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CPB - Campbell Soup Company at Barclays Back to School Conference

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PRESENTATION

Andrew Lazar - *Barclays Capital - Analyst*

Over the past year, Campbell Soup has taken major steps to stabilize and revitalize its core US Soup business, including launching a significant slate of innovation and realigning with key advertising partners such as the NFL. Additionally, the Company has diversified its growth prospects with three key acquisitions, including Bolthouse Farms, Plum Organics and the Kelsen Group.

Before I welcome Denise Morrison up here to the podium, just a couple things. We are handing out presentations as we speak, so you should have all of those. We will have time for a couple of questions at the end of the presentation, but Campbell is unable to do a breakout just as they have got a tight connection and some travel plans. So we will get a couple of questions in right when they are done and then we will go from there. Denise, welcome back.

Jennifer Driscoll - *Campbell Soup Company - VP, IR*

Thank you, Andrew. Welcome, everyone. I appreciate your attendance at Campbell's presentation today here at the Barclays Back-to-School Conference. We do appreciate your interest in our Company and the time you give us to tell our story.

As a reminder, our presentation today includes forward-looking statements, which reflect the Company's current expectations. These forward-looking statements rely on a number of assumptions that are inherent to risk. Please refer to slide 3 in the presentation or to the Company's most recent Form 10-K and subsequent SEC filings for a list of the many fascinating factors that could cause our actual results to vary materially from those that we anticipate in our forward-looking statements.

We will also make use of non-GAAP measures to enhance our explanations of the business performance. The slides accompanying this afternoon's presentations and the reconciliations will be displayed on our website today and in our archives at investor.campbellsoupcompany.com.

A quick overview of Campbell. Our business consists of five reporting segments shown on slide 6. Our US Simple Meals is our largest segment. It includes Campbell's, Chunky, Swanson broth and stocks, Prego paste and Plum Organics now. The Global Baking & Snacking segment is anchored by Pepperidge Farm in North America and Arnott's in Australia Pacific. The international Simple Meals & Beverages segment aggregates Campbell's, V8 and other Simple Meals and Beverage brands in Asia-Pacific, Latin America and China, as well as our retail business in Canada.

The US Beverages segment represents V8, V-Fusion and Splash brands in the United States. Bolthouse & Foodservice includes Bolthouse Farms, our more recent acquisition about a year ago, which produces and makes fresh carrot products, superpremium refrigerated beverages and salad dressings primarily in the United States. Foodservice includes products from all of our categories sold through various Foodservice channels and it also includes our retail fresh soups sold in store perimeters.

For those of you less familiar with Campbell, this slide shows net sales from continuing operations, which were $8.1 billion in fiscal 2013. Our adjusted EBIT of $1.2 billion gave us a margin of about 15%. Adjusted net earnings were $786 million and this excludes the results from our European operations, which we are reporting as discontinued operations.

Campbell is a focus food company. US Simple Meals last year represented more than a third of our sales and half of our profit. Global Baking & Snacking shown in blue also is significant representing about a quarter of the business. We recently acquired Plum Organics offering food from the high chair to the school lunchbox and the Kelsen Group, which offers premium butter cookie assortments. Those are projected to add approximately $300 million to our sales growth in the coming year and 1 point of EBIT growth adding to the orange and blue pie pieces as you look at that chart. So now with that overview complete, I will turn it over to Denise Morrison, our President and CEO. Thank you.

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

Thank you, Jennifer and good afternoon to all of you. It is great to be here in Boston. I am a proud graduate of Boston College, so this is a happy homecoming for me as I begin my third year as Campbell's CEO. Last Thursday, we announced our quarter-four and full-year 2013 earnings and Anthony DiSilvestro, our Senior Vice President of Finance, will review those results today and I am going to focus my remarks on how we are reshaping Campbell and changing our growth trajectory, as well as our plans for fiscal 2014.

When I became CEO in 2011, Campbell was struggling to adapt to new realities in the global marketplace and seismic shifts in our industry, including challenging consumer behavior, changing demographics, the digital shift, the emergence of package fresh and the evolving global culture of food. Sales of our US Soup business had declined. Our innovation pipeline was running dry in Soup and Simple Meals and we weren't pursuing new growth opportunities or attracting new consumers. We had a burning platform to change or become irrelevant and building on our inherent strengths, we developed a new strategic framework to enhance shareholder value by driving sustainable profitable net sales growth.

Guided by this framework, Campbell is steadfastly pursuing three growth strategies -- to profitably grow our North America soup and Simple Meals, expand our international presence and continue to drive growth in snacks and healthy beverages. Our strategic framework translates to a dual mandate -- to strengthen our core business and expand into higher growth spaces, including new categories, segments, channels and geographies and as part of this mandate, we are focused on reaching new consumers like millennials and Hispanics in the United States and new middle-class consumers in emerging markets while continuing to delight loyal consumers who have enjoyed our brands for decades like baby boomers.

In fiscal 2012, we laid the groundwork for our strategic framework and took important steps to stabilize our US Soup business, make brand-building investments, replenish our innovation pipeline with both sustaining and disruptive innovation. In fiscal 2013, we accelerated our progress as we executed our dual mandate. We delivered solid growth in sales and adjusted earnings led by a resurgent US Soup business and we expanded into faster-growing spaces by driving innovation, completing acquisitions and strategic alliances that will change the future growth trajectory of our Company.

Two years into our strategic plan, we are doing what we said we would do with a resolute focus on the future of the Company. In fiscal 2014, we are continuing to execute our plans and strengthen our core business as the first part of our dual mandate. First and foremost, we expect continued growth in US Soup by executing against all the drivers of demand and focusing our investment on our core brands.

To sustain our growth momentum in ready-to-serve soups, we are building on the success of Campbell Chunky soup, a business with $570 million in retail sales. Chunky delivered exceptionally strong growth last year as we launched new varieties and returned the brand's marketing to its core consumer, males with a big appetite for the NFL and for delicious, satisfying soup.

We are launching new pub-inspired varieties of Chunky this year and Clay Matthews of the Green Bay Packers is leading our advertising blitz as our newest Chunky's Mama's Boy. We are also launching new and improved recipes for popular versions of Chunky and we are supporting this dynamic brand with competitive levels of advertising and consumer spending while maintaining a strong focus on distribution, shelving and merchandising fundamentals.

Ready-to-serve soup is a $1.9 billion segment of the category, so we are also pursuing a new growth opportunity with the launch of Campbell's Homestyle soup to compete in the closest to homemade space of the segment. Consumers in this space like to eat right and they appreciate the taste and quality of homemade soups. They represent a big opportunity for us. Campbell's Homestyle soups feature wholesome ingredients with no added preservatives. 29 varieties are in store right now and we are supporting this launch with dynamic merchandising and compelling new advertising. Homestyle replaces our 100% natural line.

More than a century after Campbell introduced the first condensed soup to revolutionize soup manufacturing and change America's dining habits, condensed soup is still found in eight out of 10 US households. We are strengthening our leadership in this $1.7 billion segment, which represents 38% of the wet soup category. We grew our condensed soup business last year and we are determined to expand this $1.1 billion franchise again this year.

To enhance the number one position of our iconic condensed soup, we are expanding our range for kids and unveiling a compelling new advertising that features advice from the wisest kids. This campaign will leverage digital, social and traditional media and we believe it will break through the clutter and reinforce Campbell's strong affinity with families and their children.

Broth is a growth opportunity led by Swanson broth with increased sales last year as the number one brand in the market. The typical Swanson consumer is a passionate kitchen master who loves to cook from scratch and sees our broth as a critical ingredient. So we are responding with new products and recipe ideas, including flavor-infused broth like Mexican tortilla. We are also launching new varieties of Swanson stock and increasing digital marketing support to magnify the brand's presence on Facebook and Pinterest and engage consumers through campbellskitchen.com, which is stocked with delicious recipes.

Overall, you will continue to see our firm commitment to growing our US Soup business the right way. We are enhancing the taste of our soups, positioning them more distinctively in the marketplace and driving better in-store execution. We are rebalancing and optimizing advertising and consumer promotion behind our core brands, expanding multichannel distribution, particularly in value and club and driving innovation. We are putting the consumer first and proving that our soup business is a growth business that is delivering on their needs and desires.

In US sauces, we are focused on building our positions in fast-growing category segments. For example, our Prego brand of Italian sauces has added three new distinctive red sauce varieties to compete in that segment and we are supporting the recent launch of our first Prego white sauces to enter that growing segment. And our white sauces are off to a good start.

In Global Baking & Snacking, we are focused on driving the continued growth of the Pepperidge Farm business, which has been fueled by Goldfish, a powerful brand that continues to expand after more than half a century. To support its future growth, we have made investments in Goldfish production lines, new production lines in Utah and Ohio and our strong marketing plan is leveraging the brand's high level of engagement with families and with children through digital, social and traditional channels.

Beyond Goldfish, we are building our progress in the sweet portfolio. We have returned our Pepperidge Farm cookies business to growth by focusing our investments in three areas -- refreshing our core range, evolving our leading brand, Milano and launching innovation to attract new consumers to the category. We are maintaining strong marketing behind our Milano brand this year and introducing new varieties like our candy cane Milano for the holiday season. Our range of Pepperidge Farm Dessert Shop cookies is performing well and we are continuing to rotate seasonal varieties like our highly successful Caramel Apple and Pumpkin Cheesecake.

While we have delivered vigorous growth in Arnott's business in Indonesia, we are taking action to restore growth in Australia after two challenging years. We are focused on driving productivity and lowering costs in this key market. We are investing $40 million to automate biscuit packaging and we expect this project to generate approximately $12 million in annual savings and accelerate packaging innovation. We are also bolstering Arnott's iconic Tim Tam brand with new flavors and a tempting new biscuit called Chocolicious.

As I said in our earnings call last week, I was disappointed with the declines in the US Beverages and Foodservice business. We have a clear understanding of the issues impacting these businesses and what we need to do to get them back on track, starting with our decision last month to strengthen the leadership.

In US Beverages, we are intensely focused on reinvigorating growth in our shelfstable 100% juice business, which is anchored by our V8 brand. Shelfstable juice is a large and important category and we continue to see great potential. But shelfstable juices have been impacted in recent years by intense competition from the proliferation of specialty beverages, including the dynamic growth of packaged fresh juices.

We have a lot to work with. The V8 brand has matchless health and wellness credentials, rooted in vegetable nutrition with great taste. We are focused on rebuilding this business through a disciplined focus on the drivers of demand as we have done in the US Soup business, aggressive cost management to strengthen margins and by striking the right balance between advertising, promotion and pricing.

To drive growth, we are launching new products like V8 V-Fusion Refreshers, a lighter fruit and vegetable beverage and expanding V8 V-Fusion +Energy, our first entry into the energy drink segment and we are extending our V8 Splash productline, which has delivered growth for seven consecutive years.

Strengthening our Foodservice business is a priority. This business did post lower sales and profit last year, exacerbated by the loss of a major restaurant customer. We are focused on stabilizing our traditional Foodservice business, accelerating the growth of our packaged fresh soup business in the retail perimeter and innovating to change the game with national customers.

To enhance our capability and pursue growth opportunities, we have opened a new line in Paris, Texas to produce fresh, premium quality, ready-to-eat Campbell's soups for national, retail and foodservice customers. And although we expect continued challenge in this away-from-home business, which is a smaller part of our mix, we are taking steps to improve its performance.

As we strengthen our core business, we are continuing to execute the second part of our dual mandate to expand into higher growth spaces. To attract new consumers and drive growth in these spaces, we are accelerating our innovation effort and launching more than 200 new products this year listening to consumers every step of the way.

To pursue growth in the nearly $200 billion dinner segment, we are building on the launch of Campbell's Skillet Sauces by introducing Campbell's Slow Cooker Sauces, which are on store shelves now. With varieties like tavern-style pot roast and apple bourbon barbecue, this new product expands our reach to consumers who own and use slow cookers, which are in more than 80% of US households and used nearly to prepare over 500 million meals a year.

To drive consumer awareness, Campbell is partnering with Crock-Pot, a brand leader of slow cookers and our innovative dinner sauces represent a new category for Campbell's as we aim to attract consumers who enjoy preparing quick and easy meals with a few simple, fresh ingredients.

To reach new consumers like millennials, we will continue to expand in the faster growing premium shelfstable soup segment and we have delivered breakthrough products such as Campbell's GO soup, which deliver bold, on-trend varieties in microwavable pouch packaging.

To expand our Goldfish franchise into new categories and new consumer segments, we are launching new varieties of Goldfish crackers inspired by Hispanic tastes like salsa con queso and new products like Goldfish Puffs, which will extend the brand to snacking teens. And we are testing Goldfish mac & cheese, the brand's first entry into the Simple Meal category.

External development is another key ingredient in our recipe for higher growth. Our acquisitions and strategic alliances in the last 12 months have given us exciting new platforms to expand into new categories, segments and geographies and change our future growth trajectory. We have added a trio of new growth engines -- Bolthouse Farms, Plum Organics and the Kelsen Group -- with combined sales of approximately $1 billion and growth potential we intend to unlock by leveraging our scale and capabilities.

Bolthouse Farms is a leader in the $12 billion packaged fresh food category with its superpremium fresh beverages, baby carrots, and refrigerated salad dressing in the grocery store perimeter. We are making our first advertising and consumer promotion investments behind Bolthouse Farms to drive brand awareness and build its differentiated positioning. We are also pursuing opportunities to expand availability in immediate consumption channels.

We are driving continued innovation at Bolthouse Farms with beverages, expanding its range of salad dressing and planning to launch baby carrot Shakedowns nationally. Shakedowns are healthy, crunchy 25 calorie snacks with unique packaging that enables consumers to add seasonings like chili lime and ranch to the carrots right in the bag.

Bolthouse Farms delivered $756 million in its first year with Campbell's and we see exciting growth opportunities. The business expands to access new consumers with an appetite for fresh foods and healthy lifestyles. The combination of Bolthouse Farms and our V8 franchise gives Campbell's a $1.2 billion beverage business spanning from the center store to the fast-growing perimeter and we are leveraging the capabilities of Bolthouse Farms to introduce V8 Harvest, our first entry in the superpremium packaged fresh juice area under the V8 brand. This breakthrough product is shipping in the first quarter.

Another new business that gives us access to new consumers and a new category is Plum Organics, an innovative brand of premium, organic, simple meals and snacks for infants, toddlers and young children. We see untapped growth potential at Plum Organics, which holds the number two share in the fast-growing premium organic segment of the $2 billion US baby food category.

Plum Organics gives us access to millennial parents and it is a great strategic fit with our $1 billion kids platform. That ranges from Campbell's classic chicken noodle soup, SpaghettiOs, Goldfish and new V8 V-Fusion juices and we are focused on expanding distribution of Plum Organics as we integrate this business.

To expand our international presence, we recently acquired the Kelsen Group, a leading producer of premium cookies with annual net sales of $180 million and popular brands sold in 85 countries. We are enthused about this business because it expands our position in new geographies and gives us a platform for baked snacks in China and Hong Kong.

About one-third of Kelsen's sales are in China and Hong Kong where it is the market leader in the fast-growing assorted sweet biscuit category. Kelsen gives us a broader distribution network in Asia, South America, the Middle East and Africa and will provide potential routes to reach new consumers in the growing $60 billion sweet biscuit market. We are focused on integrating Kelsen and expanding its position in China and we see long-term opportunities to leverage its distribution network and expand Arnott's and Pepperidge Farm brands to China and other markets.

To enhance our future growth in Mexico, we are partnering with Grupo Jumex and Conservas La Costena to expand our access to manufacturing and distribution capabilities in this great market. These commercial agreements have allowed us to create a new business model and we have transferred our manufacturing to our partners and are pursuing opportunities to expand our beverage distribution in Mexico where V8 is a recognized brand and V8 Splash is highly differentiated.

As we have announced previously, we are in negotiations for the potential sale of our European Simple Meals business, which we have classified as discontinued operations for reporting purposes. This potential transaction includes brands such as Liebig in France, Erasco in Germany, Bla Band in Sweden and Devos Lemmons and Royco in Belgium and four plants in those countries. We will continue to export Pepperidge Farm and Kelsen's products throughout Europe and Campbell's products to the United Kingdom.

The strategic rationale behind our choice in Europe is clear. We are focusing our investments, our talent and our resources on iconic brands that we believe we can grow around the world, brands such as Campbell's, Goldfish, Pepperidge Farm, Arnott's and V8 and on new businesses in faster-growing spaces like Bolthouse Farms, Plum Organics and Kelsen brands. And our strategy is to build brand equity, which will create clear value for our shareholders.

Now I have exciting news that reflects our focus on driving breakthrough innovation and external development to expand into higher growth spaces. I am pleased to announce an agreement with Green Mountain Coffee Roasters that will bring Campbell's soup to Keurig Brewers for the first time. Through this partnership, we will launch Campbell's fresh brewed soup K-cup packs to offer consumers the taste and experience of Campbell's soups in a convenient snack that can be prepared with the touch of a button in a Keurig brewer.

This innovation is a first for Campbell's soup, the number one soup brand in the United States, and Keurig, the number one coffee brewer brand in the United States in dollar sales. It is Campbell's first entry into the single-cup segment and Keurig's first step beyond beverages. We have developed Campbell's fresh-brewed soup K-cup packs to meet consumer demand for convenient snacks and mini meals throughout the day. Statistics show that more than half of US consumers are snacking multiple times a day and that 40% of all snacking occasions occur between lunch and dinner.

We believe this product will create new occasions to eat soup at home and in the office and away from home, especially in the afternoon, which we see as an incremental opportunity. Campbell's fresh-brewed soup consists of a broth K-cup pack and an included packet of dried pasta and vegetable blend garnish. Consumers simply brew a Campbell broth K-cup over this garnish to create a satisfying snack in minutes.

We plan to launch our first three varieties in 2014, including Homestyle chicken broth and noodle, and we expect Campbell's fresh-brewed soup will be offered in the aisles and sections of retail stores where Keurig brewed K-cup pack varieties are sold. I believe this innovative partnership represents another important step for Campbell's as we continue to expand in higher growth spaces and it is great news for consumers who love Campbell soups and Keurig brewers as I do.

Now I would like to summarize our plans for this year as we continue to reshape our portfolio for greater growth. We are focused on increasing sales from US Soup and Simple Meals, Global Baking & Snacking and Bolthouse Farms, improving our US Beverages and away-from-home businesses, accelerating innovation with the launch of more than 200 new products, including Campbell's fresh-brewed soup K-cup packs, expanding availability in club, dollar, e-commerce and immediate consumption channels, increasing our packaged fresh offerings in the retail perimeter, driving international growth in new and existing markets with a strategic focus on Asia and Latin America and pursuing smart external development.

As we continue to execute our dual mandate to strengthen our core business and expand into higher growth spaces, we are shifting the center of gravity of our Company one step at a time. After years of dire predictions about the future of soup in a can, we have changed our conversation about Campbell. Our story is now about change, it is about progress, it is about growth. And we recognize that we have much more work ahead of us as we continue to reshape Campbell and enhance shareholder value. But we have come far in just two years and now we are seeing a different and a brighter future for our Company.

Thank you very much and now I would like to bring Anthony DiSilvestro up who will review our full-year results. Thank you.

Anthony DiSilvestro - *Campbell Soup Company - SVP, Finance*

Good afternoon. For the next few minutes, I will provide a brief overview of our fiscal 2013 results, which now reflect our European Simple Meals business as a discontinued operation. I will briefly recap our recent M&A activity and finish with a look at our fiscal 2014 sales and earnings guidance.

We are in final negotiations for the potential sale of our European Simple Meals business and as a result, this business is being reported as a discontinued operation. The chart shows our sales and adjusted EBIT and EPS results for both continuing and discontinued operations and then also on a combined basis. As you can see, continuing operations contributed $8.1 billion in sales, just over $1.2 billion in EBIT and $2.48 of EPS.

The Europe business, shown in discontinued operations, had $532 million in sales, $65 million of EBIT and earned $0.16 per share on an adjusted basis. Putting the two together, sales increased 11% and adjusted EBIT increased by 6%, both at the high end of our 2013 guidance ranges and EPS grew to $2.64, 8% ahead of the prior year and exceeding our previous EPS guidance.

With changes to our financials, both in terms of presentation and impact, we thought it would be helpful to quickly bridge our adjusted results to those in our reported financials as there were several items impacting comparability. We continue to pursue cost-reduction initiatives and have recognized $0.28 per share of restructuring charges and related costs. These include the costs of closing our thermal plant in Sacramento and our more recent decision to close a Pepperidge Farm bakery facility.

In addition, we have incurred costs to streamline our overhead structure in North America and transition to a new business model in Mexico. In connection with the acquisition of Bolthouse Farms in the first quarter, we incurred transaction costs of $0.02 per share. The last two items on the chart were recorded in the fourth quarter and relate to our Europe business. Based on our annual assessment, the fair value of goodwill and intangible assets was below their book value and accordingly, we have recognized an impairment charge of $0.83 per share.

As we classify the European business as held for sale on the balance sheet, we are recognizing tax expense of $0.06 per share to align our book and tax basis in the business. Adjusting for these four items brings us back to the reported results.

On the next two charts, I will review our fiscal 2013 adjusted results for continuing operations. As background and as Denise mentioned, we acquired the Bolthouse Farms business early in the fiscal year and having generated $756 million in sales and $63 million of EBIT, the acquisition has meaningfully contributed to our results. We reported net sales of $8.1 billion, a 12% increase from the prior year, primarily driven by the acquisition of Bolthouse Farms. Excluding the Bolthouse Farms acquisition and the more recent acquisition of Plum Organics, organic net sales increased by 2%. The organic sales gain was primarily driven by the outstanding performance of US Soup, which increased sales by 5%, partly offset by declines in both North America Foodservice and US Beverages.

Adjusted EBIT increased 6% to $1.2 billion, also benefiting from the acquisition of Bolthouse Farms. Excluding acquisitions, EBIT was comparable to the prior year. On a segment basis, the profit growth in US Simple Meals driven by US Soup was offset by declines in North America Foodservice and US Beverages. Adjusted EPS was $2.48, a 7% increase versus the prior year. I will provide some additional detail of the EPS drivers on the next chart.

Below the EBIT line, net interest expense increased by $19 million to $125 million, an increase of 18%, reflecting the higher debt level we incurred to finance the acquisition of Bolthouse Farms. The adjusted tax rate declined by 130 basis points to 29.8% primarily due to lower state taxes and an increase in the US manufacturing deduction. With a lower tax rate offsetting the impact of higher interest expense, adjusted earnings increased by 6%, the same rate of growth as EBIT. With shares outstanding down due to the carryover benefit of share repurchases in the prior year, adjusted EPS increased 7% to $2.48.

As Denise mentioned, we have had quite a bit of activity on the M&A side. We have recently completed three acquisitions, including Bolthouse Farms, Plum Organics and the Kelsen Group. In total, these businesses generate over $1 billion in annual revenue and represent significant growth opportunities. Bolthouse Farms is a leader in the fast-growing packaged fresh foods category with superpremium beverages, baby carrots and refrigerated salad dressings.

Plum Organics provides us with an advantaged contemporary platform offering simple meals and baked snacks to a new generation of consumers and their children. Plum currently holds the number two share position in the fast-growing organic baby food market and the Kelsen Group gives us a leading producer of premium cookies and increased exposure to faster-growing geographies, including China and Hong Kong.

I would like to share with you how we are thinking about our recent portfolio changes in a financial context. As we potentially exit Europe and add the three acquisitions, our current level of EPS will be lower as to the dilution from our Europe divestitures exceeds the current earnings of the acquired businesses. However, in terms of growth, these portfolio changes are designed to improve our future growth trajectory.

While sales in our European Simple Meals business have declined at a compound rate of 3% over the last four years, we are adding three acquisitions with anticipated sales growth rates well in excess of the Company average as we increase our exposure to faster-growing categories and geographies. In addition to higher sales growth, there are significant margin expansion opportunities in each acquired business -- Bolthouse Farms through faster growth of the higher-margin CPG businesses; Plum Organics through scale and supply chain opportunities; and Kelsen, as we drive growth in the more profitable business in China. As illustrated on the right, while current EPS will be lower, these portfolio changes will improve our growth rates, thus driving shareowner value.

Now I would like to turn to fiscal 2014 and review our sales and earnings guidance. With our adjusted results from continuing operations as the base, we expect to grow sales 5% to 6%, adjusted EBIT by 5% to 7% and for adjusted EPS to grow 3% to 5% from the base of $2.48. That puts 2014 EPS in the range of $2.55 to $2.60. There are a number of factors contributing to these forecasted results and I will spend a moment reviewing them.

Our guidance for 2014 includes the impact of recent acquisitions. We expect the acquisitions to add $300 million to sales growth, 1 percentage point of EBIT growth and approximately $0.02 of EPS. Fiscal 2014 comprises 53 weeks, one additional week compared to 2013, the benefit of which is expected to be offset by the anticipated negative impact of currency translation.

As we previously announced, we entered strategic alliances in Mexico to expand our access to manufacturing and distribution capabilities. In connection with the accounting for the new business model, we expect a decrease in our reported sales and cost of products sold of approximately

$40 million, but this classification change will not have an impact on EBIT. We expect to return to a more typical tax rate and for the rate to be in the 31% to 32% range and this will have a negative impact on next year's EPS growth.

Finally, we suspended our strategic share repurchase program following the acquisition of Bolthouse Farms in fiscal 2013 and we expect that to continue through fiscal 2014 as excess cash flow is used to fund recent acquisitions and to reduce debt. Here are some additional details regarding our 2014 outlook. We anticipate that cost inflation will moderate from the recent past as we expect cost inflation to be in the range of approximately 2% to 3%. Anticipated increases in steel cans, vegetables and proteins are the key drivers of the increase.

Driving ongoing savings through supply chain productivity programs continues to be a key focus for the Company. We expect these programs to generate savings equal to about 3% of COPS and includes the benefit of plant closings completed in 2013, benefits from our soup common platform initiative, as well as from our previously announced robotics project in Arnott's.

Following the marketing adjustments we made in fiscal 2013, primarily in US Soup, we are planning to increase our total advertising and consumer promotion investments ahead of the anticipated sales increases as we invest behind our new product activity, including our slow cooker and skillet dinner sauce products, as well as the launch of Campbell's Homestyle ready-to-serve soups.

On the cash flow side, we are forecasting capital expenditures to be approximately $350 million, which includes spending to increase our capacity for Goldfish crackers and investments to further improve the productivity of our supply chain network.

I will wrap up with this chart. We are a company with strong brand equities, including Campbell's, V8, Pepperidge Farm, Arnott's, Prego, Pace and Swanson. We have recently added Bolthouse Farms, Plum Organics and Kelsen to the list. As Denise discussed, we are focused on generating profitable net sales growth as we strengthen our core business and expand into higher growth spaces.

We are focused on delivering benefits from our cost management initiatives as a critical source of funding. Our Company generates a significant level of cash flow, which provides us flexibility to pursue our strategies. We had a one-time headwind in fiscal 2013 as we increased our own inventory level to support our supply chain initiatives, which caused our cash flow to be lower than the prior year.

We have clear priorities for the use of cash as we invest to support our existing business, pay dividends to shareowners, support our external development efforts and utilize excess cash flow to repurchase shares. While our fiscal 2014 guidance for EBIT on the base business is inside our long-term target, we are very focused on achieving further improvements until we reach our long-term targets of 3% to 4% sales growth, 4% to 6% EBIT growth and 5% to 7% growth in EPS. Thank you and that concludes my comments and I will turn it back to Jennifer.

Jennifer Driscoll - *Campbell Soup Company - VP, IR*

Are we going to try to squeeze one in, Andrew?

Andrew Lazar - *Barclays Capital - Analyst*

I think we literally have one minute, so we will do this real quickly. I will focus on just the new piece of information that you talk about here, which is pretty intriguing, albeit I realize early days. So just three quick things. One, if I missed it, is it ready or will it be ready for this coming soup season, how does the margin stack up relative to kind of the base business and then from all the work you have done, and the consumer focus groups, what have you, how should we think about how big a business something like this can ultimately be? Is there a certain amount of marketshare that a product like this can take within the larger soup category, or -- even if it is just to try and dimensionalize it a little bit and I realize we only have a minute. So I apologize.

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

Okay. Thanks for your question. It is very exciting. Yes, the Campbell's fresh soup in K-cup packs will be available this soup season. We are out speaking to customers and Brian Kelly will also talk more about this at his analyst event I think it is next week. Yes. This was a brand that was codeveloped by both of our companies, R&D and marketing working together. And we are not disclosing at this point the margin information, but suffice it to say that we see this as a very promising expansion for both of our companies, a first in a lot of respects. So I would say stay tuned. I can say that we did carefully research this with consumers and consumers led us to this idea. So we are excited. Thank you.