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# EDITED TRANSCRIPT

## Campbell Soup Co Investor Day

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## PRESENTATION

**Kenneth Gosnell** ***Campbell Soup Company - VP of Finance Strategy & IR***

All right. We're going to get started. First and foremost, thank you, everyone, for coming to our 2019 Investor Day. Thanks for those in the room as well as the many more on our webcast.

I just want a couple -- cover a couple of logistics details, and then I have 1 chart to do. It's a great chart. And then I'll hand it over to Mark.

So first, in terms of the timing. We're going to go to about 3:30 today, and there will be time in that for Q&A at the end. About halfway through, so about an hour and 20 minutes from now or so we'll have a short break, if that helps.

And then finally, on the logistics side, there will be a couple of shuttle buses downstairs if you're going back to the 30th Street Station at 3:30 or so. So with that, I need to read this chart.

My favorite. I'm not going to read the chart. I'm going to summarize it for you. Tried to graph it. It's very hard.

Today, we'll make forward-looking statements, which reflect our current expectations. These statements rely on assumptions and estimates, which could be inaccurate and are subject to risk. Please refer to Slide 2 or our SEC filings for a list of factors that could cause our actual results to vary materially from those anticipated in forward-looking statements.

Because we use non-GAAP measures, we have provided a reconciliation of these measures to the most directly comparable GAAP measure, which is included as an appendix to this presentation.

And with that, I'm going to turn it over to Mark.

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**Mark A. Clouse** ***Campbell Soup Company - President, CEO & Director***

Welcome, everybody. Great to have you here in sunny Camden, New Jersey, or as we like to refer to a day, like this as a summer soup day. So I can feel sales growing as we sit here.

So today, I'm going to walk you through what I'm really excited about. And that's the next chapter in the Campbell story. And my hope is that you leave today with a couple of things.

One is clarity around the plan and what the key elements are. I think it's going to be pretty straightforward. But I want to make sure that all of those key building blocks are clear and understood, as well as a healthy understanding of the pace at which we're going to travel along that plan, which I know is a question that many of you have asked me over these first few months.

So as we jump into it today, I believe, there we go. What are the key messages that we're going to cover? We're going to start with a good understanding of where the business is starting from today in 2019, coming out of the strategic review that all of you saw last summer. All right. And I think we're making solid progress against those, and we'll talk a little bit about that.

The good news is as we work through those priorities, we're beginning to build what I would describe as a strong, focused foundation. Strong brands and attractive categories.

Next, we've created a pretty simple and straightforward strategic framework. You're going to see 3 key focus areas and hopefully feel like we've got compelling plans to deliver against them. And then also achievable goals. Perhaps the theme of the day is going to be this understanding of steady progress going forward. Sequential, financial improvement.

Now I've done handing out the decks to you ahead of time because I know if I did, you'd all be on the back pages looking for numbers. But instead, what I'm going to do for you is I'm going to answer a couple of questions that I know you've got right upfront before we ever get started. So we can take that off the table and hope everybody will focus on the plans to get it.

So first and foremost, you guys saw the long-term algorithm that came out as part of the strategic review last summer. We will affirm that today, number one.

Number two, we continue to believe and have great confidence in our ability to deliver the enterprise savings and the acquisition synergies that we reinforced in the third quarter call just a week ago.

The third is we remain committed to the international divestiture. I'll talk a little bit more about that in a moment, but we remain committed and we feel good about the progress that we're making in that process.

And then perhaps the one that's the most interesting and that I've probably been asked the most. I had to kind of run through lunch today to avoid getting pinned down on this one too directly. But the way in which the pace of this plan will unfold is it will start with the 2020 that broadly will be stable in nature, making room for the investments we need while continuing to deliver the savings that we've planned. There will be opportunities for some modest growth in areas, but generally speaking, I would describe it as broadly stable in 2020, then with progress going forward. Think of it as the lower end of our algorithm in '21 and then within our algorithm in '22, right? So I know that was a question that many of you had. Now let's talk about what are the elements that we're going to need to do to deliver on those.

First, let's go through who the team that's going to walk through the plans today. Starts with myself walking through the strategy of the company. Then Carlos is going to come up and talk you through what I think is a very exciting and advantaged snacking portfolio.

As you may have seen, we did make a change in leadership on the Meals and Beverages side. So unfortunately, you're going to be stuck with me for another chapter in the day. But I am happy to welcome Chris Foley on to the room. Chris, right over there. Say hello, maybe.

Okay. Chris is going to be a great addition to this business. So Chris is coming out of 4 years of leading many of the initiatives within our Snacks business. And you're going to hear multiple times from us today with the Pepperidge Farm business, in particular, is really a shining star within our portfolio and actually represents a bit of the role model that we want to create with the balance of innovation, marketing and good cost discipline. Chris bringing that experience, paired with his knowledge of the Meals and Beverages portfolio over his 20 years with the company, I think is going to be an absolute fantastic combination to deliver on the plans that we're going to share with you today.

Then we're going to bring Craig up to talk about what we're doing on the changes and innovation. Craig also has a heritage within our Snacking business. And as I would think about what looks good in innovation, we feel great about the work that we've done in many of our snacks brands, and the goal is going to be to bring that capability across the entire portfolio.

And finally, Anthony will wrap it up with a financial perspective and kind of pulling all the pieces together, including a lot more granularity and detail on the cost savings programs. So that's the plan.

All right. Let's start with the progress that we're making in '19. So back in August, we talked about the strategic review, which is I went through and came into the business. I felt it was a great situation analysis and a very good triage of the business to determine first what are the key issues on the business. So returning focus to the core, reducing debt and better aligning the organization behind the KPIs that matter most.

That translated then into a set of priorities, which included simplifying the portfolio through some announced divestitures while also returning focus to some businesses that we need to stabilize, while continuing to deliver the synergies and enterprise savings that we planned and then mobilizing the organization around these priorities and linking it more directly to accountability.

With that underpinned was a set of expectations that I think were both reasonable and pragmatic, committed to improving execution, but also annual targets that are grounded in reality. And if you start to go through that list and say, okay, how have we done in '19? How are things looking? I think we're making some great progress. We've divested the Campbell's Fresh business, an important part in both delivering focus for the portfolio as well as reducing debt. Two of our major objectives within the strategic review.

We also are over delivering on our cost programs while beginning to stabilize margins, certainly not too bright yet, but a critical thesis is part of this turnaround is our ability to stabilize gross margins, which we began to see take shape in Q3.

Next is improving trends and relationships with our key retailers. We've spent a lot of time with our sales organization out in the field, building back some of the relationships that, quite frankly, we needed to work on. The good news is as we're doing that, we see it translating into some moderation of top line declines. Make no mistake, we're not where we need to be right now, but it's good to see some progress and some improvement in those areas.

And perhaps the most important element of this is that we've met or exceeded expectations for 3 consecutive quarters. Part of what's really important for us as a company is to simply do what we say: Building credibility that the plans that we're laying out and that we'll be sharing with you today that you can be confident that when we say we're going to do something, we're going to go do it. And nice to begin to get that track record established. 3 quarters is not a historical track record but a good start on the journey.

So as we come out of some of those early progress points or milestones on the strategic review, it's helping us build what I would describe as a strong, more focused foundation to build off of. And if there's another thematic that I want you to take away today is that idea of the power and focus and what we're going to be able to do with that to drive these businesses. So if you think about this business post divestiture, so including the divestiture of international, it leaves you with what I would describe as a focused brand powerhouse, 1 geography in North America; 2 divisions, an advantaged snacks business and an iconic branded Meals and Beverages business; and 13 categories representing 80% of our business with leading brands at each and every category. A lot of our peers are fighting on probably 2 to 3x those fronts in core categories. Our ability to be able to focus this portfolio and do the things we need to win in those categories that we're going to be playing in, I think, is an opportunity for us to differentiate ourselves from other companies and other businesses.

So let's start with the 2 divisions. Essentially, post the divestiture of international, we'll be about 50-50 between the Snacks business and the Meals and Beverages business.

Starting on the Snacks side, it's a great set of brands that I believe and we'll share with you are in very advantaged spaces that as we start to come through the integration process, the opportunity is to pivot to accelerated growth. You've already got the tailwinds of the advantaged categories that we're playing in, but the opportunity to better support our businesses, I believe, sets up for a very compelling story within our Snacks business. Carlos will share more of that with you today.

On the other side, you have a Meals and Beverages business that's arguably had a very different strategy over the last several years, as we return focus to the business and support. Although I'm not expecting it to be a huge hockey stick, I do think the idea that it can be steadier performance, more balanced approach as a contribution sets up what I think is a pretty powerful one-two punch.

So why do we like Snacks so much? Well, if you look post the acquisition, number one, we're big. We're the #4 snacks player in the United States now when you put Pepperidge Farm and Snyder's-Lance together. And within the categories that we play, we have very strong leading brands. And even where we're not a leader in a category like cookies, we have a very strong position at a specific segment like premium with Farmhouse and Milano.

But probably what makes me more excited than simply being in big spaces or being big, and it is true. We play in some of the largest growing categories in snacking, whether it's crackers, cookies, potato chips, tortilla chips, which is great, but what's more exciting to me is within each of those categories, we have very unique positioning and segments that we're in.

So if you think about crackers, where we have kids snacking around Goldfish, or whether it's the premium position that I just talked about on cookies or organic within tortilla chips, part of the advantage of this portfolio is the fact that we're in big spaces but with differentiated positioning on our brand.

The other part of it that I like is we're not going jaw to jaw with some of the big players that exist in those categories. Our opportunity to grow in more relevant spaces without having that head-to-head fight every single day, I think, is an opportunity for us to continue to grow and build these businesses.

And because of the unique nature of that portfolio, it also gives us a unique relationship with a variety of different retailers, whether it's the more traditional retailers that are looking to build health and wellness within their snacking section or whether it's online growing e-commerce platforms. Our portfolio is a great enabler for us to be an important partner with all of those different retail formats.

How about Meals and Beverage? Well, the first thing I'd say is we are playing in a lot of the conversation about the challenge of some of these established categories. But what is important to remember is that these are incredibly big categories that we're in, and we're a strong leader in each. And no matter where we are in the life cycle of development of the categories, they are incredibly important to both customers and to our consumers. And the fact that we have a strong leadership position in each of these categories gives us an opportunity to better influence the trajectory of these categories.

But perhaps the greatest indicator of potential within our Meals and Beverages business is the pivot in the strategy for the company. If you think about how this business was being managed and run, it had a very clear role within the portfolio. And that was to deliver profit. So as you look at this business, we were focused on building margin and cost cutting and to a certain degree, at the expense of the investment we may have needed, that has resulted in some reduction in share. Now the good news about that is that strategy is something we can control. Our ability to turn that over time, and we'll talk more about that in the Meals and Beverages section, is quite exciting. And I believe with the pivot to more profitable growth as the orientation on these key brands gives us an opportunity to, at a minimum, improve the share trajectory with the hope of being able to breathe some life into these categories.

You put those 2 divisions together, it gives you these 13 categories that make up 80% of the business. And as you think about that, the ability for us to focus our resources and effort in these areas where we have strong leadership positions gives us a pretty tight battlefield to focus our efforts and our programs against it.

So why does focus matter? As someone that's worked on businesses that have both been very focused as well as some businesses that have been fighting fronts on a lot of different geographies and a lot of different categories, there are some distinct benefits to being a focused business.

One is the concentration of investment in resources. If you think about where the company's been and how we might have been deploying our investment as well as our human resources, you might imagine that it was spread over a lot of different areas. It was we're trying to build new categories, acquire businesses. Those resources now refocused against the portfolio that we know how to run and love, it gives us a great deal of confidence that we can make a difference there.

Excuse the military analogy, but history's pretty clear. If you're fighting more multi-front wars, they're tougher to win. And so the idea that we can be more focused and clear on who the competitors are that we need to beat each and every day, I think, can be a competitive advantage for us.

And as we concentrate on those resources into specific categories and brands, it gives us the potential to deliver greater news and innovation within the categories we're playing and ultimately better scale in those segments. So the idea that focus can be our friend, I think, is a very powerful concept.

So now with that strong foundation and focused portfolio business, what are we going to do now to unlock value? We're focused on a pretty simple 3-pillar strategy. Again, conceptually, the things you're going to see are not things that you haven't heard in other places, right? There are some common elements that businesses are trying to accomplish. Obviously, the powers and the plans that support each. But the cornerstone of the plan, no doubt, is going to be the idea of creating a profitable growth model. But if there was ever a question in anyone's mind about the need to have profitable growth as an enabler to create sustainable performance, it's always been true, but we all know now, it is true for sure.

That comes with the second pillar around the need though if we're going to do that to fuel investment by creating room for cost savings. Cost savings is not a bad word, right? Or words. The opportunity for us to work these 2 pillars together. I always get a little frustrated in our industry when we talk about these 2 things as mutually exclusive ideas. The fact of the matter is a growing business is easier to drive efficiency and savings off of than one that's not growing. So the opportunity for us to take savings reinvested in the business, drive profitable growth and then continue to drive efficiency in the business to create a sustainable model is, in essence, those 2 pillars.

To get that done though, we're going to need to change the way we're showing up and the team and capabilities we have to create truly a winning team and culture, right? Those are it. That's it. Pretty simple, 3 things that we need to go do.

Now those underpin a purpose that has not changed. Real food that matters for life's moments, I think, is a very powerful purpose. You may say, okay, if you're changing all the elements of the strategy, how is it that the purpose isn't changing? And the reality is that purpose has never been more real and true than it is right now.

The fundamental difference in this strategy is that we're going to deliver that purpose through real food by not playing around our portfolio and our business but actually playing through it. The idea that we can deliver real food that matters from within the businesses that we know and love, I feel really confident about that. And I hope you do too as we walk through it. So now let's walk through each of the pillars.

The first one's profitable growth model. Cornerstone of the plan, we have got to have that as a bigger part of our contribution. Again, you're going to hear me say this multiple times today. The good news is it's not as if we're without examples in the company that is doing this right. Again, Pepperidge Farm. All my Pepperidge Farm guys around the business, their ears are going to be burning all day. Carlos, I'm sorry. I'm stealing some of your thunder. But it's a great example. If we can bring that orientation and approach and capability broader across the organization, I think we have a real opportunity. So not surprisingly, the first thing we need to do is to transform our approach to consumer and customer engagement models. We've never been in a time of greater transition there. We've got to up our game. It's going to be important that we show up differently. Hopefully, you saw a little bit of that out in the hall, but we'll talk about what that means.

Second is moving from the integration mindset on Snacks to now unleashing the growth on this great portfolio.

And third, winning in soup. I know that's another one of your questions upfront, but you're going to have to wait for a few minutes to get into that one.

If we do that, we believe we can deliver the long-term algorithm of 1% to 2% organic sales and improving share. Remember, 50% of this portfolio is anchored in an advantaged snack categories that are already growing in the low-single digits. If we can stabilize that Meals and Beverage business, we have a great support or great building blocks to deliver this.

Let's talk a little bit about the change we're going to make in marketing, innovation and our approach to retailers. If someone would have asked me 10 or 15 years ago, was it pretty simple marketing in CPG, I don't think I would have said yes. Standing here today, looking back though, it was a pretty straightforward model. Identify a demographic target, you'd choose from maybe 6 to 8 different media vehicles; create a plan once a year, a single creative execution that would be blown out in 360. Remember the picture in the middle and then all the vehicles around it, that was the old CPG model, and it was pretty straightforward.

A lot of companies and in some pockets of our company, we're still behaving this way, right? We have to pivot to what is a much more dynamic environment that we're living in. So instead of just demographic targets, we've got to focus different. We call them demand moments. This is where consumer, occasion and need come together to create a clearer prescription of what you need to do to influence sales. And it's a moving target. You have to be on top of it all the time.

Our media plans now don't look like one size fits all. Depending on who it is you're talking to and what media vehicle you're in, you're going to have different content, you're going to have different approaches. And the great news is the one real advantage in this world is it doesn't require you to spend $20 million on a national TV campaign to be able to go do it. So the idea that we can do this with resources and make our dollars work harder is an important part of the journey we're on.

And finally, you got to be part of the dialogue and what you set up in the beginning of the year unlikely is going to be exactly what you execute as the year goes on. Let me give you a couple of examples.

A blizzard rolls into the East Coast. Our ability to be digitally savvy to be in front of consumers to remind them to stock up on chicken noodle soup going into a snowstorm versus having to spend 20 weeks of TV on traditional media to hope that you catch it is the new world we're in.

Interesting story on V8. So we have a product called V8 + Hydrate where hydration comes from sweet potatoes, right? That's where the electrolytes come from. We picked up within social media a dialogue about college students who believed that V8 + Hydrate was a better solution to hangovers. It started as a relatively small buzz and then got to be a little bit of a bigger buzz.

In today's world, you want to be able to capture that and turn it into an idea. So we quickly pivoted, brought in Dr. Ken from Hangover fame who, by the way, is an actual medical doctor, to lead up our fictional hangover institute to help design hangover cures where, of course, V8 + Hydrate is a great solution. That's the world of marketing we're in today. Picking up the conversation among consumers and then converting that into a plan is the name of the game. And so we have great examples in the company. We got to make that more the standard across the business.

Probably nowhere we need to step up our game more is in the world of innovation, and Craig will talk more about this in a moment. But again, if you think about the old CPG model, you'd embark on these long consumer research programs, market structures, a year, 2 years of defining insights. You brief the team on developing new products, probably 18 months to develop a new product, and then you'd go out with this big bang national launch. If you follow that model today, 4 disruptor brands are going to beat you to the space and probably 2 or 3 private labels. So the idea that we've got to change the speed of our game to reflect the environment we're in where we're much closer on a day-to-day basis to what it is that is going on in the world around us and how that links with our brands' real-time trend monitoring translating that into rapid prototyping and then getting out into smaller numbers of store tests where we're able to learn and then scale up the idea is the way the world is working. There is no reason why larger CPG companies can't compete with disruptor brands. But we've got to play differently. The power of our scale and the clarity of our brands should be an advantage, but we've got to change the way in which we're doing this to get there.

And then the final one and perhaps the one we've learned the hardest lesson on is how to manage our relationships with customers. Again, if you think about the old CPG world, it was all about negotiation. We would come in and sell programs. We'd do it once a year, and we'd really only talk about merchandising and retail. That world has changed dramatically. Today, it's really about making sure that you're building strategic alignment, that you then co-create plans. So let's take Campbell Soup as an example.

Campbell Soup has a strategy of profit focused on profit and cash. Our customers are focused on growing their categories and competing within the retail world. Immediately, we have a misalignment of strategic direction. The conversations then deteriorate into debates about price and margin. If we come in and we understand how to align on a strategic direction, take into account what our customers are trying to accomplish and then co-create plans together, that's the way you create win-win solutions. And the conversations aren't just once a year. They're frequent and often. Some things are going to work. Other things we need to pivot. You may find a Dr. Ken that you want to put into your point of sale material and get done as well. These are the things in which you need to work differently with retailers than we used to.

And not anymore are we just talking about the merchandising and the promotion, right? We talked plants all the way to the customer. Some of the most effective marketing vehicles and media platforms are sitting with our customers today. So the opportunity for us to benefit from that is a huge opportunity to up our game. All 3 of those areas, again, good examples, we need to make that standard across the company.

With that foundation in place, we have really well developed plans for each of our divisions. We'll talk about each of these separately as we go forward. But on Snacks, pretty straight forward. Unlock the power of the portfolio. Let's maintain the momentum on Pepperidge Farm while we apply that proven growth model to the Snyder's-Lance brands.

DSD, we see as a competitive advantage, right? Let's now optimize that through executional excellence. Integration, not just about driving synergies and savings, but also building a world-class snacks organization is critical for us in being able to unlock the full value of that business.

Meals and Beverages, no surprise. It starts with winning in soup. An important priority for the company and one that I believe we can do. But beyond soup, there's also other important brands in that portfolio: Prego, Pace, V8. Turning around those and returning focus to those businesses is important as well.

As I already said, infusing the growth capabilities into the company where there's no greater need for really then within our Meals and Beverage business will be a priority.

And finally, fueling that investment through our enterprise savings plan is how we're going to be able to get this done while still delivering on our commitments for the long-term algorithm.

And again, I'll cover that -- we'll cover that a little bit later in the divisionaries.

The second pillar is fueling that investment with margin and cost savings. Essentially, 4 things we're going to do. Drive our enterprise savings plan, right? We've done that very well. We're going to show you that in a second. That's a combination of our base business enterprise savings as well as the synergy from the Snyder's-Lance integration.

Next, maintain a strong base enabler program. That's our productivity plan. So base productivity, continuing to deliver that while we're delivering the enterprise savings is going to be the fuel that we need.

On the enterprise savings, I want you to think about half of that enterprise savings going to investment, while the other half going to support that longer-term algorithm and progression in margin. Then we need to execute the divestitures, which will allow us to reduce our debt and continue to maintain our capital priorities going forward. We do that, we can deliver the 4.6% adjusted EBIT growth while still making room for the investment in growth that we need and see modest margin expansion as we go.

So the enterprise savings plan, well underway. $535 million to date through the third quarter, another $315 million to go. I know all of you are anxious to see the detail below it. I'm not going to give it to you now. Anthony's going to do that when he's in his section, but we've built very clear road maps to be able to get at that. And as I said, we expect about half of those savings to be reinvested back into the businesses.

Beyond that, we want to continue to drive what has been a very successful productivity plan on this business. Again, one of the byproducts of being focused on cutting costs and savings is that we've built some pretty strong muscles in the world of productivity. We do it in a very a cross-functional way, strong senior oversight of the program. We treat the development of productivity almost like innovation and building a pipeline so that each year, you've got rolling ideas that are already coming into the plans for the next. And then we put very strong governance around those initiatives. Strong PMO office and ownership of who's doing what. That's translated to roughly about 3% of our cost of goods, right? That's translated in 4 years to $520 million, right? So $500 million plus on our enterprise saving, $500 million on productivity, about $1 billion in savings that we've generated over the last 4 years. This is a muscle that we need to maintain while we pivot more toward the orientation to growth, but continuing to have this as this resource and the fuel for what we need to do is going to be important because we need to invest in these businesses. On our Snacks business, we want to maintain what is a healthy investment level in Pepperidge Farm and then raise the Snyder's-Lance support level to an equitable space, while also creating resources to better support the innovation, a robust innovation funnel that we've built on our snacks business.

On the Meals and Beverages side, it's going to be about increasing our soup investment while optimizing the mix on some of the other brands. The good news is it's not as if we're not spending money on many of these businesses today. We just might not be spending it in the best possible way. So part of this plan is not just about incremental spending, but also making sure that we're spending better, more effectively with higher ROI.

In essence, at the end of this though, as you think about the 3-year plan, we expect somewhere between 1 and 2-point increase in A&C a percent of sales. That gives you some idea and kind of mathematically fits with what we've been talking about relative to the contribution of the enterprise savings program.

Let me give you a quick update on divestitures. We feel good that we've been able to complete most of the Campbell Fresh. We'll close on Bolthouse Farms, the last piece by the end of the month. We've generated $565 million in proceeds, which will go directly against our debt and perhaps more importantly, been one of the more significant enablers to getting to focus.

The second piece of the divestiture plan was our international business. As I said upfront, we remain committed to this process. Although we're going to be disciplined relative to the value of these assets, I feel very good about the interest and the progress that we're making. As you might imagine, it's not a simple portfolio. There's some complexity here. But as I look at the map going forward, I feel very good about our confidence in being able to do it.

Now you may ask yourself though, I've talked a lot about focus, what happens if in some way, shape or form, it doesn't happen? What would we do? Or how would it affect us? The first thing is we would manage the international business as a separate division. I would keep the focus, right, and the orientation to the priorities within the 2 divisions we've already talked about. That's the first thing.

And then the second question is how about our ability to maintain our capital priorities? Remember, this is a very cash generative business. So our ability to still meet what our capital priorities are, I feel very confident that we can do.

Now again, I feel great about the process, but certainly I would think a fair question to say, well, what if something were to happen differently? So we believe that we can maintain these priorities in any of the situations, starting with our capital needs on business, then being able to pay the dividend, right? Which is part of our investment thesis that we understand, while we continue to reduce leverage hopefully with the divestitures that we expect to be able to reduce that in a rapid pace and then being able to get back to other value-creating activity.

Now when I say M&A, I'm not talking about M&A the way we were approaching it before. I'm talking much more tactical in M&A. Where can we support the categories we're in near in adjacencies? I'm not talking about opening up new fronts or into new segments or categories, but how do we use M&A over time as a way to bring additional brands or cover segments that will help us strengthen our position in the places we are today.

And then of course, share repurchase being an opportunity as well.

So those capital priorities remain intact, and we'll continue to drive against those. Anthony will talk a bit more about that when we get to his section later.

The final pillar is about winning a team -- creating a winning team and culture. And honestly, at the end of the day, this may be the most important pillar that we need to achieve.

The focus is going to be in 3 areas. First, we're going to build 2 divisions that are fit-for-purpose. So what do I mean by that? The fact of the matter is a DSD snack business is different than a warehouse center-of-store grocery business than our Meals and Beverage division is. They need different muscles to be successful and achieve the objectives that we've put in place. So we're not going to get hung up about building identical side-by-side organizations. We're going to invest in the capabilities that we need to drive the agendas and the strategies we have while ensuring that we're not spending on things that we don't need. It's like a two empowered division with the capabilities and resources they need to win in the segments they're in, creating a lean corporate center that adds expertise and scale where scale matters and then ultimately ensuring that we're aligning this organization with incentives to match the KPIs that matter most.

If we do that, I believe we can create a capable organization that's focused and faster and more accountable to the things that are going to matter most to delivering the strategy.

Here's how we think about the organizational model. As again, I said, 2 divisions fit-for-purpose, a leaner corporate center that has centers of excellence in areas that are important. Think of things like procurement as an example or tax where we need the benefit of being able to operate as an enterprise, we will build those centers of excellence or where scale is so compelling. Think of back room, less value added activities where we can build scale where it makes sense most while having 2 divisions that have the ability to operate against the agendas we create.

Now this is in every division for themselves. The concept here is those 2 divisions working in service of the best value creation outcomes for the enterprise. So our rhythm and cadence together as a leadership team as we move this strategy forward, the dynamic nature in which we plan to make trade-offs across divisions to make sure we get to the best outcomes will be very much part of how we engineer this business model going forward. But if we do this well, I think we can both invest in the businesses and also save money.

Now the operating model is a good framework, but what will be most important in it is our ability to shape the culture to deliver what we're going to be requiring or asking the teams to do. We call it the operating model trifecta, which is really an important aspect beyond just setting the people in their seats or in their squares. It starts with focus. Clear priorities, simple strategies that everyone can repeat and leveraging the core capabilities that are at the heart of delivering our plan. Focus can be incredibly powerful when everybody knows what is expected of them and what we need to do.

With that clarity and reducing the spans and layers, getting rid of bureaucracy where it doesn't matter, empowering decision-making and creating a more dynamic approach to consumer and customer engagement, we can increase our speed. As I said before, there has never been a time of greater transformation in our industry than right now. Our ability to play at a pace of game that's different than what it was in the past is imperative. So getting speed as part of our core competencies in this operating model is absolutely a top priority. And then finally, driving the accountability against the things that we need the organization to deliver.

If you're clear about what it is you are expected to go do, it's a lot easier than to drive the incentives based on the metrics that are critical to delivering the outcomes. This is how you create a performance-driven culture.

So to do that, we're going to reshape a little bit our incentive program, right? We're going to -- in the past, we used what was called the balanced scorecard, right? So this is more of a broader list of initiatives that you're measuring progress against. A bit more subjective, right? A lot of companies make this work. But for where we are in the journey right now, I think it needs to be absolutely crystal clear what it is we need to deliver and what the priorities are.

So we'll be moving to a more metric-driven incentive architecture, where we'll be driving 3 metrics, cash flow, net sales and EPS, along with maintaining an individual overlay that allows us to differentiate between individual performances. But there can be no mistake in what the priorities are. In the absence of any other direction, we know that these are the things we need to deliver as a company. And so that clarity in matching to our incentive plan, I think, is a great enabler for us to continue to move stronger into a performance-oriented culture. That's in place now for this year, and we'll continue that going forward. Now over time, we may decide that the metrics need to evolve depending on where we are in the strategic journey. But for where we are today, we feel that this is a compelling way to incent our organization to focus on the things that we really need to deliver.

Now how does this translate then into a road map? First thing, as I said at the beginning, we're affirming the long-term guidance that we set, 1% to 2% organic sales, 4% to 6% adjusted EBIT and 7% to 9% adjusted EPS. A question that you guys might have is, was this something that I was painted into a corner to deliver? Was this a nonnegotiable when I came in given that it was set in the strategic review? And the answer to that is no, right? Since being here over these last 5 months with the team, we have built from the ground up the building blocks in this strategic plan to understand what we think is both the right ambition as well as the pragmatism that we need to deliver something that we believe can be a sustainable algorithm going forward. So although this was the starting point, I thought the process to get there was fairly thoughtful, and I've now had the opportunity to really go through and confirm it.

But of course, then the next question is, okay, if that's true, what are the building blocks? How does the math work? So let me kind of walk you through a little bit of a shorthand way to think about this. So it starts with the Snacks business that I've told you, and hopefully, after Carlos, you really feel it, is an advantaged set of brands and portfolio that can grow, at minimally, at the category rate or, more hopefully, above the category rate. And a Meals and Beverage business that can stabilize, be in line with the categories that we're in. If we do that, if we're able to achieve that, then we have a clear road map to getting to the 1% to 2%.

Now part of what's going to be needed to accomplish that is the investment that we've talked about. That means we've got to deliver consistent with our historical rate, right, no hockey stick but consistent with our historical rate, our base productivity plan and deliver the balance of the $315 million in our synergy and our enterprise savings program. If we do that, it'll enable us to make the investments we need paired with the top line that gets us to the 4% to 6% adjusted EBIT growth. And as you carry that through to EBIT -- or to EPS, as you generate strong cash flow, complete the divestitures, reduce debt, gain that financial leverage, the ability to translate that into the 7% to 9% EPS is how the building blocks work to get to this algorithm.

So pretty straightforward, fully recognized. There are some things I'm asking you to come along on the journey. And perhaps, one of the most -- or strongest indicators of support is the phasing of this, right? This is not going to happen overnight, right? We understand that there are a variety of things that we need to do to get ourselves into this position. So we've laid out a road map over 3 years. As I said in the beginning, I would think of 2020 as a year of stabilization. If you think about '19 as more of a reset year and if you look at the underlying results in what we did, it truly was a reset year. '20 becomes more of a stabilization year, which has the lion's share of that investment and growth that we need to make. That translates to what I would call flat to some areas of modest improvement.

By the way, that 2020 does not incorporate either the sale of international and/or any impact from the 53rd week, right? So as you think about building models later, those will be elements, both positively and negatively depending on which year you're in approaching to the numbers.

In year '21, we kind of finished up putting that investment and growth into the base, and we expect to see acceleration in our results as we get to the lower end of our long-term algorithm. And by the time we reach '22, that investments in our base, I believe, will be well within our algorithm at that time and start to focus on sustaining that performance going forward.

So a lot to digest, right, a lot of elements that are there. And as I said in the beginning, at the end of the day, my hope for today is to bring you greater clarity in the plan and what the building blocks are. I know there's a lot of questions to answer that exist within this plan. And I think one of the things that's going to be important for us together and one of the things that I think is a fair request is how to think about what are the mile markers along the way, what are some of the indicators that we're either on track or that we're not. And maintaining a transparent conversation around this, I think, is going to be quite important.

So if you think about 2020 and you think about each of our strategic pillars, I think these are some of the characteristics of a 2020 plan that would look good that would suggest we're well on track with what our plans are. A more stabilizing top line, improvement in our soup performance. Maybe not all the way bright in every area, but an improving trajectory, accelerating our snacks growth, stabilization around margins and EBIT while delivering the cost savings that you know -- now know we need to invest in growth while we improve working capital and continue to reduce our debt, both from that working capital as well as our divestitures. An organization model that's in place with the right capabilities while also a belief that we can save costs into next year, with our incentives linked clearly to the KPIs that we need to deliver to be able to meet the expectations of the plan we're laying out today.

At the end of the day, I do think there are some meaningful differences in this plan and the next chapter for this company. It starts with focus. The power of 1 geography, 2 divisions and 13 categories. Prioritizing profitable growth while recognizing that we need the balance of savings to make the investment and to deliver the bottom line; elevating our approaches to marketing, innovation, customers; changing those engagement models is going to be very important and a great opportunity; moving from integration to growth in snacks; winning in soup versus managing it for cash are all powerful ideas that have incremental opportunity to our business today. And at the end, a focused, fast and accountable culture to deliver these outcomes.

So in a nutshell, that is the strategic path forward. Again, hopefully, straightforward. Pretty simple building blocks. A lot of work to do, but I would like to think an ambitious but yet pragmatic approach to progress on the business, which I think is important for where we stand today.

So with that, I'm now going to turn it over to Carlos, who's going to walk you through the Snacks business. We'll do his area, then we'll take a break, okay? Thanks.

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**Carlos Abrams-Rivera** ***Campbell Soup Company - Senior VP & President of Campbell Snacks***

Thanks, Mark.

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**Mark A. Clouse** ***Campbell Soup Company - President, CEO & Director***

Yup.

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**Carlos Abrams-Rivera** ***Campbell Soup Company - Senior VP & President of Campbell Snacks***

Good afternoon. Carlos Abrams-Rivera. I'm excited to be here. I'm glad you are here. I want to take you through a little bit of a journey that leads to today seeing the CEO of Campbell Soup Company excited about snacks.

So first of all, I want to share with you a little bit about kind of who we are as a division, something that we began 14 months ago as part of our journey, and now we feel we're here as kind of a unique and advantaged division.

But before we start today, I want to say that everything you're going to see is based on 3 things. First, we have very much a disciplined model on how we're going to grow. Second, we have proven that, that model actually works. And three, we now have the scale, the resources in order to us make those investments to actually unleash growth for Campbell Snacks.

So what I'm going to take you through in the next few minutes here together is show you a little bit of our journey in Pepperidge Farm that we're building for the last 4 years and how that actually has become a proven growth model for us. We then are going to walk you through actually how that is going to be part of our new journey with Snyder's-Lance, how we're going to apply the model to Snyder's-Lance brands; and then finally, how we're actually going to unleash our growth as we go together.

So just to kind of ground you on snacking. We know that it is a growing behavior. We know there's no going back on this kind of performance. We are growing in snacks across every channel, across everyday part. And we -- also as important in the snacking, we know we need to be in every single channel because we need to be where the consumers are looking for us.

Now in our view of snacks, we began by really understanding kind of what are the consumer trends or what's happening today with consumers. That led us to better understand then what are the platforms in which we can grow on this. And for us, it was important to understand how consumers were fitting snacks into their life. And we understood exactly that based on their daily demands, their busy schedules, how they relax, how they connect with each other, how those snacks actually make is part of that particular point in their lives.

And rather than take you through all the growth platform, let me just take a double dip on one of them particular. Let's go into social snacks. Now snacks can enhance both physically and emotionally the connections that you have. In social snacks, whether it's the bag of Goldfish that a mom and the kids are sharing whether they're in the car in the way to soccer practice; whether it is the bag of Kettle, jalapeno-flavored, then you bring it to the Friday night party in order to get a kickstart; or whether it is that kind of Snyder's of Hanover pretzel that you bring to a boring meeting and makes a boring meeting a little more noiseful. It is pretzel. It's not miracles. But that is kind of the way we think about the understanding of those trends, understanding that consumer, how they're behaving and how we can create the right snacks for that particular moment.

Now we know how to win in snacks. We have taken those defined platforms and apply those models to our business. In Pepperidge Farm, we've been growing for the last 4 years. It had been 18 consecutive quarters of growth. And if you take our power brands, Goldfish, Milano, Farmhouse, those are growing nearly 5% CAGR the last 3 years.

We know how to win. But I also want to make sure I share with you how is it that we do this. What we have done is we've actually quantified how to take our model of growth in a way that can be applied across Campbell's.

So first piece is we need to make sure we fuel the brands, and it starts making sure that we have the right consumer insights in order to make sure we understand what the brand is all about. We need to have superior quality. We need to be better than competitors in order for us to make sure that we can charge the proper prices that we want to charge. And each of our brands has to have a relevant purpose, what is the reason that brand exists for consumers. We need to bring a disruptive innovation to market, and we need to make sure we invest in that market in order to drive that growth.

Second, we need to make sure we improve the cost. We maintain an efficient manufacturing network that does both state-of-the-art manufacturing and also the capability for us to continue to expand in new formats, and we also need to have the right trade optimization to make sure we're doing the right -- we're growing the right way.

And finally and probably most important, we need to sharpen on execution. We have to build strong collaboration with our customers in a way that we can both win, and we're using our DSD in-store execution to win in the play that matters the most.

If you look at how we're doing that, let me just share with you a couple of things. First thing, Goldfish, over the last 3 years, been growing about 4%, and what it allows us to do is not only drive growth but also to invest back into the brand. So we've actually added capacity in order to make sure we continue to project the growth as we go forward. And we've done it in Farmhouse. So if you think about the fact that we have taken what is a very much, a very simple but deep insight about making sure we have products that are like homemade with simple ingredients and really reinvent both the chocolate chip cookie category as well as sandwich breads in a way that is leading to great growth. That is a product that we know it's doing very well. We consistently see growth, and we believe this is a winning model with the brand that is delivering ahead of all expectations.

Now -- so we have a proven model that we have done for the last 4 years. I wanted to share with you how we actually are creating now a snacking powerhouse by combining these 2 units. If you look at our portfolio, this is a portfolio full of cherished brands with strong market positions and strong performance over the last 3 years. And rather than go through all the brands, let me take 2 in particular.

Lance is a business that has been growing 5% over the last 3 years, and sometimes may go on a little unnoticed. It's the #1 sandwich cracker. And the reality is that it has a deep consumer loyalty that crosses all sorts of generations, and we believe in the opportunity for us to continue to drive that growth.

And the second one I want to highlight is Late July. This is the brand that's been growing 30% over the last 3 years, #1 among organic and natural tortilla chips, where we know that it's a challenged brand in which we can now apply our proven growth model to that particular challenged brands in order for us to win with very specific set of consumers.

When you take a step back and you look at the portfolio that we have amassed here, it is full of iconic brands. Together, we have a strong business with brands that are the envy of our competition.

Now one of the things that maybe you don't think about too much, which is besides the brands, there's also the capabilities that we were able to bring into our company when we acquired Snyder's-Lance. For us, it was important not only that allows us to bring those brands but also what are the things that Snyder's-Lance had in terms of capability that could be complementary to our business in Pepperidge Farm and could augment our presence and a way for us to win in marketplace.

In particular, let me take one so you can see how this works in sensory. So Snyder's-Lance really brought a unique view of how they win approach in sensory, whether it was in their Kettle flavors. If you think about some of their Kettle flavors, the complexity of how they are put together in order to make sure that it's pleasant and something unique in the category; or whether it is Snyder's of Hanover and the particulars of the hard, a little bit of texture that is so differentiating for Snyder's of Hanover among the pretzel category. These are about building the sensory attribute that really matters to consumer. And now this is going to add some much depth to our innovation and the renovation of the other brands that we didn't have before.

As Mark mentioned earlier, we are now a top-tier snacking company. We have the right brands. We have the right capabilities. We have the right growth model, and it's about us making sure we unleash now the growth as we go forward. And that's what I want to talk about next, it's how we are going to unleash the growth in snacking.

But let me take a moment because Mark talked about our purpose as a company, and everything we do at Campbell Snacks is really grounded on our purpose. Real food that matter-for-life moments. And for us, it was important to come out of that particular purpose and figure out our mission within Campbell Snacks, bringing real food snacks crafted to create better moments for everyone, everywhere. What this allowed us to do was to have a clear and unifying mission for all of our employees to understand what direction we're going to go follow. We also believe it's an honorable space in the snacking environment that actually creates very, very much a differentiated way for our brands versus our competitors.

Now with the clarity of our mission, we are able then to start thinking about what are those 3 key priorities that are going to drive the unleashing of our growth. Mark mentioned some of this in the beginning. We're going to unlock the power of our portfolio, continuing the momentum in Pepperidge Farm and applying the Snyder's-Lance -- to Snyder's-Lance the growth model, making sure we continue to leverage our DSD, which we believe is our advantage with space; and making sure we also deliver on the acquisition by driving the kind of synergies and world-class organization as we come together as one Campbell Snacks.

Now when you think about the particular brands that we have, we have 9 power brands. Each of those brands now have a real and clear brand purpose they're going to follow. Each of those brand purpose have specific initiatives that we have designed to making sure we're going to drive to win in each of those brands. We are then taking those particular brands and applying innovation model to those same platform -- to those same brands. So we are creating now, let's say, the map of how we -- where are we going to grow and the initiative of the purpose of the brands create the direction in which we'll navigate that map. We're going to be competing in these places that we know we have an opportunity to grow because we have an advantaged brand that provides a unique solution in those platforms that I mentioned at the start.

Now switching to a little bit of how we're actually thinking about the innovation platforms in our critical power brands. Let me start with Goldfish. Now in kids' snacks, one of the things that we need to do is continue the momentum on Pepperidge Farm business, and I think it's a lot about how we make sure we drive the kind of innovation that consumers are looking for us. And we are going to be taking advantage of our capabilities. As we go forward, we're going to unleash the growth in 4 ways: we're going to be renovating our core, and you'll see a little bit of that; how we're going to bring new packaging formats to the stores; ways, new ways to create the imagination, inspire our kids to play in Goldfish; and also going to extend those areas where there's -- with bigger kids that are outside our core.

Beginning with goodness. This is an area where we started from a place of strength. We know we have a baked cracker that has whole grains, that has real cheese, and we have now switched our colors to be made from plants. But we also believe there's even more opportunity as we go forward inspired by our single mission, the idea of actually, you'll be seeing coming up next year, bringing real vegetable solutions into our Goldfish platform. This is something that is part of our bringing new capabilities into Campbell Snacks.

When you think about also how we continue the momentum, and I mentioned the importance and Mark mentioned the importance about having the right demand moment, we're making sure we have the right solution for the consumer where they need us. A big part of that is making sure we have the right packaging format. So we are going to be focused on driving new price architecture, new -- going to new channels to make sure that consumers are looking for us. They have us in the way they want to shop for us.

Clearly, partnerships have been a big part of our success, whether it's Disney, whether it's Pixar, as you go into the summer and you'll hear a lot about Toy Story 4, in spite of something that we have done over the last few years, and we continue to build on that partnership because we believe it's a winning partnership for us.

And we're also going to be -- I mentioned at the beginning, we also are going to be going beyond our core consumer. So let me give you a little more background this Epic Crunch product that we just launched. We knew for a number of couple years now that this an area of opportunity for us. But we didn't have the right capabilities in-house to be able to do that. So one of the things we have done with Snyder's-Lance is actually bake a tortilla-like product in one of their Snyder's-Lance bakery in a way that actually brings something new to the world that we couldn't do before, with 18 grams of whole grains and actually unique flavors and making sure we actually are attracting that older kid that it continue -- that continue to be in the Goldfish franchise.

But the part of also continuing the momentum is how do we continue our growth rates on Milano. And Milano, I'll tell you, is a winning cookie. We've been growing 3.5% over the last 3 years. We have continued to invest in capacity and capabilities into that brand. We're going to be having a new state-of-the-art mega line in order for us to continue the growth of this business. And we also are going to be continue to focus on the 3 areas that had been successful for us. We're going to leverage our honorable position in the market. We're going to renovate the business -- core of the business, and we're going to continue to expand into new spaces. And let me show you some of that and how we're actually going to be doing this.

So for us, the story of Milano is a cookie that, for those of you who don't know, actually started in 1957 and then which had been growing at a steady pace. But it's only been in the last 3 years as we've actually put in the growth model into the Milano that started with a clear insight with consumer about how we actually fit in their life that allows us to actually to take those kind of growth that are leading in the category. So we started with understanding the consumer, what they were looking for, how can Milano bring that honorable difference point of difference and do it in a way that connects with her that no other cookie can do. As we look at now also -- how also we continue to do this, the same idea of us applying being in the right place for the right moment and applies to cookies.

So the next time you're in a club, the next time you're in the checkout, and if you see a 2 pack of Milano, put it in your cart. We won't tell anybody. You'll be glad you did. But that is a way for us to make sure that where consumers are looking for us, they're also -- we are there with the right packaging format.

And it doesn't stop there. We also need to make sure we have the right flavor profiles as we continue to please our consumer with something that she's actually hoping to have. So we are bringing that distinctive Milano recipe and elevated the flavor extensions, flavor profile. So unique, indulgent flavors that only Milano can bring. And some of this, you can find in the stores today.

Now as we are thinking now of how we actually take those knowledge of Pepperidge Farm, our growth model and then begin to apply to our Snyder's-Lance, let me show you a little bit about how it's working so far.

So back in the end of March, we actually launched 3 new campaigns for these brands. Some of them haven't had new campaigns in over a decade. And it allows us to really better understand what was at the core of what that brand was about, what were the insights, what were the reason they existed, how consumers feel about it. And so far, the early response have been very positive, and we're going to continue to invest in this business as we go forward.

But I'll give you -- let me give you a little bit of a different view of one in particular, and that is Cape Cod. So as we go back to what does Cape Cod stood for. Yes, it was great taste. We knew that. But we also -- what we didn't know is how much consumer connected emotionally to that brand. And if you think about the Cape, you understand that there is -- you don't have to have spent summer in the Cape to understand what that means. And the idea of our core communication is when your hand's in the bag, your head's in the Cape.

Because consumer can understand that there's that moment that you can bring back to something that you can feel relaxed, that you can feel the joy and you can feel connected to yourself. So you'll see more of this work as we go forward, but now that is something that we just began, and we feel great about what we're seeing so far in terms of response.

So let me then unpack a little bit about how we're taking innovation and applying also to the Snyder's-Lance business, and let me start with premium chips. We're going to be looking at both creative flavor platforms, new partnerships and how do we expand into new demand moments.

Let me start with Kettle. So Kettle have always differentiated themselves by having unique flavors. In fact, sometimes we were bringing flavor that consumer didn't even know they wanted. So whether it was pepperoncini, whether it's Korean barbecue, we were giving them something unique ahead of what they're looking for. But the reality is that, that was a differentiated point for us in a crowded space. We're going to continue to build on that by making sure we have the know-how of Campbell's, of our expertise about real food and bringing that into the premium chips business. We know that, that idea of us having now the capabilities of things like sensory design is only combined with our know-how of others part about real food is only going to make this platform even bigger as we go forward.

Cape is another one where we actually have focused on a couple of areas. First, we wanted to make sure we have purpose-driven partnerships. And we've done some of that in areas like heart and cancer, and that's something that we're going to continue to do. But we're also going to continue to bring innovation-like waves that are very unique in the way we are going to fit our overall Cape business.

And then finally, we're also going to be making sure that we have the right flavors that inspire why it only fits with Cape. I think some of you might have tasted outside the new Cape Cod summer flavor. It's a cracked pepper with a hint of lemon that is best used when you're actually drinking with Sam Adams IPA. So actually, something that when you eat it together actually enhance the flavor of both is a promotion and partnership that we have been starting now, and you'll see in store both an example of how we actually bring our know-how, create unique partnerships and bring it to consumers. And clearly, we didn't invent the idea of chips and beer taste good together, but we're doing it in a way that enhances that your mouth feel and that demand moment for consumers. And if you're wondering, yes, it is our favorite CEO snack. Watch out.

So if we think about also the top of know-how that we had in Pepperidge Farm about multipacks, again, the right size for the right moment in our packaging, that's something that we are going to be applying now also as well to our new brands. We are taking those lessons, and we are making sure that we have the formats that fits where consumers are looking for us in that particularly, if the social's moment, or whether it's a particular individual moment.

Let me turn it over then to pretzels, which is the place where also we feel there's a huge opportunity as we go forward to unleash growth. We think there's opportunity for us to leverage our real food ingredients, which bring permissible indulgence, go into new formats and bring a fully-integrated marketing in-store program. And now let me walk you through how we're doing that.

Let me start with real food ingredients. So if you think about the fact that -- back to our mission and what we can differentiate ourselves, to us is we know there's things that we have already began. So these last few months, we already launched Braided Twists, Garden Vegetable with real vegetables. We're going to be launching Pretzel Crisps, Garden Vegetable also with real vegetables. It's the idea that we're going to bring savory snacks that have the credentials and credibility of real food into those areas in which we can compete.

Now one of the things that I feel great too about is how the teams are coming together and bringing the best of both. Pretzel Crisps Drizzlers is an example of that. We're taking our know-how about great chocolate understanding and culinary experiences, combining with the understanding of textures and pretzels in order to come up with something like this, a unique product that is a completely new innovation that we just launched this summer.

We also are going to be expanding into new formats, and you're going to hear me quite a bit about this. But for us, it's important that we want to make sure that we have, again, the right format for the right consumer for the right moment, and you'll see as we continue to build some of our brands beyond the traditional spaces in which they have been in the store.

Finally, pretzels for us is also critical that we actually not only win in terms of our communication and have something that break through but also in terms of our execution in store. I'll tell you that Snyder's of Hanover and overall Snyder's-Lance had a great execution arm. And when we put it together with our own capabilities, we believe, is a winning combination as we go into the store.

So that was the first priority. As we go into the second priority about how we're actually going to optimize our execution excellence, let me start with the actions we're taking across our -- both our DSD and in-store. I'll tell you that for us, it's about how we continue to manage efficiency, a continuous focus on the store frequency. We know that DSDs have unique competitive advantage. Today and every week, we have 8,000 independent distributors who go to every single store in the United States and allows us to be a great partner for our brands. That's something that we have that nobody else has. And we are going to continue to improve and optimize our delivery whether it's using regional centers in order to get to our products faster to the store or whether it's using best-in-class tools and insights for our partners -- the distributor partners to actually perform even better as they go into market. Overall, what this is going to do it's going to create a stronger execution and a better route to market as we go forward.

I think as Mark said, we are committed to the DSD model. We believe it's an advantage in this space. And we know that we can now use it as a critical point of us unleashing our growing snacks.

So it's been 14 months in acquisition on Snyder's-Lance. And I have to say I'm very happy to say today that we are pleased with the way this business had been integrated and the way we're actually delivering on our synergies.

Over the last 14 months, we have delivered over $100 million worth of synergies. We have integrated DSD headquarters and fields execution business -- part of the business. We have aligned overall behind one way of working. We have taken advantage of the procurement scale that comes by us bringing together everywhere from ingredients to contractors. We've also set up a day 1 and a day 45 organizational design and actually are now ready as we go to the next year to continue to build on this.

We have a clear road map for the manufacturing performance. We have the right focus on where we're going to put the warehouse and the distribution in order to make it a more efficient route to market. We're going to continue driving our procurement savings as well as transition to a new ERP system as we go forward.

One of the things that I get asked quite a bit is as we bring this integration together, which has been the largest acquisition that Campbell's ever made, how do we make sure that it is successful? For me, it starts with 3 things: focus, expertise and discipline. And it's about us making sure we have the best in both in Pepperidge Farm and Snyder's-Lance.

We started with making sure we understood that we have to have the right team with the right experience, people who understood DSD, people who had a wealth of snacking experience. We make sure we have the diligence of a PMO with top talent right from the start. We have a strong governance to make sure we have a clarity and line of sight to the savings that we needed to deliver as part of our integration. We needed to make sure we have clarity on right -- on roles and responsibilities to make sure we do it in a way that it will be agile and be able to move quickly in the things that we have to make happen. We also need to make sure we have the robust tracking of everything we do to make sure we, again, deliver on each of our commitments. And we -- from day 1, we have the right change management in place in order to make sure that this works cohesively as one organization.

I hope that as you look at this, you see how this gives you the confidence on the fact that we are able to deliver on the commitments we have as part of acquisition. And this is something that we have already seen some of the fruits, whether it's been actually taking our Late July business and integrating with our Goldfish business to make sure that one team is actually looking for opportunities to quickly go after the how do we expand on the growth model.

Now I'm going to show you a little bit of how this actually translates into a time line as we go forward on what you can expect. So we're going to be doing our plan for next year. We are ready. We are set for those plans to actually continue and be delivering. We're going to see improvements as we go into F '21. We're continuing -- deliver on the acquisitions into synergies, maintain the Pepperidge Farm momentum and really fully living into a one Campbell Snacks with a snacking powerhouse mentality by F '22. I'll tell you that our organization has a lot of hustle and a lot of passion. And in my view, that's a critical aspect of what it takes to winning snacking.

As I close, I'll tell you that we are leading a transformation in snacking, and we're doing it with 5 things: clear and strong 9 power brands, a differentiated and diverse marketing, platform-driven innovation, category-leading DSD and a synergy to fuel the investments for us to continue to drive that growth.

So let me finish where I started. We have an advantage in the snacking business. At its core, we have a model that has been proven, that has been consecutively grew -- expanding and grow for the last 18 quarters, that we are applying that same model to Snyder's-Lance, and we are now delivering on those synergies that will allow us to actually unlock further growth as we go forward.

With that, I want to thank you. You have heard me talked quite a bit about snacks, so I'll say that we have a 10-minute break. You can actually enjoy some snacks as well. So thank you for your attention.

(Break)

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**Mark A. Clouse** ***Campbell Soup Company - President, CEO & Director***

All right. So soup is on. We're going to get to talk about soup now, which should be a fun opportunity to spend a little bit of time in Meals and Beverage, which I'm very excited about. So again, a lot of the strategy you're going to hear us talk about with Meals and Beverage is about this (inaudible) focus, right? So the idea that as we pivot the strategy within the company, we're going to bring to bear a lot of resources, not just investment dollars, but focus within the company on being able to drive these businesses.

Today, I'm going to cover a couple of different things. One, I'll give you a little bit of a grounding on where we are today. It is an iconic foundation, but clearly, we've talked about lack of support and focus as an opportunity. Then we'll move to winning in soup, time for full swing. I will describe to you what a full swing looks like and kind of how we're thinking about the business, and then also spend a little bit of time on what arguably is somewhat still a work in progress, which is the balance of the brands within the Meals and Beverages division like Prego, Pace and V8. So although I think we have clear direction on where we're going, we've got a little bit more work to do to really build those out fully.

So if we start with the business and kind of what is it, right, essentially it is big iconic brands that are in big, large important categories. Campbell is over $1 billion, 4 brands over $400 million and another couple that are over $200 million. This is a pretty enviable position as it relates to big-scale businesses, right? These brands are fabric of the nation brands, right? People know where it is. Pacific, maybe we've got a little bit more work to do, but generally speaking, this portfolio has a lot of equity. Some of it's a bit more latent but a lot of equity.

As you think about the categories that we're in, clearly, as #1s or #2s across these, we do have a right to be leading in there. The question is, have we been stepping up into that right and leading it the way we need to? And the answer is really no. If you think about Meals and Beverage over the last 4 years, where we've had a strategy of really managing for profit, this is the profile of the division. So over those 4 years, our spending is down 20%. Our sales have followed down 6%, and in particular on soup, we've lost 3 points of share while maintaining EBIT flat. Again, we know this model is not a model that you can sustain, right? The unintended consequences of a strategy like this is that over time, your equity and your penetration is eroding, right? The competitive exposure, you open the door to welcome new players in as well as private label. Retailer confidence in the business fades. And as I said before, the organizational orientation, what muscles you're building, are built for cutting costs and saving dollars.

Now what I want to do, though, is highlight for you that many of those elements that drove those results are areas that are controllable by us, right? These are opportunities where we can influence those by setting the right priorities. So today, I'm going to talk about winning in soup, what does a full swing look like and turning around Simple Meals and V8.

The other 2 priorities within the division, infusing growth capabilities, we've already talked a lot about what that looks like. So we need to have that organizational focus manifest very squarely within our Meals and Beverage business. And then Anthony will talk a little bit more about the details around our enterprise cost savings that are going to help us fund that investment while also support the algorithm that we're building.

So let's tackle the first 2, and let's get right out of the gate with winning in soup. All right. So as a good student of history, I think it's always helpful when you're walking into a business that has struggled for a period of time to go back and try to understand when the business was successful, when the business wasn't successful and trying to identify some common denominators that help give us some insights into what it's really going to take. Because the answer is, turning around soup is not a new concept, right? So certainly, I'm not the first person to show up at Camden, New Jersey and say, "Hey, wouldn't it be great if we can turn around the soup business?" Wow. I never thought of that. So clearly, clearly, this is not a new idea, right? But the thing that's kind of interesting here is it's also not as if we've never done it, right?

Give me the 3 years that I think was in Doug's watch back in the early 2000s where for 3 years, we were able to grow the business almost at a 5% CAGR. I'm not suggesting we necessarily are committing to that, but there are periods in time where we've seen success. And we've looked for what are the key ingredients, what's the formula that was consistent in these moments? And if you went back another 30 years, right, you'd see the same consistency, and it's basically 3 things, right? It's not going to be rocket science, but I do think it's really important to understand it.

First, it's a company priority, right? I cannot tell you how important it is for the organization where soup is our middle name, to believe that soup is a priority to this company, right? If you don't have this on the top of your list and mobilizing the organization behind it, if it's priority #15, it's too much of a heavy lift to get done. So in each of the moments where we've seen success historically, it's been one of the top, if not the top priority in the organization.

Two, it's been a fully resourced holistic plan. Again, if this was simple, lots of people would have fixed it. And if you look at some of those 1-year spikes that are in that history, I would tell you, what happened in those years is we might have focused in one area and really gone hard, but without having the complete plan around it, we just weren't able to sustain the performance.

So for example, in 2013, we launched a lot of innovation. But as you rolled into year 2, the same problems on the core business remained. And so the ability for us to do what we need to do across the whole portfolio is quite important.

And then the third is the best and the most successful plans recognize that it is a heavy lift and that it was a multiyear plan that was put in place to deliver it. So we want to make sure those are ingredients we put in place.

The other things that jumps out at you in this page is really, though, if you think about the last 10 years, we've not taken a full swing on this business. And so the combination of believing that there is a formula where you can influence the business while also recognizing that was not the priority may be one of the strongest endorsements for hope in our ability to do it.

The other reason why I think we should be excited about soup is that soup is not bad, right? I think sometimes we believe that this category is more disadvantaged than it is. And although it is challenged within the retail environment, soup as a behavior is both big and highly relevant. If you think about 31 occasions a year, and that being relatively stable over time, if you look under the hood of soup, you see areas of growth that are occurring in different segments, in different occasions. And if you take all of it together, all of it together, modest growth is expected and has been experienced.

And if you think about our leadership position within the retail world of soup, being able to shape our core business to better match with what's driving that behavior more broadly is the opportunity that we've got to unlock. And perhaps more important and would differentiate soup from some of these other categories that are challenged, like let's think of breakfast cereal which is kind of locked or anchored into a particular form or occasion, we have a platform that is expandable. If you think about soup, at the heart of it, it's essentially vegetables, protein, taste, convenience and value. If I describe those attributes to you without saying soup, you would feel that they're relevant, right? They match a lot of the dynamics within consumer behavior today. And when we look at adjacent occasions, right, or opportunities to expand into places that are more advantaged, take quick scratch cooking. So quick scratch cooking is essentially what was the catalyst for building meal kits initially, where I want to cook -- and by the way indexing to younger consumers, I want to cook, but I really don't want to go through all the work of preparing every ingredient. So you're looking for quick shortcuts that still allow you to assemble components to be able to cook, growing behavior where condensed soup and broth can play a very important role. Or snacking, convenience, health and wellness, even all seasons.

I was in a conversation where we were talking about soup, and again, part of what we want to try to do is understand reality from some of the urban legends of just how tough the category is. One of the things that we learned in talking with our customer about how to think differently about soup out of the core season was sharing with us this insight that there are more cans of soup sold in the summer in their retail environment than bottles of Gatorade, right? And again, I'm not suggesting that, that necessarily means that we don't have a seasonality on soup. But the potential for us to be able to create solutions that allow us to access different occasions or different seasons is an opportunity beyond just improving the core that we think could have a big impact on the business.

So that's really around the essence of what the strategy is, reframing role and you could say retail soup up there, if you wanted to be even more specific, where strengthening our core means moving the core business closer to what's driving that behavior, overall, that's making soup relevant while we then use innovation as a development tool to expand into those adjacent occasions where we see greater potential.

We've built a pipeline and a roadmap that covers 3 years. 4 key strategic pillars: First, focused brand architecture and strength in the core business; then expand offerings into growth areas; and another ingredient that has always been present when soup is turned around has been a focus on the retail environment. So transforming retail and channel presence is a critical ingredient within the strategy going forward. And then finally, being focused on the business model, delivering end-to-end cost of network solutions that will enable you to defray some of the cost of the $70 million that I do think we'll need to invest over the 3 years. So a pretty straightforward roadmap and truly an investment, but also with opportunity to improve this business model over time and holistically address the challenges on the business.

Let's start with the portfolio. We believe there are 6 brands within our business today that give us the focus that we need to cover all of the major segments and price points we need to reach while also giving us the brands that can be the right platforms for expanding into adjacent occasions and segments. Each of these brands, we need to be quite clear about the positioning and the role. We have other brands and sub-brands within the portfolio today. In some cases, those may be brands we merge.. In some cases, there may be some rationalization as we get the portfolio set to match the strategy going forward. The good news is with that clarity, though, of 6 brands, it allows us to increase our focus and really be investing around the brands that matter most. Iconic businesses like Campbell's, Chunky and Swanson and other brands that we've launched but never really given it the clarity or the support they need: a clean ingredient label platform like Well Yes!; or a super premium restaurant-quality style soup in Slow Kettle; and then, of course, the newest addition to the portfolio, Pacific, which gives us a leadership position in organic and also access to younger consumers going forward.

Now with that portfolio defined, the first thing we want to go in and do is really understand what we need to fix on the fundamentals. At the end of the day, in a situation where the businesses have not been supported for several years, we've got a variety of work to do across different areas. We've gone through a fairly exhaustive brand health assessment to try to really understand what we need to do to position these with the appropriate price value, product quality, investment levels needed and distribution opportunities that we may have.

So let me take Campbell's, for example, right? I think over time, what we've seen is the value proposition on Campbell's alone. So opportunity to strengthen the product also in the packaging, while improving and making sure that we're living within the price gaps we need to, with support [needed] (added by company after the call) behind the brand is paramount to getting the fundamentals right on the business. Before we talk about some of the new items and new areas, we want to get this right.

Chunky is a slightly different story. There one of my most pleasant surprises coming to this business is that the Chunky business, from a product standpoint, blind taste testing beats everybody. The quality of the product of Chunky is undeniable. Now we have a problem, though. We sell it essentially in only one pack. We need pack price architecture that allows us to penetrate different occasions, and then on that can, we're deep discounting it too often for the quality of the product. We have to figure out a way forward to ensure that some of those most aggressive price points we're able to move off of over time. So across the board, we have a variety of areas to target, to focus on to get the fundamentals right.

Let's talk a little bit about product. Now one of the things that we talk a lot about is the opportunity to strengthen what the proposition and the quality of our product is and whether that will be a meaningful difference. One of the things I get asked a lot is about the can, right? So is the can a barrier to consumers on this product? And here's what I'll tell you. If you look at the insights, the issue is more about what's inside the can than the can itself. Now I'm not suggesting the can's not a barrier, but I will tell you that our ability to shape perception on the package is something that I feel is possible.

I remember on frozen vegetables having this conversation about the steam fresh bag, right? No one wanted to put plastic bags in the microwave and they saw it as a real barrier moving forward. The business was able to adjust what was in the bag to give the permission of the quality of the product that was coming out as a way to create permissibility for the form. I don't think cans alone are our answer, but I also think if you think about this business and ability to balance cans and strengthen that proposition while we expand into other packaging formats is a solution that gives us the greatest chance of success and also I think protects a very important franchise in this business.

So what do we do? Let's fix what's in the can, right? Chicken noodle. We have 4 flavors in condensed that make up 50% of the business. We address those 4 flavors, we're going to take a big step forward. It's also going to enable us to create calls to action, to get excited -- consumers excited again about the business. Putting more chicken in chicken noodle soup or continuing to lever the fact we're the only one with fresh noodles and then having a claim of no preservatives as part of the array of options that we can bring to bear.

Remember, a couple of advantages to the can. One is after freezing, it is the most natural form of preservation. It's essentially time and temperature. That's what it is. Now if we put bad things in the can, that's on us. But if we can eliminate the preservatives, which we can on these products, that's a strong endorsement and permission. Now whether that's a eating soup or a cooking soup, like cream of mushroom or cream of chicken, where we're adding more fresh cream to the formula to make the performance better while also eliminating the preservatives, it gives us claims and calls to action to bring consumers back to the franchise. Or my personal favorite that I don't have to change a thing on, did you know, there are 6 tomatoes in every can of Campbell's tomato soup, right? That's a permission for quality of what is inside the can and an opportunity to bring some news back to the condensed business. We have the same opportunity on Swanson in our broth business and others. But right out of the gates, we're going to go aggressive at these 4 items within our condensed line, and you'll see those flowing through within the soup season in 2020. So that, I think, is a great first step.

Now that's part of the value equation. The other part is getting pricing right. And as I said, if you look across the portfolio, there's different levers and different challenges on pricing, depending on where you are. On our Campbell's and Swanson business, although 2019 we did a lot of the work we needed to, to get price gaps and range, there's still a bit more work that we need to do to make sure that, that value and price gap is set up to be sustainable for the future. We have other brands that we want to drive trial with, right? The penetration and the awareness on Well Yes! is so low. Our ability to use price as an incentive to drive trial on both Well Yes! and Slow Kettle is an opportunity. And I've already talked about the opportunity to get pricing right on Chunky as well as Pacific over time.

So product quality and pricing right, 2 key fundamentals to get going. With that in place, we want to then begin to invest in the business. Each of the 6 brands have the opportunity for good marketing, maybe different targets or different consumers. We expect next year to increase investment by about 20%, and over the 3 years, add about 2 points to the investment as well as driving partnership expansion.

Now to the right, I have an example, which is a partnership for the soup season this year with Hallmark. Now what I'm told is that there's fundamentally 2 kinds of people in the world. Those that love Hallmark holiday movies and those that lie and say they don't, right, which honestly, I got to tell you, I've been sucked into a few of those. And that paired with the idea of having nights in through the holiday where we can sponsor, lever that insight around quick scratch cooking, is an opportunity to create a bigger event and a bigger relationship to add relevance to these brands. I put it up here not because this is going to be the key to driving growth in soup but because it is something you would never go do if you were simply focused on driving profit on the business, and that's the kind of opportunity and orientation within this business that's going to make sure that, that investment is working as hard as possible.

Okay. So fundamental is fixed. Focus on the product, focus on price, get the right investment level in place, now let's focus on innovation. It starts by first putting the right resources in place. So let me give you an analogy that I shared with a couple of you. If you've spent the last 4 or 5 years building a car that's designed to be fuel-efficient, and you take that car and you drop it into Daytona, even if you put a racecar driver behind it, it's not going to instantly, overnight, be a racecar, right? We've got to put the right resources and capability in this business so that over time, we can really get the innovation model going. So we'll start by upping our resources against R&D within our soup business, Craig will talk about this in a little bit, by 50%. We want to use that new approach to innovation to cut our development time in half, and over the course of the strategic plan, double the percent contribution of innovation on this business to be in the lower double digits.

So where are we going to focus? Like I said, it's going to take some time to build this innovation funnel. But as we said, there are some distinct consumer spaces where we think innovation can really drive incremental consumers and incremental growth to the business like cooking, convenience in snacking and in health and wellness.

Let me share with you a couple of the ideas that are coming now, right? These are not 3 years away, 4 years away. Arguably, this is not the innovation pipeline or platform that will convince you fully that we can get to the growth, but they're good early steps in beginning to build these opportunity areas out.

One of the first is launching -- essentially, it is a pure plant-based condense, so think of condensed vegetables. It's a delivery that enables quick scratch cooking when you're on a plant-focused diet. Number one macro trend for consumers in this country is plant-based diets and eating. Our ability to simplify what is quite complicated in a lot of those recipes is the pre-preparation around the vegetable. And so our ability to deliver that, whether it be sweet potato or cauliflower, as an opportunity that brings real vegetable credentials, a format that we uniquely can deliver, it allows us to both attract younger consumers to the profile. And again remember, putting good things in the can enables us to begin to change the perception of what that can is .

Now we also have the opportunity to do that within pouches because as good as we're going to be, there are some times where there are consumers that just won't cross that boundary. So we still want to make sure that we're offering things that are incremental beyond just the can as well, and we have quite a few technologies within our portfolio today that we can bring to bear.

Another one of those technologies is our cup and bowl capability. So we'll continue to expand our convenience footprint with portable single-serve and, in this case, a little bit smaller footprint. So we have bigger bowl, I think, center kind of a plate, and now we're going to have sides and snacking as a complement to it. So creating different price size architectures across different products and formats at different price points is allowing us to begin to build, if you're imagining forward to a retail landscape, a more distinct destination on that shelf for convenience in snacking, which I think is going to be an important item in bringing consumers into the category.

The one that I'm most excited about is the handheld or sippable soup. Not because sippable soup is necessarily a new idea, but what the platform can actually deliver. So in 2020, we're going to start with the delivery of bone broth, right? Bone broth is a very effective and efficient delivery of protein. So 9 grams of protein, handheld cup, right, afternoon beverage or snack replacements is a really strong and compelling opportunity. And bone broth and protein is really just the start as we can begin to infuse. So think of infused broth as a platform where we can bring other health and wellness benefits, a simple one, like adding to that bone broth proposition of 9 grams, infusing green tea to deliver caffeine so that you now have an afternoon hot beverage replacement or snack replacement that's bringing you caffeine for the boost, as well as your 9 grams of protein and doing it for around $2. If you compare that to alternative opportunities, there's a big opportunity here to deliver health and wellness benefits through this platform.

So we're just really getting started on it. The Well Yes! launch this year of sippable formats that breathe life back into that business, where it's now growing at double digits this year on the back of this alone. And interestingly enough, some of the formulations around those Well Yes! flavors are also good cold. And you may have tried one of those when you got here today. But that flexibility in what we deliver to be able to, again expand into new occasions, is a big opportunity for us as we think about innovation. But this one is an exciting one, and I think bone broth is an early entry. It's a good start. But the bigger idea is how do you get to gut health, how do you get to other health and wellness benefits that could be delivered through what is essentially a pretty healthy platform to deliver it in.

That then translates to a vision for the shelf. You can see this to a smaller scale within the hallway. But the idea that we're going to shape the aisle to match what we're trying to drive and meet from a consumer behavior standpoint is a big idea. So leading into the aisle with cooking, which we see as the biggest opportunity area for the soup and broth business. Again, remember broth today is growing mid-single digits, right? Without us executing plans, it's already growing at a very healthy rate. So leading into the aisle through cooking and then moving into eating within the condensed area, and then carving out in the middle of the aisle the convenient sippable and then translating that into the ready-to-eat and the wellness and premium segments of the aisle is a fundamental change in a shelving system that has not been touched for 10 years. And so rethinking how we create this destination within the store is something that we're going to be testing this year.

So as you might imagine, it's coming back to retailers at having -- whether you agree with every tactic within the plan, sitting down with retailers and having a conversation with them about this kind of holistic approach and support behind this category has been powerful, right? The vacuum that has been created by us not stepping up and leading, we're now filling with a vision and a path and a learning plan together to be able to drive it. So we are getting unbelievable support and response to what we're putting out there as a way to begin to reset the direction and vision for the category.

Now when you put these pieces together, you're probably thinking, okay, how does this business model then look? So we've got investment that's happening in marketing, we have innovation that we're going to hope is at least not overly margin-dilutive. Of course, condensed sets a pretty high bar. We're going to invest some in product, and we probably got pricing going in and coming out in a couple of different areas. So when I think about how we're going to tackle end-to-end cost and create a margin objective, the way I would expect this work, remember, 2019 was a big investment year in margin in soup. So we took a significant step backwards in margin in '19. Coming into 2020, what I would expect is perhaps a little bit of short-term headwind, then a stable margin position as that investment gets into the base, modest growth on margins going forward. So I don't expect a big step -- further step backwards on margins following '19. Although I think 2020, again, could have a little bit of headwind, but as we move forward through that plan, I expect the margin to become stable and then, over time, growing.

We've got a lot of tools that are at our disposal to improve that margin as well. One of the things that we did this year as part of the early first steps in our network redesign was the closure of the Toronto plant, right? That's opportunity for us into next year as part of the solve or the offset to this investment.

And again, as I said before, it's not an overnight fix, right? I think the idea of us focusing on the core business, tightening the fundamentals, and then really unlocking an innovation model that's going after proven demand moments is a formula that's going to give us a great outcome. Now even if you -- like I said, even if you're not expecting hockey sticks, remember, right, we're going to be doing this in the backdrop of a business that was really focused on profitability the last several years. And so as we get the investment in over the 3 years, we expect steady progress. So 2020, I think getting those fundamentals fixed, getting pipelines developed for innovation, you'll begin to see the impact of some of that investment as the trajectory improves on share, sales and margin, maybe not too bright, but certainly improvable from where we are today. And then as we go into '21, that innovation really begins to flow. We've got a stronger network and our investment is now proven. We've tested, used ROI to optimize it, and I would expect to be more stable on sales and margin, improving share. And then the ambition here is to be able to grow this business. As you think about the algorithm, we need it, really, to stabilize, but I think with the goal of going after winning in soup, the ability for us to try to get back to one of those historical windows where you had that ingredient just right, those 3 things, priority in the company, holistic plans at a multiyear approach, I think we can deliver on. Again, at the end of the day, this plan, comprehensive but I think pragmatic. It's improving our core brands while also adding the adjacent categories, more of a pay-as-you-go flow over the 3 years and then really tackling the business model to line up with the business that we're creating.

I would not expect you to leave today 100% convinced that we can go do this on soup. But I think what I hope that you'd take away is that our commitment to this category, our belief that soup can be relevant with some pretty clear points of evidence along the way, that if we're able to execute well behind this plan, that we can deliver at least significant improvement from where we are today.

Now I want to just finish up on a couple of brands that arguably we've got more work to do, but I think are stronger brands than you may think, right? Starting with Prego. Prego has a clear taste preference over both Ragu and Classico, right? We're the #2 Italian sauce, but we have the #1 SKU within the category. Our brand growth over the last 3 years is 2%. That's not bad, right? For the next big business behind soup, that's not a bad position to be in. It's keeping pace with the category, so essentially relatively flat share with a validated preference. As we go forward, we want to unlock that power of preference through competitive claims while also bringing some news to the aisle through the premium line around farmer's market. We've got a tremendous formula we have created that uses plant-based protein for a meat sauce or a marinara sauce. So the opportunity to be in market with something truly differentiated, and then to adequately support both the base and the innovation is really what the plan looks like for Prego going forward.

Next is V8. Now V8 was plant-based before plant-based was cool, right? It's the #1 vegetable juice in the United States, #2 in overall branded shelf stable juice. And with plant-based as being the #1 macro trend in consumers, we have an opportunity. Now the business has not performed great over the last 52 weeks. I'd say down slightly, a little bit better later, but really more up and down. Our opportunity here is to really focus on what's been working, which is around single serve. The single-serve can platform as a delivery for the benefits of V8 are quite powerful. We have to work our way around some of the more disadvantaged parts of this portfolio where the declines are happening. More value plays within V8 that are disadvantaged and very low margin are opportunities to reshape this business into what is most relevant to consumers, and that's the single-serve can. So opportunity before going -- opportunity to expand on what's working, but also to bring new benefits and items to the portfolio.

And finally, Pace. Pace is the #2 sauce brand. Interestingly enough, it's America's favorite taco -- salsa for tacos. Now you may ask me how I know that fact. So we did a lot of work on panel because as you can imagine, if you stand in front of the salsa aisle, it's just a sea of red. So figuring out where our points of difference are and where our usage is most compelling is going to inform our thinking on how we continue to support the business. And again, it's not as if we're starting from a horrible position on the business. The underlying category growth on Mexican sauces is growing, and the business is essentially flat. We are losing some share, but with opportunity to return support to this business around the authenticity that is our heritage and owning that taco night, along with adding some on-trend innovation that strengthen that position, there is room for these businesses to return focus to them and support as a way to improve the performance going forward.

So no question, the big challenge within this division is to get soup on the right trajectory. We're committed to a full swing on this business. It's not something that we've done in a lot of years, but historically, when we get the formula right, we can see progress and success. So more to come as we go forward on how that's going and what the more detailed components are of that, but hopefully a good framework to understand what we're doing. Then we're going to add focus and strengthen our plans on the other Meals and Beverages brands while we increase the right amount of investment, and most importantly, we will orient this division toward profitable growth. So that's Meals and Beverages.

Okay. With that, I'm going to hand it over to Craig, who's going to run us through a little bit more of a deeper dive on what we're doing on innovation. So we talked in kind of brief terms about it. He's going to walk you through how we're thinking about it. Thanks, Craig.

**Craig Slavtcheff** ***Campbell Soup Company - VP and Head of Research & Development***

Thanks, Mark. So before I go into that, because I'm also bit of a student of history. The first food patent was granted in the 1880s. So take a pause for a minute and think about that. The food innovation system has been around for almost 130 years. And what we're learning with challenger brands and disruptor brands is that they are flipping it on its head. And so we need to pivot as an industry and as a company in a way that we learn from other industries at a faster pace, and that's really what I'm going to share with you in this presentation.

So first, I'll start with the consumer because that's where -- driven from everything and the opportunity space. So granted this is a slide you would quickly see in any innovation presentation, what are the consumer areas of opportunity. Two points I want to leave you with on with this. Number one, 6 months ago, this slide will probably look different. Gluten-free will probably have its own box. Now gluten-free is embedded within food tribes along with Keto, Whole30 and Paleo. Any caveman or cave women out there try the Paleo diet? Okay. Don't. It's really difficult. But that's the point. These challenger brands really are able to pivot in real time on these trends because they are so dynamic and so quickly changing.

The second point is innovation uses a draft against a single one of these boxes. Now you see combinations of different innovations along these. So for example, you may have the satiety products that's leveraging vegetable protein, that is in the snacking format, that has elements of carefully crafted and artisan. This is again where challenger brands are pivoting and winning. But it's also an area of opportunity because as a company like us who has deep scale and insight with consumers, we're able to optimize our designs, and both

Carlos and Mark spoke about the demand moment architecture, which directs us in that area.

So through this, we can kind of take an analysis and come up with a theory of how we're going to win. And the first is around deeper and more intimate consumer insights. We really call this our insight engine. We're getting deep on the demand moments of what consumers are choosing to consume and why, right down to the detail of attributes and benefits, along with what other products they're choosing to consume. And that's really where we pivot on figuring out how we fire incumbents and get them to choose our products.

The second is rapid translation of insights into design. So how do we pivot as things change to build into our designs quickly, get them to market and get insights on fail fast and learn, similar to challenger brands?

The third area is about competitive fitness. And this is an area of strength for us. The insights we glean on how to build products that optimize us in a way that's both congruent and compelling for consumers allows us to win choice in the market. Combine that with expertise and know-how in basic food science, vegetable protein and other areas of our portfolio, you can see how we're going to win out versus CPG and small brands.

So let's jump into the translation of this model. It always starts, first and foremost, with insight with consumers. We've always had tons of data on insights for consumers. The issue is we move too slowly on them. The insight engine we're building is -- really allows us to accelerate design in real time in these responses. We're partnering with firms that actually use artificial intelligence to mine social media and other forms of information to bring into our realms. One of the opportunity here is in real time and pivot against that. In essence, we're getting about less trial and error with our designs and more purposeful design work.

The second is around dedicated R&D resources and innovation resources embedded within the divisions to be more efficient and optimize our R&D expenditure.

And lastly, leveraging recently acquired capabilities as well as partnerships and digitization to go fast in the market.

So we've actually got a pile of the elements of this for the past 3 years in the Pepperidge Farm business. Let me unpack what you're seeing in front of you. This is the vitality index, which is really percent of total net sales coming from innovation over the 3-year running average. So what's in there will be things like line extensions, core renovations and new platform technologies. What it really measures is both pace and frequency of innovation, but as well as stickiness of innovation. How many of these things are lasting out in year 2 and year 3? So it's a really important measure. And you can see the performance that we've had over the Pepperidge Farm over the past 3 years where we've nearly doubled our vitality index. And over the same period in Meals and Beverage, it's largely been flat and therein lies the opportunity.

So let's explore how snacks got there. First and foremost, on Goldfish. So we expanded through smart packaging innovations into new consumption events. And then we also expanded, as Carlos shared, into big kids with new consumer targets. On Milano, we leveraged the demand moment architecture to be really clear on what product you're sharing your consumption with, and then building the right line extensions and flavors to draft against that, and we've seen the growth on that business.

Carlos also shared the farmhouse cookie example. This is an important one because it's indicative of our evolution of thinking on real food. So yes, it only has 7 or 8 ingredients. Yes, all those ingredients, you would find in your pantry. But we dug deeper on the insight, that it wasn't just about a clean label. It was more about what that means to consumers, and it was encapsulated in the phrase of a cookie straight from 1937. It was something that your grandparents or your parents could make for you. And then we took that insight and literally led it all the way down to sensory design attributes.

Now someone asked me at the break, I must have the most fun job because we get to play with food all the time. If you sat and tasted 39 different cookies from center store, retail perimeter, QSR, fine bakery, it sounds great, right? Trust me, you get gray in the face pretty quick. You then take that and build it down to what are the 19 attributes that describe the perfect chocolate chip cookie and drill down to 4. You can get a sense of the advanced sensory science we leverage to get to winning propositions, right? And the results speak for themselves. A cookie that actually was 87% incremental to our current cookie business is testament to the power of that design approach.

And then we took again another step further because that insight of straight from 1937 is that we have an adjacent category in fresh bakery that could leverage that insight as well, and that's what we did with the core renovation of our Farmhouse sandwich business, which I'll take you through in a second.

So let's expand out on the innovation model. There's 3 ingredients to our innovation recipe -- sorry for the cheekiness in the phrase, but the 3 ingredients are basically around product design, designing to demand moments, really driving the insight engine for the company, advanced sensory design techniques, how we're able to pull those insights from the insight engine and instruct us on what we need to build. The second is about embedding innovation into the divisions. So we've run through a number of different innovation models in this company over the past 10 or 15 years, and the insight we got was that having dedicated resources for front-of-funnel platform innovation is best practice. But having them connected to the divisions in the categories is also how it lands. And so that's why we've had dedicated front of funnel innovation teams to drive our innovations.

Now efficiency of R&D is driven by prioritization of resource, and that's really where the portfolio framework comes into play. What are the right projects with the right resources on the right brands, and then rigorous prioritization to make sure that we stay at the track on that?

And lastly, wired for speed. This is about leveraging capabilities through M&A and external partnerships. I'll talk -- give you an example on each of these.

So I already teed up the Farmhouse spread renovation. Let me explain why this needed to occur. So as consumer buying behavior shifted to retail perimeter, fresh bakery, it shifted the expectation of what good bread was for consumers. And when we looked at our own center store bakery business under Pepperidge Farm, we realized that we were not matching that new ideal. And so that led us to basically take our competitive fitness tools to rip apart every single detail of design to how we build the best bread going forward. We actually broadened our culinary inspiration because we have a history of deep culinary influence in the business. And we created what was called baker's touch. It was a way to ignite the passion around baking, not just from the designers and the marketers, but all the way to the operator who is running the commercial bakery, and that's what drove this innovation. And the results speak for themselves. We had a business that was declining by 5%, jumped to 11% growth in the second year and continues at a nice trajectory.

So let's talk about the hardwired agile methodology. I mentioned before, we're living in a 130-year-old innovation model as an industry. So to get inspiration, we looked outside. And so there's a lot on this page, 2 things. Number one, we have mirror image front-of-funnel innovation platforms across the divisions, so taking best practice of what drove growth in snacks and applying it to Meals and Beverages. The second element was using a methodology called agile design methodology, which really comes out of the IT and tech world in Silicon Valley and applying it to CPG food. So 10 years ago, we're all looking to become Six Sigma Black belt experts. Now in the innovation world, it's really about agile design, and we're modifying it and pioneering it for Campbell's. The thing you really need to know about agile design is speed.

So typically, in a platform innovation which will be like a new manufacturing platform, like entirely a new food, in the industry and even within Campbell's, typically 18 to 24 months to get it from concept out the door. We've leveraged this approach to drive that down to 9 months, so well less than half.

Now back to food. So the third ingredient is around wired for speed. Goldfish wanted to expand into the big kid market, which is really where we're losing consumption, right? As kids grow up, they graduate from Goldfish. We want to land them with a snack that they would want to go to. And on the advanced sensory design work we did, landed this on a snack that was very different than Goldfish. Okay. It had 18 grams of whole grain, 50% less fat than the leading selling tortilla chip. So mom is loving that, so she's choosing it. But more importantly for kids, it has Epic Crunch. You can literally hear them chewing on the snack across the room. And it had great flavor. The challenge was, it was not a Goldfish. You couldn't manufacture it on our current asset. And we were able to leverage the recently acquired asset within Snyder's-Lance to get this to market quickly. And ironically enough, that asset is what Snyder's-Lance had used to grow a lot and launched a lot of the challenger disruptor brands in health and well-being snacks, and now we're leveraging that capability internally.

So as Mark said, we want to take a full swing at soup. So how do we apply this? Well, as he's already unpacked a little bit, it's about 50% increase in R&D to deliver the category and expand new platforms. Yes, we're going to romance the can. Yes, we're going to look at broth, but we're also looking at category expansion. The demand moment-driven insight engine and customer co-creation is going to be a big part of how we do this design work and how we deliver the platform. Platform innovation, supported by agile design, is a key part of this element in the org structure and then go to market, end market testing in partnership with customers, learn fast, fail and then redesign. Innovation in market in half the time, which we had already covered.

So what will success look like? When we model this out in our vitality index, we're going to nearly double the vitality index for Meals and Beverage across all these brands, and each brand playing a critical role in the expansion of the business.

So let me end with some key points. We've built on our snacking learning. We're building a powerful innovation process across the enterprise to take the best of what was working and expand and improve upon that. We're fueled by a consumption-driven insight engine that allows us to get really sharp on what we build. We have a pipeline in soup, which is being primed as we speak and we have a pipeline on snacks, which is full and already delivering. And we're leveraging agile design and rapid launch capabilities to deliver innovations in half the time. These new capabilities make me personally very excited about the innovative future of Campbell's.

And I want to thank you for your attention. With that, I'm going to introduce Anthony DiSilvestro.

**Anthony P. DiSilvestro *Campbell Soup Company - Senior VP & CFO***

Good afternoon, everyone. I have a few topics I want to cover with you this afternoon. First, I'll talk about how we're repositioning our company to achieve sustainable growth. A key enabler of our algorithm is the continuation of our proven ability to deliver on our cost programs, and I'll review those in some depth. I'll cover our capital allocation priorities and wrap up with our path to achieving our long-term growth targets.

Over the last 18 months, we have reconfigured our portfolio through M&A, and we'll now strategically focus our company in a single North America geography. We will have 2 divisions of approximately equal size: in snacks and in Meals and Beverages. Within those divisions, we have a focused portfolio concentrated in just 13 core categories representing 80% of our $8 billion in pro forma sales. And importantly, we have leading brands in those categories, which provide us a competitive advantage and a compelling right to win.

After our people, our portfolio of brands represent the company's greatest asset. This portfolio has evolved significantly over the last 18 months as we've added snacking brands such as Snyder's, Cape Cod, Kettle, Lance and Snack Factory Pretzel Crisps. We've also added organic form brands with Pacific Foods in Late July and launched our clean label Well Yes! soup brand. With leading market shares, plans for increased consumer relevant innovation and effective marketing, we are well positioned to win with consumers.

Our go-forward plan has noticeable differences from the past. Where before, we expanded our portfolio through M&A, we will now focus incremental investments in the business to drive organic growth with innovation and brand-building. We will manage our P&L with cost savings appropriately balanced between funding investments for growth and bottom line margin expansion. We are committed to maintaining our competitive dividend while pausing on share repurchases. Longer term, and once our leverage targets are achieved, we would consider resuming share repurchases as they are an effective means of returning funds to our shareholders. We increased our leverage to fund our recent acquisitions and are now very focused on reducing debt in the short term before considering tactical M&A to complement our existing portfolio.

We have a proven track record of delivering on our cost programs, which I'll now discuss in some detail. After adjusting for the divestiture of Campbell Fresh, we are targeting $850 million of run rate cost savings by 2022. This target is a combination of our base savings program, including an incremental $150 million we've committed to last summer and cost and synergy savings from the Snyder's-Lance acquisition. Against the $850 million program, we have achieved $535 million of savings through the end of the third quarter. This includes $120 million of savings fiscal year-to-date, ahead of our expectations and is one of the factors contributing to the increase in our EPS guidance announced last week. That leaves $315 million of program to go savings over the next 3 fiscal years. I'll provide additional detail on the sources of those savings in a moment.

As I mentioned, we have successfully delivered against our program having generated run rate savings of $535 million. These savings have come from several sources: first, from streamlining the organization structure as we reduced layers of management and increased spans of control; second, we implemented zero-based budgeting, an effective technique to reduce and maintain overhead cost at competitive levels; third, we have reconfigured our manufacturing network and drove savings from our distribution system; lastly, and I'll talk more about this, we have begun to deliver acquisition synergies on both the Snyder's-Lance and Pacific Foods acquisitions.

We have a clear path to achieving the program to go target of $315 million. Approximately 40% will come from our base enterprise program and includes several identified sources of savings. We recently completed an assessment of our supply chain network and have identified several network optimization opportunities. I'll provide an example shortly.

As we move to our new 2-division operating model, we will extract additional savings from our organizational structure as we focus geographically in North America. And as we leverage our scale and harmonize inputs across the enterprise, we are targeting additional procurement savings. Lastly, we see incremental non-head count savings opportunities across several cost categories.

Network optimization is a significant source of savings on our base program. Our previously announced initiative to transfer soup production to the U.S. and close the Toronto manufacturing plant is now complete, and we will realize savings as we head into the upcoming soup season. Our recent network study was looked across all businesses, identified significant saving opportunities in transportation as we harmonize processes across the enterprise and leverage available technology. As an example, by managing logistics at the enterprise level, we can both leverage our purchasing scale and maximize potential backhaul opportunities. In aggregate, network optimization is a $50 million opportunity. The balance or 60% of the future savings comes from the cost and synergy savings from the Snyder's-Lance acquisition. Since acquiring Snyder's-Lance just over a year ago, we have had a team dedicated to identifying, resourcing and tracking savings initiatives. Based on this work to date, we are very confident in our ability to achieve the target.

The largest opportunity is within manufacturing as we look to optimize in the network, as we integrate the business with Pepperidge Farm and leverage our company-wide supply chain capabilities. There are significant saving opportunities as we consolidate redundant warehousing and distribution systems that both Snyder's-Lance and Pepperidge Farm operate to distribute products to their respective DSD networks. With Campbell being 4x the size of Snyder's-Lance, we bring scale and procurement, an area which is already delivering savings. Implementing and consolidating onto one ERP platform will provide savings in several areas.

And lastly, in sales, we are integrating our headquarter sales and operations supporting our DSD networks. On the next 2 charts, I'll provide more detail on a couple of these areas. First, as we integrate Snyder's-Lance, there is a $40 million savings opportunity in warehousing and distribution. As we consolidate the warehouses and depots between Snyder's-Lance and Pepperidge Farm, we will reduce the miles product has to travel and we will increase the utilization of a more streamlined warehousing network. The consolidated network will be more efficient as we implement and optimize common processes and procedures, contributing further to the savings opportunity.

The second example is the synergy opportunity in sales. Both Pepperidge Farm and Snyder's-Lance have dedicated DSD headquarters, sales teams, key account management and operations management all supporting the DSD networks. As we bring together these 2 infrastructures, we can select the best of both systems to maximize the efficiency and effectiveness of the integrated Campbell Snacks operation that support the independent DSD networks. This initiative was recently implemented and is expected to generate savings of $25 million going forward.

In terms of timing, we expect to deliver the to-go savings fairly evenly over the time period. As we finalize our plans for next year and including the current fourth quarter, we are forecasting $100 million to $120 million through fiscal 2020, building to $200 million by 2021 and completing the program by 2022. Some of the initiatives, particularly those involving the manufacturing infrastructure, take some time to implement.

Incremental to our cost savings program, we have successfully delivered annual supply chain productivity savings of approximately 3% of cost of products sold. This is a cross-functional program across R&D, procurement, manufacturing and marketing. Savings come from a number of sources, including procurement, reformulating our ingredients without sacrificing quality or in-sourcing the production of certain products as we have recently done with broth and Italian sauce. The program also includes efforts to increase our warehouse and plant efficiency levels.

Going forward, we will continue to target annual savings of 3% of cost of products sold, a key component of our earnings algorithm as savings help to offset the impact of cost inflation and contribute to our overall gross margin performance.

I'll move now to a discussion of cash flow and our capital allocation priorities. The discussion of capital allocation starts with our ability to consistently generate a high level of cash flow. Over the last 4 years and including our estimate for 2019, we have averaged approximately $1.3 billion in cash from operations. This high level of cash generation provides a strong financial foundation from which to make our capital allocation decisions.

The first capital allocation priority is to make capital investments to maintain and grow our existing business. Examples include our recent capacity additions for Goldfish crackers and Milano Cookies. We also invest to support our productivity initiatives, generating very high returns. We also invest to build capabilities, which enable us to offer differentiated products and packages to our consumers.

Our second and important priority is our dividend. We are committed to maintaining a competitive dividend payout ratio and to grow the dividend over time with earnings.

Our third priority focused on the near term is to reduce our debt level. We will utilize our ongoing cash flow and proceeds from divestitures to pay down debt. Reducing our leverage ratio and maintaining an investment-grade rating are key priorities for us.

Lastly, longer term, once we've achieved our leverage targets, we will fund tactical M&A to add businesses which build on our existing platforms, and we would also consider using excess cash flow to fund share repurchases.

Driven by M&A activities, we will have a faster-growing and more focused portfolio. The acquisition of Snyder's-Lance meaningfully shifts the portfolio to faster-growing snacking categories, building on the strength of Pepperidge Farm. The Snyder's-Lance integration is on track, and we continue to forecast $0.40 to $0.55 of EPS accretion by 2021 as we deliver our cost and synergy targets. The acquisition of Pacific Foods gives us a powerful brand and positions us well in the faster-growing natural and organic category.

On the divestiture side, we expect to close on the sale of Bolthouse Farms this month, which will complete the divestiture of the Campbell Fresh division with aggregate proceeds totaling approximately $565 million. The divestiture of Campbell International is an ongoing process as we evaluate options with both strategic and financial buyers.

As I highlighted in our capital allocation priorities, we are committed to reducing debt and achieving our targeted leverage ratio of 3x debt to EBITDA. We will achieve this objective by using our strong and consistent cash flow and proceeds from the divestitures of C-Fresh and international to pay down debt. We also have a renewed focus on improving our asset efficiency with specific programs to generate $250 million of working capital reductions and managing our capital spending levels down as a percent of sales over time.

We are beginning to see results. In the first 9 months of fiscal 2019, excess cash flow of $600 million together with the anticipated proceeds from the Bolthouse Farms divestiture this month will have reduced our net debt level to $8.6 billion. Looking ahead, the international divestiture and strong ongoing cash flow will enable us to achieve our goal.

Let's move to our future outlook and long-term financial algorithm. As Mark said, our long-term financial targets have not changed. We are targeting 1% to 2% organic sales growth, 4% to 6% EBIT growth and 7% to 9% growth in earnings per share. I'll spend a moment detailing the key drivers of this performance.

On a pro forma basis, our portfolio will be about half Snacks and half Meals and Beverages. With our snacking portfolio and growing categories and our ability to build brands and drive innovation, we expect top line growth in snacks at or above the category growth rates. Pepperidge Farm has consistently performed at that level. And based on the plan presented today, we expect to stabilize the sales performance of our Meals and Beverages business.

Top line growth coupled with margin expansion will generate 4% to 6% EBIT growth. EBIT margin expansion will be driven by continued success in delivering our ongoing productivity savings targeting 3% of [cost] and our enterprise cost savings, including the Snyder's-Lance cost and synergy savings.

Given our historical track record of delivering against these programs, we are very confident in our ability to achieve both. These savings programs will also provide the funding for reinvestments, which are critical to growing the top line.

The 4% to 6% EBIT growth expands to 7% to 9% EPS growth, reflecting 2 factors: first, the interest expense benefit of using excess cash flow to reduce debt and also from financial leverage.

We have a clear path and timeline to achieving our long-term targets. In 2020, we will fund the investments needed to strengthen our brands. Given our plans to utilize incremental cost and synergy savings to fund these investments, we do not intend to take any steps backwards on profitability. As those investments which remain in the P&L improve our end market performance, we will accelerate to the lower end of the algorithm in 2021 as cost savings fuel investments and contribute to margin expansion.

By 2022, we expect to be on our algorithm, a growing Snacks and stable Meals and Beverages business generating 1% to 2% sales growth; cost savings net of reinvestment driving margin expansion; lifting EBIT growth to 4% to 6%; and together with strong cash flow and leverage, accelerating EPS growth to 7% to 9%. We have the portfolio and plans in place to be successful. We will make steady, sequential improvements in our financial results and create value for our shareholders.

That wraps up my comments. And now I'll turn it back to Ken for Q&A.

**Kenneth Gosnell** ***Campbell Soup Company - VP of Finance Strategy & IR***

Very good. Thanks, Anthony. If I could ask Mark, Carlos and Craig to come up. And if you could -- if you have a question, raise your hand. We'll get you a mic, and we'll go from there. We'll try to keep it on schedule. So...

## QUESTIONS AND ANSWERS

**Kenneth Gosnell** ***Campbell Soup Company - VP of Finance Strategy & IR***

All right. Andrew, [Gerrie], could you give Andrew a mic?

**Andrew Lazar** ***Barclays Bank PLC, Research Division - MD & Senior Research Analyst***

Thanks very much. I think on one of the slides in Meals and Beverages, you talked about a $70 million investment in that area. Two things. One, I was hoping you could put a little context around that. How significant of an increase is that? And that investment includes what exactly? I assume it's A&C -- like, what around portion would it be of A&C versus quality or product or packaging or some of the other things?

**Mark A. Clouse** ***Campbell Soup Company - President, CEO & Director***

Right. So it's -- the composition of the $70 million is spread between the smallest piece being some additional investment in price, the second piece being the investment and product quality. Although I'll tell you, as we kind of unleash the R&D community to go after working on cost as we start to source some things a little differently, my challenge to Craig is to find ways to mitigate that, but I do think part of that investment contemplated is in the product. And then the third and the most material is going to be investment in the business. And so if you think about that in the context of where we are today, it's somewhere right around 2 points of expansion of marketing expense on the business. So it will bring us to right around just -- or a little bit beyond 6%.

**Andrew Lazar** ***Barclays Bank PLC, Research Division - MD & Senior Research Analyst***

(inaudible)

**Mark A. Clouse** ***Campbell Soup Company - President, CEO & Director***

On soup, in particular. On soup, in particular.

**Kenneth Gosnell** ***Campbell Soup Company - VP of Finance Strategy & IR***

All right. Ken and then David.

**Kenneth B. Goldman** ***JP Morgan Chase & Co, Research Division - Senior Analyst***

Thank you for all the guidance. It's very helpful. One thing I wanted to ask about was gross margin, of course, the ones that you didn't talk about as much. But you talked about some price investments, some other investments. Can you walk us through a little bit of the next few years where you expect the gross margin to be heading? Again, maybe you don't want to give all the detail but just some headwinds, tailwinds, thoughts on that would be useful.

**Kenneth Gosnell** ***Campbell Soup Company - VP of Finance Strategy & IR***

You want a shot?

**Anthony P. DiSilvestro** ***Campbell Soup Company - Senior VP & CFO***

Sure, I could take a crack at that. The first thing I'd say of the $315 million cost savings to go, probably around 60% of that have will come through the comps line, so it'll help gross margin. I would say overall, we expect to see steady and sequential improvement in our gross margin performance beginning in 2020, and that's going to enable us to reinvest some, obviously, back on the marketing line. So the profile is gross margin up a little bit, the marketing line up a bit, SG&A should be coming down a bit. If you unpack our long-term guidance, it implies about 50 basis points of margin expansion and more than 100 -- about -- that's about what the gross margin lift should be. And then marketing up, and G&A down kind of offsetting each other.

**Kenneth Gosnell** ***Campbell Soup Company - VP of Finance Strategy & IR***

All right. David and then Ron.

**David Sterling Palmer** ***Evercore ISI Institutional Equities, Research Division - Senior MD***

Just 2 quick ones for me. With regard to snacks, you mentioned there was limited competitive overlap in the way that the business was structured. I think people are relatively more concerned on the salty snack side in terms of the competition there. And if you could maybe flesh it out and make us feel better about the competitor in that space and maybe focusing on you a little bit more. And I guess the -- well, I'll just go with that. I'll follow up.

**Mark A. Clouse** ***Campbell Soup Company - President, CEO & Director***

Yes. Why don't I start, and then, Carlos, you can jump in? Clearly, there is, if nothing else, some shoulders brushing up against one another, especially within the salty snack world. I think the idea that you're still fighting over real estate as it relates to distribution and display and merchandising, really important that, that part of our competitive play is sharp enough to compete with big players as well as some of the smaller players. I think, though, the relative nature of the portfolio, if you kind of match them up side by side, for the most part, we're not going right at core businesses, mainstream cookies or base potato chips is what I really meant with the opportunity to play to a certain degree in adjacencies or segments that are a little bit more differentiated.

**Carlos Abrams-Rivera** ***Campbell Soup Company - Senior VP & President of Campbell Snacks***

Yes. Just building on Mark's point, I think I will say is the way we also look at the business, the way a little bit consumers are looking at the business. So if you think about those demand moments I talked about, the reality is that consumers are not only choosing something in the salty aisle or the cookie aisle, they're actually making choices between cookies and ice cream for what they'll have for that particular moment that they want to have an indulgence. And they are choosing between something that might be in the salty aisle and something that can be in the dairy aisle, whether it's string cheese versus something that I want to use for fuel. So we're very much building a portfolio that allows us to understand those decisions the way the consumers are doing it.

Secondly, as we also look -- when you look at the way we also look in our innovation, think of it within the platforms that we are choosing to do. There are certain platforms, for example, that we purposely said no because we knew there were competitors that had a great solution and we didn't think we could do a better solution than what they have. So we are purposely placing our bets into spaces where we know we have the right way to continue driving innovation because our competitors do not have this particular space. They own other areas, and those are things that we're going to make sure we separate.

**Kenneth Gosnell** ***Campbell Soup Company - VP of Finance Strategy & IR***

Okay. Rob then Dave.

**Unidentified Analyst**

Mark, I said I was going to ask a DSD question, but I exercise my right to change my mind.

**Mark A. Clouse** ***Campbell Soup Company - President, CEO & Director***

That's okay.

**Unidentified Analyst**

So on soup, you said that Chunky, that the product tests extremely well, but you didn't tell us about how the rest of the Campbell Soup line is testing. And the reason I ask is that when you talked about condensed and the things that have to maybe get a little better within the can, you talked more about how to communicate what's already there rather than what you're going to add to improve the product quality. And this is -- I think it's very important because one of your big retailers is expanding private label dramatically. So what are your intentions in terms of getting the product quality better than private label? And how is it testing in comparison?

**Mark A. Clouse** ***Campbell Soup Company - President, CEO & Director***

Well, the good news is that today, our core businesses test very well relative to competition. I think part of the challenge is private label and price gap and value equation, but part of it is just the overall proposition of condensed and the strength of that as a proposition overall. Like if you look at where private label is growing the most rapidly, it's actually within the broth area. So our ability to make sure that the differentiation on Swanson, where we test very well, is one of the key areas that we've got to make sure is right.

On the condensed side though, we do plan to make some material changes, whether it's adding more protein or more chicken in Chicken Noodle or removing the elements that allow us or enable us to make the no preservative claim is going to require us to do some things on the product to improve it.

Also on the cream side, we are the only ones with fresh cream and the idea that we're going to drive more. Because on the cooking soups, it's much more about the performance of the product. So more fresh cream becomes a very compelling message for consumers as we go forward. The one that immediately we won't make a lot of changes to is tomato, which is absolutely test better than anything that's in the marketplace. But helping people understand that there is an element of the content of that product with the 6 tomatoes in every can claim is an opportunity to bring some news or a little bit more of a call to action within the segment. So that's how we're thinking about product improvements.

**Kenneth Gosnell** ***Campbell Soup Company - VP of Finance Strategy & IR***

All right. David and then John.

**David Christopher Driscoll** ***Citigroup Inc, Research Division - MD and Senior Research Analyst***

Thank you. David Driscoll from Citi. So 2 questions, the first one is a follow-up on the investment side. So you mentioned the $70 million in soup, and I believe on the slide it said pay-as-you-go. And then that sounds to me like it phases over time. You also said at the beginning of your presentation that the investments for the total company would be upfront, and I take that more of a 2020. So what's happening here? Is there a massive snack investment?

**Mark A. Clouse** ***Campbell Soup Company - President, CEO & Director***

No, no. It's really over the first couple of things when I think about upfront. I don't think it all lands in '20. If you think about kind of the progression we demonstrate, there is an investment that's going to happen in 2020 that is inclusive of the Snacks business as well as the investments that we're making on the Meals and Beverages side, but it does span really the first 2 years. And so the opportunity for us to make sure that we're learning and validating our life even within year but also over the 2 years. We expect by the third year, that investment will be essentially in the base by then.

**David Christopher Driscoll** ***Citigroup Inc, Research Division - MD and Senior Research Analyst***

All right. The second question was just on the soup innovation, kind of when can we expect more? So you talked a lot about being agile and wanting this agile organization. 1 year ago, the company started to do this whole new plan. We're a year later and I mean you didn't roll out 15 different new products. Is it really hard to come up with these innovations? How agile are we?

**Mark A. Clouse** ***Campbell Soup Company - President, CEO & Director***

No. I think -- yes. I think the reality is I would describe the last year as a bit of a transitional moment on the business. So I think the engine and the focus on the drill sites in the areas, although we do have some offerings in 2020, really, it's a much more recent commitment and conviction to the path forward, if that helps a little bit in explaining why.

**David Christopher Driscoll** ***Citigroup Inc, Research Division - MD and Senior Research Analyst***

Can you weigh in?

**Craig Slavtcheff** ***Campbell Soup Company - VP and Head of Research & Development***

Yes. Exactly. I mean the transitional year, we were building insights and building dig sites, and now we're knee-deep in building these innovations. One of the challenges in soup is, because it's a seasonal business and you have to kind of tie up innovations with the soup season, we kind of get things into F '20 and then F '21 is when we'll really get a big slug.

**Mark A. Clouse** ***Campbell Soup Company - President, CEO & Director***

But in fairness too, I wouldn't underestimate some of the renovation work. Although that may not be the exciting, shiny new object, the idea that such a significant part of our business, if we -- and again, we've tested the claims and the messaging, feel very good about the changes that we're making as a way in which to strengthen that foundation. That, along with new products, is really the way we're thinking about it.

**Kenneth Gosnell** ***Campbell Soup Company - VP of Finance Strategy & IR***

[John] and then Bryan.

**Unidentified Analyst**

I have a question for Craig and maybe Mark. You gave a good presentation, Craig, I appreciated on innovation. But I wanted to ask first, what were the big ways would you say that's different then? You talked a lot about capabilities. Looks like a lot of stuff that -- some stuff I'd seen before, heard before. What are the big differences if you had to summarize them with the capabilities that were in place before?

And secondly, in Carlos' presentation, I thought it was really creative and fascinating to see the different kind of noncategory like adventure, snacking, like new ways of reframing the category. Can that be done in soup? It's always struck me that soup touches a lot of different competitors and people and is maybe not as monolithic as it's been historically.

**Mark A. Clouse** ***Campbell Soup Company - President, CEO & Director***

Sure. Maybe I'll take the soup, and why don't you take the...

**Craig Slavtcheff** ***Campbell Soup Company - VP and Head of Research & Development***

Sure. Yes. So the demand moment architecture was really the fuel for that insight engine, and that's -- we've never really done that as a company, to get to the granularity of what you have to build and, to Carlos' point, who you're specifically trying to fire in terms of consumer choice. So that's been the biggest unlock, and that's what we're going to be expanding across.

The second though, the agile methodology is much more than just a soundbite. It is hardwired in how we're doing the work and hardwired into the organizational structure. And that's something we've never tried before either. And again, we're building that off of the success in the Snacks business.

**Mark A. Clouse** ***Campbell Soup Company - President, CEO & Director***

I think on the soup side, the analog between the snacking and the soup area is really what we described as those adjacencies. A little more occasion-driven right now, I would argue, relative to cooking. But as you start to dial underneath cooking, those are the demand moments that we're identifying that are informing both the marketing communication as well as the innovation as well as on convenience and snacking. So although those may be a little bit of a broader header than the work that Carlos has now defined so clearly on snacks, those become the areas where we're going to focus on really making sure we've got the demand moments right.

And even within the world of health and wellness and the idea in which there are particular benefits that may be more relevant or more capable of being delivered through that platform is another big area that may cross a couple of different demand moments as we lay it out. So I think we know where we're going, but we continue to refine that as we really identify then what that innovation pipeline should look like over the future. Yes?

**Kenneth Gosnell** ***Campbell Soup Company - VP of Finance Strategy & IR***

All right. Bryan and then Steve.

**Bryan Douglass Spillane** ***BofA Merrill Lynch, Research Division - MD of Equity Research***

A couple of questions for me. First, Mark, I think at one point in your presentation, you talked about A&C spending, I think, as a percentage of sales going up by 1% to 2% by 2022. So is that, I guess, the equivalent in the reporting today, the marketing and selling line? Just want to make sure what...

**Mark A. Clouse** ***Campbell Soup Company - President, CEO & Director***

No, it's a -- it would be more of a subset of that.

**Anthony P. DiSilvestro** ***Campbell Soup Company - Senior VP & CFO***

Within the marketing time line.

**Bryan Douglass Spillane** ***BofA Merrill Lynch, Research Division - MD of Equity Research***

So roughly how much of that -- what percentage of that is going up 1% to 2%? Is it half of it or...

**Anthony P. DiSilvestro** ***Campbell Soup Company - Senior VP & CFO***

2/3 to 3/4.

**Bryan Douglass Spillane** ***BofA Merrill Lynch, Research Division - MD of Equity Research***

Okay. And then the $315 million of savings to go, is that affected at all if you dispose of the international business? Or is that number still the same number?

**Anthony P. DiSilvestro** ***Campbell Soup Company - Senior VP & CFO***

That number will be the same.

**Mark A. Clouse** ***Campbell Soup Company - President, CEO & Director***

Unlike C-Fresh, it's -- the savings plan isn't anchored in the international business.

**Bryan Douglass Spillane** ***BofA Merrill Lynch, Research Division - MD of Equity Research***

And then the last one, just as you think about the algorithm beyond 2022, it just seems like 2022, you'll have the last year of enterprise savings and had a lot of the upfront investment already so that gives you some tailwind for that gap between operating profit growth and sales growth. But when you go beyond that, like, what are the drivers? It's a pretty wide gap so what are the drivers over time to run that path?

**Mark A. Clouse** ***Campbell Soup Company - President, CEO & Director***

Well, I think, certainly, we want to continue. By then, hopefully, too, what we've done has made some meaningful investment in the top line so we continue to see momentum there as a bigger contributor. The idea that we're going to be replenishing that pipeline with savings opportunities, and hopefully, we're building some equity that eventually will enable some price realization within the portfolio as well. As you'll see, although we expect pricing to play a role in the plan, we haven't leaned on it to be a material contributor to the overall margin or EBIT in the nearer term. But over time, I do expect that to be a contributor within the portfolio as well.

**Kenneth Gosnell** ***Campbell Soup Company - VP of Finance Strategy & IR***

All right. Steve?

**Steven A. Strycula** ***UBS Investment Bank, Research Division - Director and Equity Research Analyst***

Mark, a question for you. If we take the midpoint of the long-term sales guidance, 1.5% squarely, how do we think about what a reasonable scenario is for what soup needs to do by, call it, fiscal '22? And directionally, how should we think about the submarkets of condensed versus ready-to-serve since broth seems to be somewhat healthy growing mid-single digits?

**Mark A. Clouse** ***Campbell Soup Company - President, CEO & Director***

Yes. Sure. Yes. I think if you think about the overall business, I would say that the algorithm is predicated on only reducing the decline necessary today, so think of it growing in line with the category, with the hope, though, that we're going to grow this business over time is really where we want to try the position the support and how we want to mobilize the team behind it. But that's what you need to essentially believe. If you were to carve that up into the individual segments, I do think where you're going to see improvement certainly is mitigating the declines in condensed, which have been relatively substantial, especially over these last several years while you then grow faster in some of those other supporting brands and segments. Broth is one you mention where I would expect that to continue to be a growth contributor.

I think ready-to-eat is the other big one. I think that is looking more like a little bit flat to growing with Well Yes! as part of it. And then, of course, Pacific as we continue to unlock the capacity, we see tremendous opportunity for that to grow, albeit off a much smaller base or scale. So it is a little bit of the math of the individual elements together that gets you there. But it's definitely not dependent on a massive hockey stick.

**Kenneth Gosnell** ***Campbell Soup Company - VP of Finance Strategy & IR***

All right. Jason?

**Jason M. English** ***Goldman Sachs Group Inc., Research Division - VP***

Thank you for the questions. Two quick questions, one on soup and one on snacks, if I may. So in response to Andrew's question, like a small chunk of the investment going in price, if we assume like maybe $20 million or so you get to around roughly a 1% price investment in soup. Looking at condensed, your premium to private label has gone from around 50% to around 80% over the last few years. Why should we be comfortable that 1% price investment is adequate?

**Mark A. Clouse** ***Campbell Soup Company - President, CEO & Director***

Well, because if you look at where we are now, if you look at price gaps in the most recent periods as we've made the investments, a lot of those investments, we're now back to within about 10 points of our target, right? So now there's particular pockets where private-label pricing in the base has still a little bit more work to do. But I think relative to what we need to do and on condensed, I would imagine a bit more of an investment on condensed that may be offset with some redeployment of some pricing that may be coming back on a couple of the other businesses there. So I think the combination of '19 -- I mean we did make some pretty substantial investments to mitigate some of that price gap issue. We arguably still have a little bit more way to go. But I think with that incremental investment, along with some of the opportunities to improve pricing, I think is what gives us confidence that we can get those price gaps within the targeted range.

Remember too that part of this is not just the price gap itself, but also building the value side of the equation. And interestingly enough, I know we talk a lot about private label, but if you do look under the hood at where we're seeing the greatest amount of growth and share expansion, it is on broth, right? So part of this is really making sure that, that broth proposition is right where it has become a more commoditized segment, if you will, within the world but also where a lot of the growth is coming from. So I'm not suggesting it's not important to get condensed right, but I am saying it's not the only -- that's not the biggest contributor right now, but it is an opportunity for us to improve.

**Jason M. English** ***Goldman Sachs Group Inc., Research Division - VP***

And then on Snacks, the focus on the 9 power brands, can you contextualize what percentage of your whole snack revenue those are? And then you showed a chart there with the performance of the acquired Lance brands. And the performance looking back last 3 years is really strong across the board, generally speaking. But the actual performance, the growth of the aggregate business hasn't been matching that. So what's the gap there? I'm guessing it's the nonpower brands. So can you just help us dimensionalize that? What's dragging it down, offsetting it? And what's the path forward there?

**Carlos Abrams-Rivera** ***Campbell Soup Company - Senior VP & President of Campbell Snacks***

So let me separate those 2 pieces to answer those 2 questions. First, the 9 brands represent nearly 70% of the total business, and they're actually going to be driving about in the near -- over 90% of our growth. So that's the way we kind of run the business. Secondly is if you look at our portfolio, what you're going to find is that certainly in the last, I will tell you, like [2] weeks, there was some decisions made by the previous management that I think affected our growth rates. In some cases, SKU virtualization, some price increases, trade cuts at the same time, all 3 at the same time without having the marketing support behind it. We are now kind of moving past those things. So Q3 -- fiscal Q3 was the last quarter that we had a substantial hurt because of the SKU virtualization and all the decisions that were made by previous management. So we're going to see, I think, improve our behavior and performance as we go forward.

**Kenneth Gosnell** ***Campbell Soup Company - VP of Finance Strategy & IR***

Last question.

**Priya Joy Ohri-Gupta** ***Barclays Bank PLC, Research Division - Director & Fixed Income Research Analyst***

Priya Ohri-Gupta from Barclays. Mark, I really appreciate you sort of addressing the what-if scenario upfront around the sale of international business. I think the one piece that was missing from the discussion that I was hoping you could address is how we should think about alternatives for the accelerated debt reduction that was predicated on that sale, again, in that sort of scenario that you've laid out?

**Mark A. Clouse** ***Campbell Soup Company - President, CEO & Director***

Yes. Well, and again, just to make sure that I emphasize this point well, I still remain very confident in the process. I think as Anthony reinforced in his segment, I feel very good about it. I think my point was, though, that in the absence of that, we still do remain a very cash-generative business. The idea that our ability to reduce debt through the capital we generate were around 4/10 of a turn, I think, that we could generate off of the free cash flow we have. So although the time line would be a little bit more elongated, I think the confidence and ability to reduce debt would be very clear. But again, I think that is -- that's certainly not where we're committed or what we think is the likely outcome, but I did think it was important just for people to understand that what-if situation and how we felt about it.

**Kenneth Gosnell** ***Campbell Soup Company - VP of Finance Strategy & IR***

All right. Very good. Right on schedule. I want to thank everyone, and if you have any follow-up questions, feel free to call me, all right? Thanks, everybody.

**Mark A. Clouse** ***Campbell Soup Company - President, CEO & Director***

Thank you.

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