are now far better positioned to execute our strategic imperatives and have greater flexibility to invest in longer-term innovation models.

Many things have changed since the first time I addressed you as Campbell's CEO. If you look closely and specifically, it is clear that we are a vastly different company than the one we were just five years ago. We have added four growth engines and more than $1.2 billion in sales through acquisitions. We have exited slower growing businesses, we have increased our rate of innovation, we have grown our global biscuits and snacks in our core markets and are expanding our geographic footprint in Asia.

We have created an entirely new Packaged Fresh platform in C-Fresh and we have shifted our center of gravity by diversifying our portfolio. Soup is a very important category and will remain an important business for our Company for years to come but today soup accounts for 34% of our portfolio sales compared to 40% in 2011.

Through our purpose, we have rediscovered the soul of our Company. We are taking the lead on challenging issues facing the food industry. We are standing up for what is right and we are making the necessary changes to be more appealing to new generations of consumers.

We have come a long way but we are not satisfied. We know we have more hard work ahead to drive topline growth and complete our strategic transition but I am confident that we are on the right path.

Listen, if you apply the Andy Warhol filter to our Company, if you view us strictly through the lens of the iconic can, then you are completely missing the big picture. The clearer lens is the one provided by Dr. John Dorrance, that is our heritage of making good nutritious food that is within the reach of most pocketbooks. We are building on our past to create our bright future and the best is yet to come.

Now it is my pleasure to turn it over to Anthony DiSilvestro, our Chief Financial Officer. Thank you.

Anthony DiSilvestro - *Campbell Soup Company - SVP and CFO*

Thanks, Denise, and good morning. It is a pleasure to be back at this CAGNY conference and update you on the progress we are making at Campbell in transforming our Company.

I will begin with a brief overview of our preliminary second-quarter results and changes to our 2016 guidance which we announced yesterday. At this conference last year, we discussed a number of new initiatives to drive profitable growth and create value for our shareholders. These initiatives include our redesign division structure and also our cost savings program which leverages a zero-based budgeting approach. I will review the strategic actions we have taken to position our portfolio for growth. And lastly, discuss our priorities for the uses of cash and then wrap up.

While our second-quarter earnings call is scheduled for next week, we felt it was important to share with you a preview of our second-quarter results and the impact on our full-year guidance. At the top line, reported net sales for the second quarter will decline by approximately 1% reflecting the negative impact of currency translation partly offset by the acquisition of Garden Fresh Gourmet. Organic sales are expected to be comparable to the prior year.

We estimate that second-quarter adjusted EBIT will increase by approximately 26% benefiting from improved gross margin performance and better-than-anticipated cost savings. At approximately $0.87 per share, we expect adjusted EPS to be up 23%. These bottom-line results are stronger than we anticipated and as a result, we are revising our full-year guidance as shown on the next chart.

Compared to 2015, we continue to expect sales to change from minus 1% to 0% with currency translation now having a 2 point negative impact while the Garden Fresh Gourmet acquisition is contributing 1 point of growth. Reflecting improved gross margin performance and cost savings in excess of our previous target, we now expect adjusted EBIT to increase by 10% to 13% and adjusted EPS to grow by 9% to 12% in the range of $2.88 to $2.96 per share.

Relative to our previous growth rates, we have raised our ranges for adjusted EBIT and adjusted EPS by 6 points and 5 points respectively. We will discuss second-quarter results and this guidance in more detail on our earnings call next week.

Our new enterprise structure aligns our business operations with our core growth strategies. The new structure has been operating for over six months and we are pleased with how the organization has transitioned and are focused on their respective portfolio roles.

For those not familiar with Campbell, I will take a minute to review our businesses. To get you grounded in 2015, Campbell had annual sales of over $8 billion and generated $1.3 billion in adjusted EBIT. Our largest division, Americas Simple Meals and Beverages, brings together all of our soup, simple meals and beverage units in the US, Canada and in Latin America. The division includes many leading brands including Campbell's, Swanson, Prego, Pace, V8 and Plum. In fiscal 2015, the division represented 55% of our sales and with a 21% operating margin is our core economic engine generating just over two-thirds of our operating earnings.

Global Biscuits and Snacks unites a number of iconic brands, Pepperidge Farm in the US, Arnott's, the number one biscuit brand in Australia and New Zealand, and the Kelsen business which extends our geographic reach into China. This division contributed one-third of Company sales and 28% of operating earnings on a 15% margin.

The Campbell Fresh Division or C-Fresh, gives us strong presence in the Packaged Fresh category and includes the higher growth of Bolthouse Farms portfolio of refrigerated beverages and salad dressings, Campbell's retail refrigerated soup business, and the recently acquired business of Garden Fresh Gourmet. In addition, C-Fresh also includes our fresh carrot business.

With 2015 sales of approximately $1 billion, the division generated about 12% of sales and 4% of our operating earnings on a 6% operating margin. With higher margins on the faster growing CPG businesses relative to the carrot business, we see significant margin expansion opportunity. In the first quarter of fiscal 2016, we made good progress on margin and we expect that trend to continue.

Importantly, each of our three divisions has a clear role in the portfolio. In Americas Simple Meals and Beverages, we are targeting moderate sales growth consistent with the growth in its categories. Leveraging our cost savings program, net price realization and supply chain productivity, our goal is to expand margins in this division to generate funding for growth and to drive bottom-line results.

In Global Biscuits and Snacks, we will invest to grow our business in our existing markets principally Arnott's in Australia and Pepperidge Farm in the US. We will expand our business internationally in developing markets like Indonesia and China where we have small businesses today and through external development. We will also capitalize on opportunities to leverage our scale and to reduce costs.

In C-Fresh, which participates in the growing $19 billion Packaged Fresh category, we will build our scale by accelerating organic growth in our existing categories. We will also expand into adjacent categories across the perimeter of the store, both organically and through external development, Garden Fresh Gourmet being a great example.

Across all three divisions, we have many powerful brand equities with strong positions in their respective categories.

Last year at CAGNY, we discussed a comprehensive reorganization and a three-year cost savings program leveraging a zero-based budgeting approach and targeting annual savings of $200 million. In July, we increased the 2018 annual savings target to $250 million and given the better-than-anticipated results, we are now taking our target up to $300 million, just under 4% of sales. As a reminder, these savings are in addition to our ongoing supply chain productivity program in which we target annual savings equal to 3% of cost of products sold.

We have reduced our headcount by eliminating layers of management and increasing spends of control, implemented through a voluntary separation program and an involuntary downsizing.

We have also created an integrated global services organization housing elements of finance, IT, HR, procurement and marketing services designed to both improve our effectiveness and reduce costs.

We have also realized savings across several non-headcount categories including travel, consulting and marketing services as we implement zero-based budgeting. We are making good progress. As shown on the chart, we achieved savings of $85 million in fiscal 2015 and expect to finish fiscal 2016 with run rate savings between $205 million and $225 million, on track to deliver $300 million by 2018.

As we said when we unveiled our cost savings program, we expect one-third to come from headcount related savings and the balance from non-headcount savings across a number of cost categories. From a P&L perspective, about one-half of the savings will impact the COPS line and the balance across marketing and selling and administrative expense.

The non-headcount savings are coming from expense reductions across a number of cost categories as we implement ZBB with aggressive spending targets, policy changes, new control and monitoring systems and new budgeting practices. We undertook a detailed analysis of our spending in the cost categories listed, benchmarked our spending against best-in-class competitors and set target reductions for each category. For many of the overhead cost categories, we have implemented new policies which are reducing the price and overall consumption. In other more complex categories such as transportation, we have conducted in-depth analysis to identify specific cost reduction opportunities.

Within our key overhead cost categories, we will fully implement ZBB in fiscal 2016 and we will continue to expand from there. We believe that a ZBB approach will add discipline to our process enabling us to achieve and sustain targeted cost reductions.

Our organization is quickly adapting to this new approach as early policy changes and demand management are delivering savings earlier than anticipated.

At our Investor Day last July, we revised our long-term target to reflect the current marketplace as well as the anticipated benefit of our cost savings program. We are targeting organic sales growth of 1% to 3% in line with the growth in our categories. We will continue our efforts to reshape the portfolio for higher growth by leveraging external development and by pursuing organic growth opportunities.

Our long-term earnings growth targets which exclude the impact of currency translation, have adjusted EBIT growing 4% to 6% and adjusted EPS benefiting from cash flow growing by 5% to 7%. Our $300 million cost savings initiative will enable us to expand our margins over time and provide investment funding for growth.

Over the past few years, we have taken a number of strategic actions to reshape our portfolio, drive profitable growth and create shareholder value. We have taken actions to strengthen and align our portfolio with our growth strategies including four acquisitions, Bolthouse Farms, Plum Organics, Kelsen and Garden Fresh Gourmet, which all operate in higher growth categories. We divested the lower growth Simple Meals business in Europe and exited Russia.

Since 2011, we have closed five plants and implemented initiatives focused on supply chain efficiency. We have implemented major cost savings initiatives including our enterprise redesign and ZBB implementation.

Our strategic actions have helped diversify and strengthen our category mix. Obviously soup is very important to Campbell, it is a profitable part of our business and in the US we are the share leader in this very important category.

But Campbell is much more than soup. While soup makes up about one-third of our sales, two-thirds of our sales come from the many other powerful brands and product categories that are not only vital to our growth but resonate with our consumers and our retailers.

Biscuits and Snacks which includes Pepperidge Farm, Arnott's and Kelsen makes up over 30% of our sales. Prego Italian sauce, Pace Mexican sauce, Plum and Garden Fresh Gourmet are just a few of the brands in Simple Meals, 21% of our sales in aggregate. V8 and Bolthouse Farms beverages account for 14% of sales.

Looking ahead as we pursue our dual mandate and expand into higher growth spaces, we will continue to reshape our portfolio.

Now changing topics, I would like to review our priorities for the use of cash, a discussion which starts with our ability to consistently generate a significant level of cash from operations averaging over $1 billion annually.

While we dipped below $1 billion in fiscal 2014, this reflects the impact of cash taxes paid on the divestiture of our European Simple Meals business. We made a step change in 2015 on improved working capital performance, wrapping the taxes paid on the European divestiture and lower pension contributions. We anticipate another strong year in fiscal 2016 generating approximately $1.2 billion in cash from operations.

In addition, as we've repaid much of the debt incurred to support recent external development, our balance sheet metrics are strong providing additional flexibility to pursue our strategies including disciplined external development.

At the end of fiscal 2015, interest coverage was 15 times and net debt to adjusted EBITDA was just 2.4 times.

Our priorities for the uses of cash have not changed. First, we will make capital investments to support and grow our existing businesses. Second, we target a competitive dividend payout ratio with the expectation that dividends will increase over time with earnings. Third, we will continue to fund acquisitions when we are confident those investments are strategically compelling, improve our growth profile and create shareholder value. Lastly, to the extent there is excess cash generated and we are comfortable with our leverage ratios as we are today, we will use share repurchases as a flexible and effective means of returning funds to shareholders.

As you can see on the chart, over the five-year period ending fiscal 2015, we have utilized $1.6 billion to $1.9 billion of cash on each of these four uses. I will comment on each priority in more detail.

On average, we spend about 4% to 4.5% of sales on capital expenditures. This includes amounts to maintain our asset base and importantly on projects which generate an economic return by increasing capacity or by reducing costs. In 2016, about one-half of our spending is on projects which are expected to generate a positive economic return.

The total 2016 estimated spend of $350 million includes capacity additions to support Bolthouse Farms, Goldfish Crackers and our developing market businesses Indonesia and Malaysia.

On the cost side, we are completing our soup common platform initiative which by providing the capability to produce a common can diameter with varied heights provides us additional capacity and at a lower cost. We are also expanding our warehouse capacity at our Maxton plant as we continue to optimize our supply chain. And in Australia, we are investing in biscuit packaging capabilities to expand our multi-pack offerings.

Our second priority is to return cash to shareholders through dividends. As you can see, our annual dividend has about doubled over the last decade to about $1.25 per share growing at a compound rate of about 6%. Our objective is to maintain a competitive payout ratio and to increase the dividend over time consistent with earnings growth. In fiscal 2015, our payout ratio was just below 50%.

In June 2015, we completed the purchase of Garden Fresh Gourmet for $232 million. The purchase price net of the tax benefits associated with the transaction structure was 12.5 times adjusted EBITDA. Garden Fresh Gourmet is the number one salsa brand, refrigerated salsa brand and also makes hummus, dips and tortilla chips. This acquisition is consistent with our strategy to build scale and accelerate growth in the rapidly growing Packaged Fresh category. The business had net sales in 2015 of approximately $100 million. We expect the acquisition of Garden Fresh Gourmet to contribute 1 percentage point to both our net sales and EBIT growth in fiscal 2016.

We have now made four acquisitions in faster growing spaces, Bolthouse Farms, Plum Organics and Kelsen in addition to Garden Fresh Gourmet. These acquisitions have added over $1.2 billion of revenue to our portfolio and importantly have increased our exposure to higher growth categories and geographies.

Going forward, we will continue to pursue external development opportunities which advance our strategies.

We are creating a new Campbell focused on growth. We start with a portfolio of powerful brands made even stronger with our recent acquisitions and we have a clear understanding of the dynamics facing us in the marketplace. Over the last year, we have made significant structural changes to our Company. We have reorganized and streamlined our division structure assigning each with a clear portfolio role. We have adopted a new operating model with the formation of an integrated global services function to effectively and efficiently support our businesses.

In addition to our ongoing supply chain productivity program, we are implementing a cost savings program designed to deliver an incremental $300 million of savings which will expand margins and provide funding for growth.

We have a strong balance sheet and generate strong cash flows with clear priorities for the uses of cash. All of these changes at Campbell are designed to make us a more agile company better able to compete in the marketplace as we profitably execute our strategies and create value for our shareholders.

I need to mention two items. In our presentation today, we have made forward-looking statements that rely on assumptions and estimates which could be inaccurate and are subject to risk. This slide lists a set of factors that could cause our actual results to vary materially from those anticipated in our forward-looking statements. We have also used non-GAAP measures in this presentation. For reconciliations, please refer to our website.

Thank you. I look forward to seeing you all at lunch.

Rob Moskow - *Credit Suisse - Analyst*

Thank you very much to the Campbell team for presenting today and thank you for lunch. We are not going to have a formal Q&A but the management team will be outside during lunch. Thank you again, Denise and her team.
