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The Campbell's Co. (CPB)

Q2 2026 Earnings Call - Q&A

CORPORATE PARTICIPANTS

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Thomas Palmer

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Robert Moskow

Analyst, TD Cowen

David Palmer

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Analyst, Stephens Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to The Campbell's Company Second Quarter 2026 Question-and-Answer Session. At this time, all participants are in a listen-only mode. After the introductory remarks, we will open up the lines for questions. [Operator instructions] As a reminder, this conference is being recorded.

I will now turn the call over to Rebecca Gardy, Chief Investor Relations Officer. Ms. Gardy, you may begin.

Rebecca Gardy

Senior Vice President & Chief Investor Relations Officer, The Campbell's Co.

Good morning and thank you for joining The Campbell's Company second quarter 2026 earnings question-and-answer session.

Earlier this morning, we released our earnings press release, earnings slide presentation, and management's prerecorded remarks, including both the transcript and the audio of the remarks. All of the Q2 earnings materials are available on our website. At the conclusion of today's live Q&A session, we will post a transcript and audio replay of this call.

During today's call, we may make forward-looking statements which reflect our current expectations about future plans and performance. These statements rely on assumptions and estimates, which could be inaccurate and are subject to risk. Please refer to slide 3 of our earnings presentation or our SEC filings for a list of factors that could cause our actual results to vary materially from those anticipated in the forward-looking statements.

Because we use non-GAAP measures that we believe provide useful information for investors, we have provided a reconciliation of each of these measures to the most directly comparable GAAP measure in the appendix of our earnings presentation. Non-GAAP measures are not intended to be considered in isolation or as a substitute for the financial information presented in accordance with GAAP.

Joining me today are Mick Beekhuizen, Chief Executive Officer; and Todd Cunfer, our Chief Financial Officer.

We will now open the call for questions. Operator?

QUESTION AND ANSWER SECTION

Operator: [Operator instructions] Thank you. Our first question today comes from Andrew Lazar from Barclays. Please go ahead. Your line is open.

Andrew Lazar

Analyst, Barclays Capital

Q

Great. Thanks so much. Good morning. And welcome, Todd. Maybe focusing in on Snacks to start with, from a top line standpoint, what are you seeing in the key areas here of Goldfish, Fresh and Salty? And sort of what's the plan for progress in the back half?

And I guess for Salty specifically, you called out heightened competitive intensity and around which there's been plenty of discussion lately in the category. I'm trying to get a sense of what the solution is. Is it lower everyday prices, higher promotional spend, sort of bonus packs, et cetera? And kind of what sort of magnitude are we talking about?

And then just on the margin side, the 7% Snack segment margin was a bit of a shock. And given the investments that need to be made, is that the sort of level we should be thinking about for the next few quarters? I know it's a lot, but was hoping we could dig into that a little bit.

Mick J. Beekhuizen

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

A

Great. Yeah. Morning, Andrew. Thank you for the questions. We'll take them one by one. So, Snacks top line, Salty, I'll comment on. And then, Todd, if you can take the margin, and I'll give kind of the broader lead in around the margin.

But if you look at, so the Snacks top line, three key focus areas: first of all, Goldfish; second, Fresh Bakery; and then, Salty. Let's go through kind of each of these different pieces. So, with regard to Goldfish, we need to make sure that we maintain the Goldfish momentum. We had momentum, as you saw in our prepared remarks, going throughout the first half. We need to see that sequential progress throughout the second half of the fiscal year. And that's really with regard to in-market consumption.

Then when I go to Fresh Bakery execution, we ran into execution challenges, as we described. When I look at the remainder of the year, I expect that in Q3, we'll likely see some continued headwinds. And that's partially self-inflicted as we reduced some in-market promotional activity in order to make sure that on-shelf availability and service levels are improving. And then by the fourth quarter, we are working towards back to more normalized levels.

And then when I get to Salty, we need to improve our overall competitiveness within that part of our Snacks portfolio. And it's really predicated upon three key focus areas. First of all, making sure that we improve our competitiveness from a pricing perspective. Second of all, we need to make sure we're focused on the daily blocking and tackling or the in-market execution, which is absolutely critical. And then third, we need to evolve our portfolio with innovation, which is primarily focused on, on the one hand, premium, better-for-you, as well as flavor exploration.

All that being said, within Salty, expect that we're going to make some progress throughout the second half, but it will take some time.

Now, with regard to your specific question around Salty pricing, and that's really my comment really comes back to the chips side of the business. So, Salty, as you might recall, we have, consists for us of two key pieces: first of all, pretzels; and then the second half is chips. That's really where we're seeing more of that competitive pricing dynamic playing out. And you've heard that also from some of the other players in the space.

What are we doing there? It is really focused on the promotional activity. It's going to be very surgical, and we're going to make sure that we are going to be competitive in the areas that matter during the times it also really matters. So, again, just making sure that we're competitive in key moments. There is always a continued opportunity around some of the price pack architecture, however, that's going to take a little bit longer.

Todd E. Cunfer

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

A

From a margin perspective, obviously, very poor performance, down 390 basis points in the quarter. As we mentioned in the script, about a quarter of that was the Bakery performance that Mick just mentioned. And three-quarters of it, quite frankly, is just when net sales are down 6%, there's a very large deleverage both in our plant network and also as we continue to invest in marketing and SG&A, when you're down 6%, that math and margin is challenging.

For the second half, we will do a bit better on Snacks margin. In Q3, we are still in the process of stabilizing Bakery. We are still going to have a fair amount of spending, particularly in marketing in Q3. So, we will see some margin improvement in Q3, but nothing dramatic. I think we'll see a lot better performance in Q4 because we feel very strongly, we will have the Bakery performance stabilized much more greatly at that point. We will have lower marketing year-over-year. And then we have a lot of activity on Goldfish in the quarter, which – that is by far our highest margin product line in the Snacks portfolio, so that should help margin as well.

Andrew Lazar

Analyst, Barclays Capital

Q

Great. Great. Thanks so much.

Operator: Our next question comes from Tom Palmer from JPMorgan. Please go ahead. Your line is open.

Thomas Palmer

Analyst, JPMorgan Securities LLC

Q

Good morning. Thanks for the question. Maybe to start off, I wanted to maybe get a little more detail on the Fresh Bakery challenges. The remarks to Andrew and in the prepared remarks indicate that they did emerge before the winter storms. It seems like they're related to execution challenges.

I'm just trying to understand where you're seeing this. Is this like a production issue? Is it a challenge with route to market in terms of servicing customers? And then just how you're addressing it in terms of resolving it here over the next couple of quarters? Thanks.

Mick J. Beekhuizen

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

A

Yeah. Okay. Let me address it. So, with regard to Fresh Bakery, I mentioned this in my prepared remarks as well, it's really focused on both the manufacturing as well as distribution disruptions. And that was exacerbated by the January winter storm. But you're right, we already started to see that throughout the quarter.

And it's really coming back to making sure that we have product available on the shelf. So, that comes back to service as well as the in-market execution piece. We deployed a cross-functional team, and we're already seeing measurable improvements across the board.

At the same time, I'm also very conscious that we need to make sure that we are making sustainable improvements. So, as a result, we're investing in the business so that the changes that we're making are sticking so that we can service this business better going forward.

As I mentioned, we already started to see progress over the past, call it, four weeks. We got to continue to work through that in the third quarter, and then we're working towards normalization in the fourth quarter.

Thomas Palmer

Analyst, JPMorgan Securities LLC

Q

Okay. Thank you. And then on capital allocation priorities, you noted the plans to focus more on debt reduction versus share repo. There's the dividend, which equates to a little over two-thirds of EPS guidance this year. And then you have the La Regina acquisition soon to close. So, it seems like there also might be some investments needed to maybe support the business. Maybe just kind of an update on how you see this all balancing out.

Todd E. Cunfer

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

A

Yeah, I'll take that one. So, look, cash flow obviously has become extremely imperative for us, just given the debt leverage we are currently at and the takedown in the earnings. We will continue to invest in our business. We will reallocate some of our marketing money, as we've mentioned, into promotional activity to get sharper price points. But the net effect of that will be that that is part of the reason why it's impacting our earnings.

But look, we're going to have to get really tight on CapEx. As you know, we already took it down \$50 million for the year. Working capital is going to have to be really tight. We're going to have no more share buybacks. Even antidilutive share buybacks, we will not do.

Look, the dividend, extremely important to us, but we will not be increasing that dividend any time soon. And so, we're – and look, we mentioned a \$100 million cost reduction in overhead that's going to take over the next couple of years. So, that is in place to help cash flow as well.

The La Regina acquisition in the near term is not going to be significant from a cash flow perspective. We will make one payment of roughly \$140 million, \$150 million here before the close of the year. If you remember, that second payment, we have the option of issuing equity. That second payment comes a year from now. So, if we need to issue equity instead of cash, we have that ability. And then the second half of buying out the 51% is probably a few years off.

But rest assured, capital, cash flow preservation is heightened for us right now, and getting that leverage down closer to 3 than to 4 times is imperative for us.

Thomas Palmer

Analyst, JPMorgan Securities LLC

Q

Okay. Thanks, Todd, for all the detail.

Operator: Our next question comes from Peter Galbo from Bank of America. Please go ahead. Your line is open.

Peter T. Galbo

Analyst, BofA Securities, Inc.

Q

Hey. Good morning, guys. Thanks for the question. I actually wanted to go back just on the Salty, Snacks points, Mick, that you were making.

Mick J. Beekhuizen

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

A

Yeah.

Peter T. Galbo

Analyst, BofA Securities, Inc.

Q

I think I heard you correctly, the focus is really to be more, I guess, on promotional within chips versus maybe moving the everyday. And obviously, your largest competitor is making it more of an everyday shift. So, just why is promotional the right route or right tactic from that perspective within chips when you have, I guess, the 800-pound gorilla that's doing a more permanent shift or at least it seems like a more permanent shift on the price side?

Mick J. Beekhuizen

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

A

Yeah. Yeah. Okay. So, let me give you a little bit more context around it. And listen, as I mentioned, it's going to be – we're going to take a surgical approach. That is important. And the other aspect of it is we're going to make sure that we continue to be competitive with our brands.

If we look at the brands that we have with Cape and Kettle that are both in the – playing more in the Kettle brand subcategory, we believe that with the brand positioning itself, we have a right to win with these brands. That is important, obviously, to kind of recognize, and accordingly, we need to make sure that we continue to lean into that brand's right to win.

Now, then back to your point around value, values are absolutely critical, obviously. And we've been pretty diligent in the past about making sure that we continue to maintain a competitive position. As I mentioned, we're going to continue to look at key channels. And if I look at what the competition is doing, making sure that we stay competitive within those channels.

When I look at what we are seeing right now, most of the time, it can be resolved with our overall promotional strategy. There could be instances where we have to reset some of the pricing more permanently. And if so, then we'll do that. So, I don't want you to take away that we are just going to solve this with pure promotional activity. I think it's going to be that surgical approach that I kind of said in my lead-in.

Peter T. Galbo

Analyst, BofA Securities, Inc.

Q

Okay. No, thanks for the additional context there. And Todd, just I think you gave some color around just the EPS cadence for the back half, but just wanted to clarify that. I believe its Q3 looks similar to Q2, and then you would kind of see a normal step-down in Q4 just to kind of hit the \$0.90 you need to deliver in the back half to hit the midpoint. Do I have that math kind of right?

Todd E. Cunfer

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

A

You have it correct.

Peter T. Galbo

Analyst, BofA Securities, Inc.

Q

Okay. Perfect. Thanks very much, guys.

Operator: Our next question comes from Megan Clapp from Morgan Stanley. Please go ahead. Your line is open.

Megan Alexander Clapp

Analyst, Morgan Stanley & Co. LLC

Q

Hi. Good morning. Maybe we could just pick up there on the 3Q to 4Q cadence. And Todd, maybe a follow-up on some of the margin commentary you gave Andrew in the first question. So, if 3Q kind of operating EBIT growth performance looks similar to 2Q, obviously, an improvement expected in the fourth quarter. I think as you think about the margin profile, too, it would imply an improvement in margins as we get into the fourth quarter. I think, typically, 4Q is a lower margin quarter for you.

So, can you just from a – whether you do it by segment or just a consolidated basis, kind of unpack the expectations as we go sequentially from 3Q to 4Q that would imply that step up in margins sequentially? Thank you.

Todd E. Cunfer

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

A

Yeah, absolutely. So, a couple of factors give us more confidence that Q4 profile will be better than Q2 and Q3. One, if you remember that Sovos ERP conversion that brought volume into Q3 last year out of Q4, we'll lap that. So, we'll get a benefit – organically, we'll get a benefit from that volume coming back into Q4 this year.

We do anticipate Snacks stabilization. We're not going to be all the way to bright, but we do believe the Snacks margin will improve sequentially as we get into Q4. Tariffs, we will start to lap some of the tariffs in Q4 of last year, so that year-over-year hurt will not be as great in Q4 as it has been in the first three quarters of the year. And we will have lower advertising spend in Q4. It'll be up in Q3. It will be down year-over-year in Q4, and that will help obviously the margins.

Megan Alexander Clapp

Analyst, Morgan Stanley & Co. LLC

Q

Okay. Great. And maybe just one follow-up on what you just said on the stabilization in Snacks. Just from an org sales perspective, 3Q to 4Q, can you just help us understand what you're expecting now for Snacks for the year?

I know the compare does ease in both segments in the fourth quarter on the top line perspective, but should we still be thinking about Snacks as kind of declining in the fourth quarter?

Todd E. Cunfer

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

A

Yeah. It's going to take a while. Look, we have a lot of good activity going on, but Snacks will probably be down about 4% in the second half. And that's going to be fairly balanced between Q3 and Q4, probably a little bit better in Q4 than Q3, but we are not anticipating a big sequential increase benefit in the net sales line. We do think we'll get – we'll stabilize margins. They will get better. They will not be all the way to bright, but we do think the margin profile will get better as we end the year.

Megan Alexander Clapp

Analyst, Morgan Stanley & Co. LLC

Q

Okay. Great. Thank you so much.

Operator: Our next question comes from Michael Lavery from Piper Sandler. Please go ahead. Your line is open.

Michael S. Lavery

Analyst, Piper Sandler & Co.

Q

Thank you. Good morning.

Mick J. Beekhuizen

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

A

Good morning.

Michael S. Lavery

Analyst, Piper Sandler & Co.

Q

Just wanted to understand a little bit better, you said that some of the marketing spending will shift to promo spend. I get the need for some of the pricing adjustments or stepped-up promo spending, but it seems like the ideal is to walk and chew gum. I guess why not both? Is it just maybe handcuffed by where you are on the leverage? Or is there a way to get – do you have the right marketing spending level? And how do you think about balancing the need for that versus the pricing?

Mick J. Beekhuizen

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

A

Yeah.

Todd E. Cunfer

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

A

Yeah. To be clear, our anticipation is marketing spend year-over-year will be up. So, as we started the year, we were hoping it was going to be up a bit more than now we're forecasting, but it will be up year-over-year. Look, I'd love to be spending more marketing money versus trade if the kind of the market would allow it right now. But we just think it's prudent to be competitive in certain areas where we have price gaps in the marketplace, whether it's on broth, whether it's on chips.

And we're not talking about dramatic changes in our trade philosophy or spend. We will spend more. Some of that will get funded by marketing. There will be an incremental hit to the P&L, as we've mentioned. But the anticipation is marketing will still be up, but we are going to lean in a little bit more heavily into price.

Michael S. Lavery

Analyst, Piper Sandler & Co.

Q

Okay. That's helpful.

Mick J. Beekhuizen

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

A

And I think maybe to add to that kind of when you go through the year is we're taking a very balanced approach, right? I just want to make sure that we reiterate that because core brands, we're going to continue to make sure that we build them. And if there is, for instance, one brand that we are continuing to support, and we will continue to support, is Rao's on the Meals & Beverages side. And you see the positive effect from that in the results.

Another brand on the Snacks side that we've got to make sure we continue to support with marketing is Goldfish. So, we're being very selective how we are allocating our dollars or our support between trade and marketing.

Michael S. Lavery

Analyst, Piper Sandler & Co.

Q

Okay. That's helpful. And just a follow-up on the pricing approach. Obviously, you touched on the promo increases, but then you've also just talked about sharpening value architecture and some of the price pack architecture. And then you just, in the previous question, touched on at least considering some list price adjustments.

Can you maybe give a sense of phasing and kind of where you are in that process? And would I have heard it correctly that any list price adjustments aren't decided, but just under consideration? And then on the price pack architecture, maybe some of how much is underway versus under consideration?

Mick J. Beekhuizen

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

A

So, let me unpack it. So, first of all, some of the price pack architecture is going to take – if it requires changing some of our package formats, that's obviously going to take a little bit longer. But it might also mean – and I'll give you an example around, for instance, Goldfish, it might also mean for us to make sure that we lean in to an area that we see is actually working and it's providing value to the consumer, such as multipacks within Goldfish. That's been working, and we need to make sure that we continue to lean into that space because we have a moment here with that particular pack. And that's also coming back to when I mentioned price pack architecture.

Then there might be some of the larger pack sizes that we have within Goldfish, where we're leaning a little bit more into promotional activity in order to make sure that we hit a good price point that's providing that value for the consumer. Obviously, the promotional activity, as I mentioned, is a bit more of the focus right now. Again, being very surgical. And then I can see if, for instance, on chips to the earlier point, if we're finding ourselves that certain list price gaps are just too large, we might selectively adjust. But the latter, I expect to be smaller than the trade component.

Todd E. Cunfer

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

A

Yeah. And Michael, this work is underway. We'll do some things in the shorter term, but some of the activity that we're doing is going to take a little bit of time. As we look at some of the price slopes, particularly in our Snacks business, some of them are just out of whack. We just have price per ounce in some sizes that are below where they should be and conversely some that are above. So, we just – we need to get those aligned. It's going to take a little bit of time. But if we can execute that really well, there's some margin to be had.

Michael S. Lavery

Analyst, Piper Sandler & Co.



Okay. Great. Thanks so much.

Operator: Our next question comes from Max Gumport from BNP Paribas. Please go ahead. Your line is open.

Max Gumport

Analyst, BNP Paribas Securities Corp.



Hey. Thanks for the question. Another one on Snacks for me. It's really just on this recovery. It's been ongoing for some time now. We've not seen volume grow in a couple of years. At what point do you stop talking about a recovery to what you view as a normalized level of growth and maybe reset your expectation for what normalized growth is? And asked differently, what's giving you the confidence that this is still a segment where there is a reasonable chance of growing on sales organically at the levels you've discussed at in the past Investor Days? Thanks very much.

Mick J. Beekhuizen

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



Yeah. So, when I look at – so, let me unpack that. So, with regard to Goldfish, based on what we are – based on the brand that we have, we have a right to win, and we believe that we have an opportunity to grow that business. And we're seeing that sequential improvement. We're obviously not all the way back to bright yet, but feel pretty confident around that also because of the differentiated positioning of the brand. And I mean, in the end, it also has a good better-for-you credentials, and we need to make sure that we amplify those.

So, it's a brand that I think fits well with what consumers are generally looking for. And yeah, we need to make sure that we tell that story, and we provide the value in the marketplace. And net-net, we can, as a result, grow that business. So, that's one. I feel pretty good about the Goldfish side of things.

Then if I look at Bakery as a whole, people continue to focus on moments of indulgence, and that comes back with cookies. And we've been able to grow our cookies business now for four quarters in a row with the Milano innovation. And we've got some incremental innovation that recently came out with Chessmen. So, feel pretty good about our overall cookies business. Now, the cookies category hasn't been growing, so we need to make sure that we continue to differentiate our cookies business, and that that, as a result, fuels the growth.

Then with regard to Fresh Bakery, as I described earlier, we need to make sure that we get the execution right. And at that point in time, I believe we should be able to get that back to call it at least a flattish set of top line. So, that's with regard to Bakery.

Then when I get to Salty, if I look at the two pieces of our business, we are playing in subcategories that are growing with our Salty brands. That's, first of all, within pretzels. The pretzels subcategory has been growing, and we have two great brands with Snack Factory as well as Snyder's of Hanover. Snack Factory has been growing. We've made some sequential progress on Snyder's of Hanover. We got more work to do on it in order to get that

back to growth. But again, because we are participating within a growing subcategory, I feel if we gain our fair share, we should be able to grow that business.

Then on the Salty side – sorry, on the chips side, that's obviously as we've just been talking, a more competitive space as we're all experiencing. And although the subcategories that we are in with on the Kettle chip side, Cape as well as Kettle chips, those two brands are well positioned within that subcategory of Kettle chips, which is the growing part of chips. However, the competition has increased over the past, call it, 12 to 24 months. And as a result, we've got more pressure, and we're losing share there. And that's why we need to do the work that I described earlier in order to make sure that we get our fair share of that growing subcategory.

And then finally, you've got Late July. And Late July, with its positioning, is exactly what consumers are looking for. It is growing. It's a little wonky between different quarters because of some promotional activity. But overall, I feel very good about that brand.

So, if I kind of – hopefully, that gives you a little bit of context if I really unpack our overall Snacks portfolio around like why do we believe we should be able to grow it? It's because the brands that we have and the subcategories that we're in, they are well positioned with what the evolving consumer is looking for. And the consumer is looking for that premium, better-for-you, and flavor exploration experience, and our brands can provide that.

Max Gumpert

Analyst, BNP Paribas Securities Corp.

Q

Great. Thank you. And then on Goldfish, so back in 2023, you announced you were investing about \$160 million in the Richmond manufacturing facility to expand Goldfish capacity. Since then, at least based on what we're seeing in track channel data, volumes have been in decline. So, can you talk about any capacity utilization impacts you've seen as a result of that expansion and just your view on your ability to fill that capacity going forward? Thanks very much.

Todd E. Cunfer

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

A

Yeah. Yeah. I mean, so, look, this is – what you just described, unfortunately, is part of the reason why we had a 7% margin in Q2. There has been – one of the issues, not everything, but one of the issues is deleverage in the P&L. To your point, we have invested in particularly Goldfish, but in other areas coming out of the pandemic where we thought the volume would continue to grow.

It obviously has not. And when you have higher fixed cost and your business is in decline a bit, that's really bad for margins, and that's what you're seeing. So, our job as a management team is to make sure we can get that volume back, and the P&L really starts to improve if we can do that. And look, it's as simple as that. We got to get Goldfish volume going in the right direction or we will continue to have these margin hurts.

Max Gumpert

Analyst, BNP Paribas Securities Corp.

Q

Great. Thanks very much. Appreciate it.

Operator: Our next question comes from Robert Moskow from TD Cowen. Please go ahead. Your line is open.

Robert Moskow

Analyst, TD Cowen

Q

Hey. Thanks for the question. Just a couple more add-ons. I wanted to ask about distribution for your Snack business. Your competitor has talked about double-digit gains. And I wanted to know if you've seen distribution losses as a result of that.

And then secondly, Todd, oil is jumping all over the place. It's going to have an impact on diesel. And I wanted to know if you could talk about how that may impact the cost structure of the DSD network. These are independent routes, so it's a little complicated. I wanted to know if you could help us. Thanks.

Mick J. Beekhuizen

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

A

Yeah. Great. Thank you. Todd, why don't you take the second one, and then I'll come back on the first one.

Todd E. Cunfer

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

A

Yeah. No, absolutely. So obviously, incredibly fluid situation. Oil is bouncing all over the place right now. And I don't think anyone knows how this is really going to play out in the next few weeks, and more importantly, months and years. The good news is, right now, we are about 85% hedged on all commodities, including things like diesel for freight and resins and other plastics and aluminum that could obviously get impacted by what's going on in the Middle East right now.

So, there could be some impact to this year. It's not going to be significant. If this continues for several months, if oil remains where it is as we start the fiscal year, obviously, things are different. This will start to have an impact on our business and everyone's business if oil remains elevated, not just on freight but on other products that leverage oil in their products as well. So, more to come on that.

Hopefully, this will get resolved. We have – as I mentioned in the prepared remarks, we have nothing, no incremental cost embedded in our forecast from it. There is a little bit of risk there, but nothing substantial. So, look, if we're sitting here three or four months and it's still elevated, we're going to have to address it either through pricing or really sharpen our pencils on getting more costs out of the system.

Mick J. Beekhuizen

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

A

And when I look at overall distribution, Rob, I see in with the strength of our brands, you continue to see one distribution opportunities, and we're also gaining some of that distribution. It is more profound in areas like Goldfish, where we have a right to win. It's a well-positioned brand. And we continue to work with our retail partners in growing that brand. In some of the more competitive areas such as chips, I see a mix of some gains and losses and probably, as a result, a little bit more net neutral around the distribution side.

When I think about what are we doing about areas like that? If we have great innovation, we find that our retail partners are excited about making sure that we gain that incremental distribution. And you see that, for instance, in cookies. Cookies have done really well with the Milano as well as the Chessmen innovation. And as a result, we've seen continued distribution gains in those areas.

Robert Moskow

Analyst, TD Cowen

Q

Thank you.

Todd E. Cunfer

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

A

Hey, Rob. You mentioned independent DSD impact there. Just so we're clear, they are – look, they're independent operators. They are responsible for their fuel costs and other operating costs, so there's no direct impact to us. But obviously, if they don't have a competitive route where they can make money, ultimately, at some point in time, it impacts our ability to grow these businesses as well. So, we'll have to be cognizant of that. But they are responsible for their fuel costs.

Robert Moskow

Analyst, TD Cowen

Q

Thanks for that.

Operator: Our next question comes from David Palmer from Evercore ISI. Please go ahead. Your line is open.

David Palmer

Analyst, Evercore ISI

Q

Thanks. I'm wondering if there's a bigger long-term comment to be made about the Snacks business. Sometimes when you have a margin of a segment get down towards what looks like maybe 10% this fiscal year, the implied valuation of it is compressed. There's something perhaps liberating about that in terms of how you're thinking about it. You have Mohit, he's joining from a company that spun out DSD and sold cookies. And in other words, they rethought that business more completely.

And I'm just wondering if you think that this is maybe a time when you can really think about the complexity of the business, what you own in it, so you can put the resources you want against the good stuff within it. I know there's limited detail that you could share, but maybe you can make a comment on that, and have a quick follow-up.

Mick J. Beekhuizen

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

A

Yeah. So, – and I know that we've spoken about this in the past. I mean, we're obviously operating the portfolio that we currently have. We are big believers in the brands that we have. We'll, obviously, always continue to make sure if there's alternatives that provide, create better shareholder value that we take those into consideration.

Now, I'd say that when I look at our current Snacks portfolio, another way of looking at some of what we're just talking about, and particularly with regard to the margin, is my perspective is like there's a lot of opportunity here. And you see that hopefully also throughout our commentary, really that action orientation and making sure that we go after these different areas.

Now, obviously, making sure, as Todd also mentioned, that we are stabilizing our top line is absolutely critical; growing areas like Goldfish, which will help from an overall mix perspective; and of course, making sure we get that Fresh Bakery execution right are all going to help margins.

But we're not going to stop with those initiatives. Continue to focus on that elevated productivity level is really important. That's both within the plants as well as within our logistics network. And then finally, Todd already mentioned the cost savings, whether they are with regard to our network or whether they are within our SG&A, we're going to continue to work on those different areas, although some of them might obviously take a little bit longer.

So, listen, we are always going to be – continue to look at all the different alternatives, but we are focused on the portfolio that we have and make sure that we work that as hard as we possibly can.

David Palmer

Analyst, Evercore ISI

Q

Thanks. Just a quick one on the other side of the business. I think a lot of your comments on your prepared remarks are really true about the cooking behaviors of the younger generation, and you're leaning in on that with this new condensed sauces business. I wonder about how incremental you think that can be?

And on the other side, how much we should be worried about ongoing market share slippage on the broth side. And it's been – that broth business has flattened out lately. I'm just wondering, how you're thinking about perhaps reviving growth there, or at least forestalling whatever progress is being made by private label getting back on shelf? And thanks.

Mick J. Beekhuizen

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

A

Yeah. Thank you for asking the question. Of course, we didn't talk as much about the Meals & Beverages side of the business, but with the in-market growth that we generated during the second quarter and the strong performance of Rao's, so, obviously, something that we're very excited about.

The other thing that is really working within the M&B portfolio, as you're describing, is the overall focus on cooking occasions, and our portfolio is catering very well to that. Also, our products within the soup aisle. And on the one hand, within our condensed – so, on the one hand, broth, I'll get back to broth in a minute.

And then the other pieces are condensed portfolio has actually been doing relatively well because of the part of the business of the condensed portfolio that's focused on cooking and is being used as an ingredient. And it's a little over half of that condensed portfolio in the second quarter. That's been the growing part of the portfolio. On the flip side, the eating side has been declining. So, net-net, condensed has been relatively flat during the quarter.

That being said, we are seeing that differentiated proposition that we can provide with our condensed cooking soups, which are being used as an ingredient like cream of mushroom, cream of chicken, and we are now expanding that into Campbell's condensed sauces. And we believe we have a right to win with that.

So, what does that do? It basically allows us to start transforming more and more of the soup aisle into an ingredient that we're providing, and it provides convenience and comfort at a very attractive value proposition. So, I'm very excited about the Campbell's condensed sauces. We're going to introduce that in June, as you saw. I think it will be incremental to what we're currently providing. And I think we're going to learn a lot with that introduction. And it's a great complement to our condensed cooking soups as well as broth.

Now, with regard to broth, broth has obviously been a growing category. Two great brands, we have within that category. It's Pacific as well Swanson. Both of them continued to grow during this past quarter, albeit as you're pointing out, a little bit of share pressure, which we anticipated because of that private label recovery. And we're going to continue to make sure that we, on the one hand, stay competitive within the space, but also that we're continuing to focus on how can we grow that business as it is a very attractive value proposition that fits right within that cooking behavior.

Pacific has been growing double digits. The pressure is probably being a little bit more on Swanson. And Todd also mentioned earlier that we're watching very closely the price gaps to some of the private label participants and making sure that, as a result, we stay competitive during key dry periods like the holiday period.

Operator: Our last question comes from Jim Salera from Stephens. Please go ahead. Your line is open.

Jim Salera

Analyst, Stephens Inc.

Q

Guys, good morning. Thanks for taking our question. Mick, I wanted to build on David's question there and maybe just ask if you could give us some details around how we should think about Meals & Beverage in the back half of the year, particularly what we should expect on pricing given some of the competitive dynamics you just highlighted.

Is there still opportunity for modest net price realization in the back half of the year and embedded in your updated guidance? Do you have incremental at-home consumption, given some of the pressures on the consumer, typically that benefits that portion of the business? Any detail on that would be helpful.

Todd E. Cunfer

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

A

Yeah, I'll take the pricing first. We will have still positive net price realization in the second half. It won't be as great as it's been just because of some of the investments we've made in broth. We're actually making a little bit in Rao's as well, but we still will have positive price.

Mick J. Beekhuizen

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

A

I think from a consumption perspective, you're probably going to see a little bit of pressure in the second half. You saw that in Q2. We did really well from an in-market consumption perspective, driven by the holiday period. Our products typically do very well during that period. And that was also very evident again during this holiday period.

And then on top of it, as you saw, we had very healthy growth with regard to Rao's. Rao's grew in-market consumption 14.5% during the second quarter. As I mentioned in the past, we expect for the full year high single digits, and that's still what I'm expecting. So, a little bit of that disproportionate growth during the second quarter. But overall, I expect continued growth with the Rao's brand. However, that leads to a little bit lower overall consumption growth in Meals & Beverage in the second half of this fiscal year.

So, I think you're hovering probably to 0% to slightly – to minus 1% to 0% is my hunch. That's probably what you're going to see in and around the second half.

Operator: And we are out of time for questions today. This will conclude today's conference call. Thank you for your participation. You may now disconnect.

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