



*Campbell's*

®

**Investor Update**

**Second Quarter  
of Fiscal 2011**

February 18, 2011



## **Investor Update**

## **Second Quarter of Fiscal Year 2011**

**Jennifer Driscoll**

Vice President, Investor Relations



# Forward-Looking Statements

---

This presentation contains “forward-looking statements” that reflect the company’s current expectations about the impact of its future plans and performance on sales, earnings, and margins. These forward-looking statements rely on a number of assumptions and estimates that could be inaccurate and which are subject to risks and uncertainties. The factors that could cause the company’s actual results to vary materially from those anticipated or expressed in any forward-looking statement include (1) the impact of strong competitive responses to the company's efforts to leverage its brand power in the market; (2) the risks associated with trade and consumer acceptance of the company’s initiatives; (3) the company's ability to realize projected cost savings and benefits; (4) the company’s ability to manage changes to its business processes; (5) the increased significance of certain of the company’s key trade customers; (6) the impact of fluctuations in the supply or costs of energy and raw and packaging materials; (7) the impact of portfolio changes; (8) the uncertainties of litigation; (9) the impact of changes in currency exchange rates, tax rates, interest rates, debt and equity markets, inflation rates, economic conditions and other external factors; (10) the impact of unforeseen business disruptions in one or more of the company’s markets due to political instability, civil disobedience, armed hostilities, natural disasters or other calamities; and (11) other factors described in the company’s most recent Form 10-K and subsequent Securities and Exchange Commission filings. The company disclaims any obligation or intent to update the forward-looking statements in order to reflect events or circumstances after the date of this release.



# Non-GAAP Measures

---

This presentation includes certain “non-GAAP” measures as defined by SEC rules. We have provided a reconciliation of those measures to the most directly comparable GAAP measures, which is shown as an appendix to this presentation.



# CEO Perspective

---



**Douglas R. Conant**

- Second-quarter EPS declined 4%
  - Increased promotional spending
  - Defended our consumer base, honored customer commitments
  - Strength in baking & snacking
- See stronger second half



# Results for the Second Quarter

---



**B. Craig Owens**

## Agenda:

- Second-quarter results and segment highlights
- First-half results
- Revised full year guidance



# Second-Quarter Financial Summary

---

(\$ millions, except per share)

	<u>Second Quarter</u>	<u>% Change</u>
Net Sales	\$ 2,127	-1%
<i>Organic Net Sales*</i>		-2%
EBIT	\$ 359	-8%
EPS - Diluted	\$ 0.71	-4%

\*See Non-GAAP reconciliation

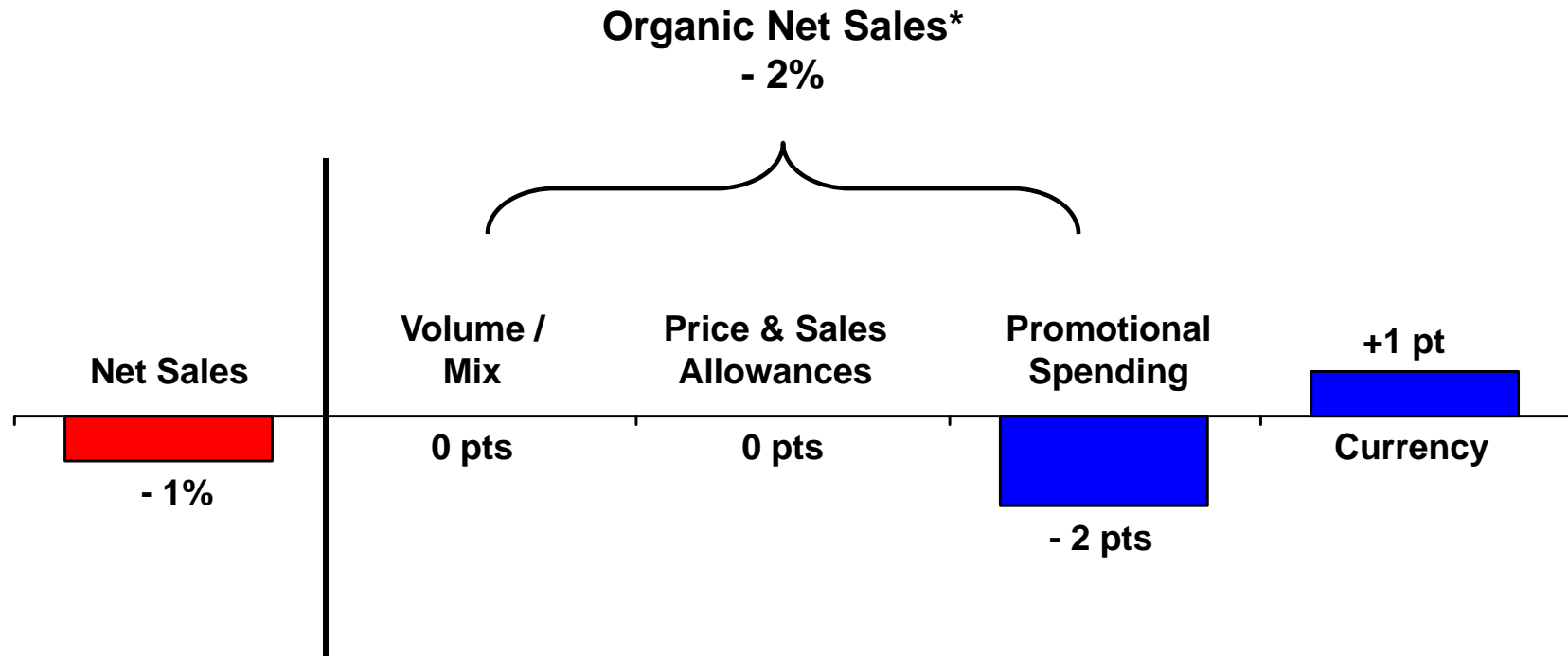
---



# Second Quarter – 2011

## Components of Net Sales Change

---



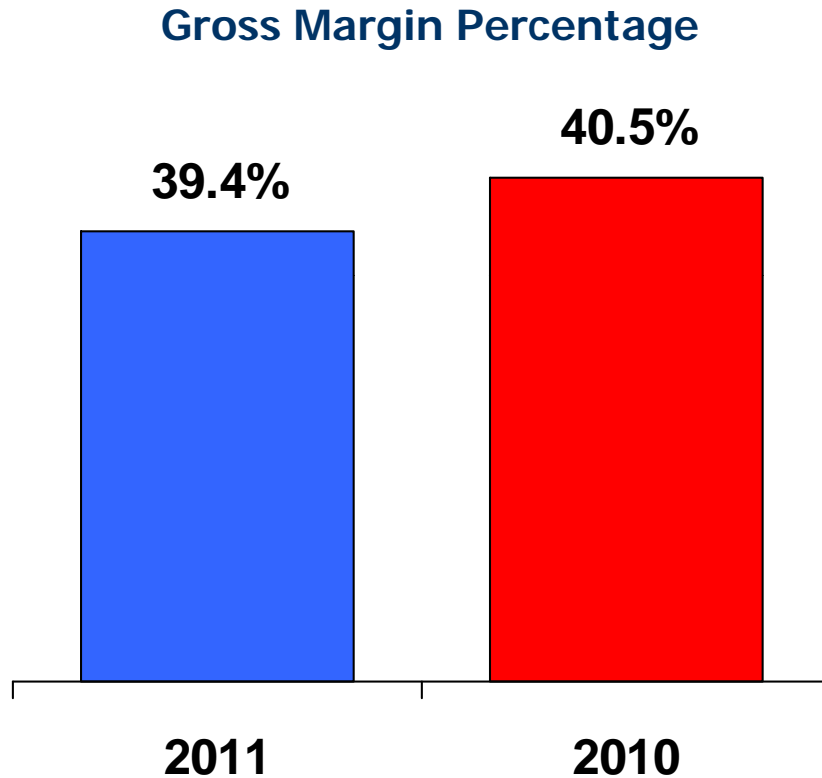
\*See Non-GAAP reconciliation

---

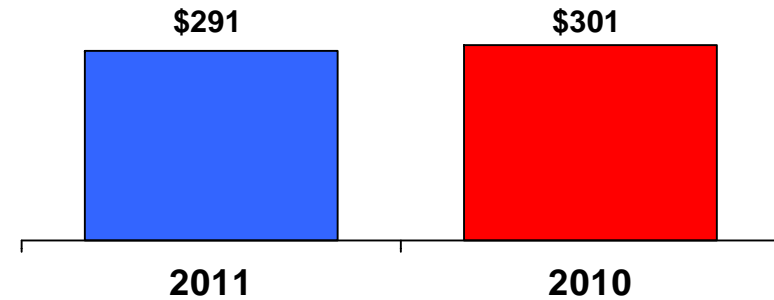


# Second Quarter – Gross Margin and Other Operating Items

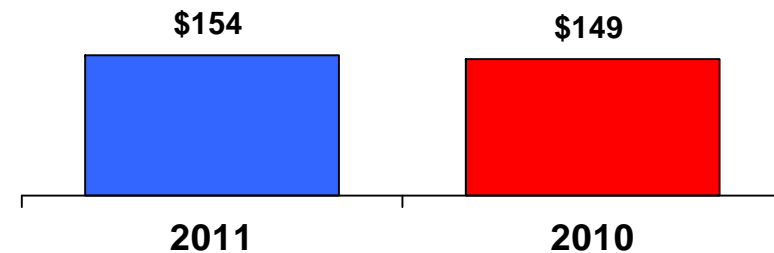
---



## Marketing and Selling Expenses



## Administrative Expenses



# Second-Quarter Financial Summary

---

(\$ millions, except per share)

	<u>Second Quarter</u>	<u>% Change</u>
EBIT	\$ 359	-8%
Interest, Net	\$ 31	19%
Tax Rate	27.1 %	-1.9 pts
Net Earnings	\$ 239	-8%
EPS - Diluted	\$ 0.71	-4%
Diluted Shares	332	-3%

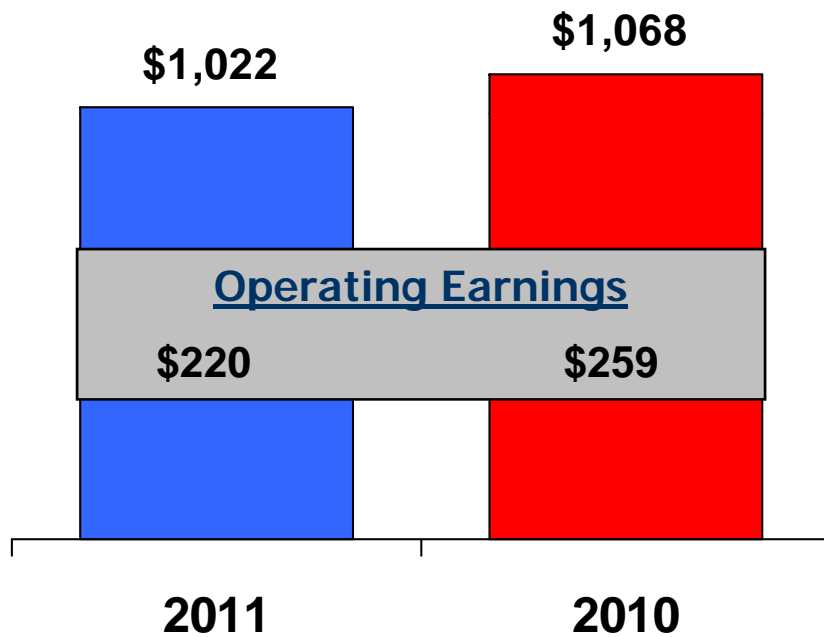


# U.S. Soup, Sauces, and Beverages

---

(\$ millions)

## Second Quarter Net Sales



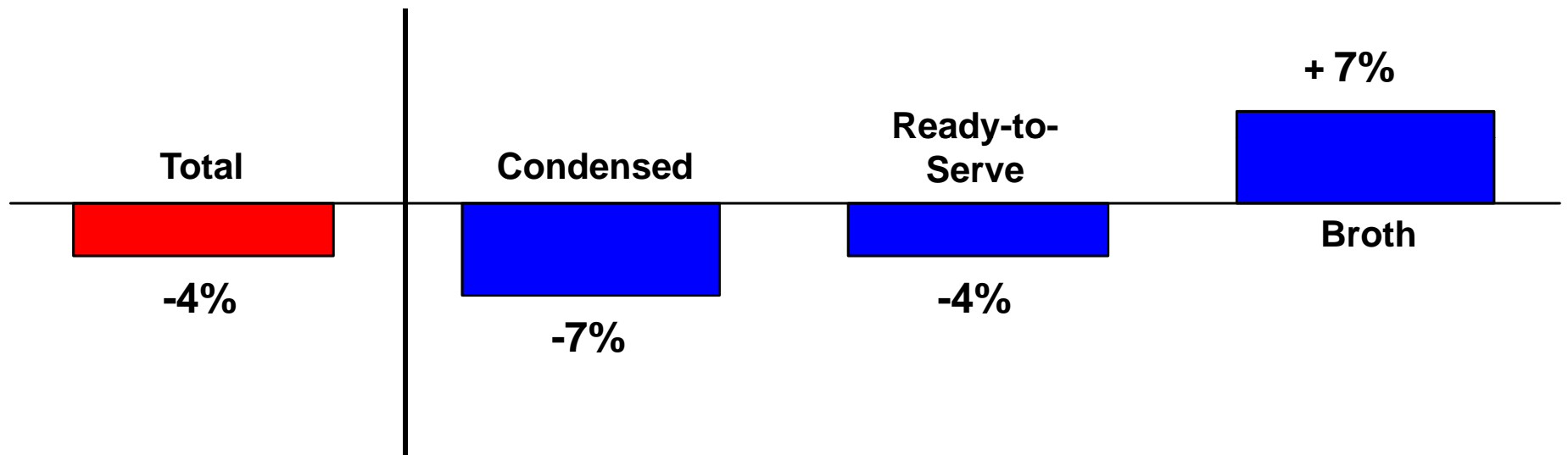
- Net Sales down 4%
  - U.S. Soup sales decreased 4%
- Operating Earnings down 15%



# Second Quarter – U.S. Soup Net Sales

---

% Change vs. prior year

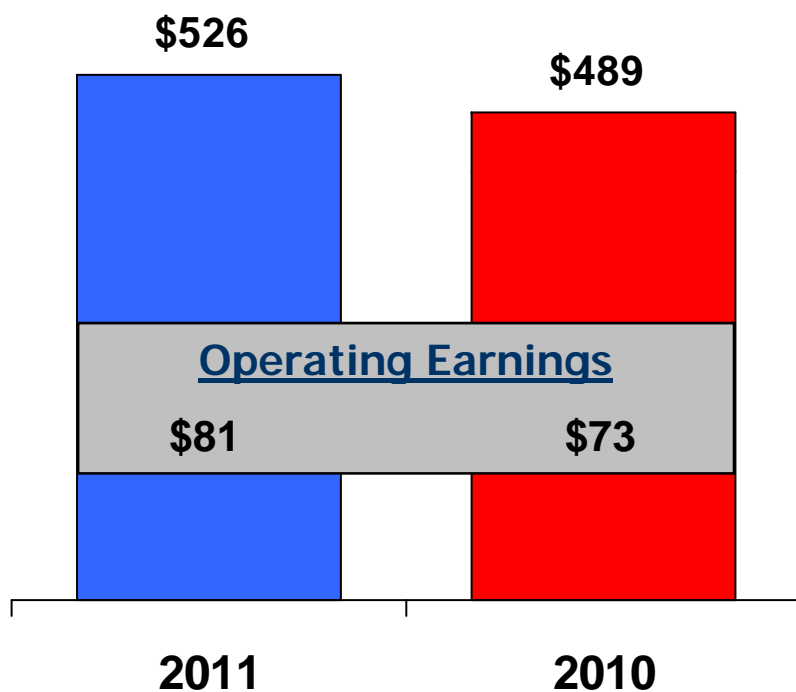


# Baking and Snacking

---

(\$ millions)

## Second Quarter Net Sales



- Organic Net Sales increased 5%\*
  - Volume gains in Pepperidge Farm and Arnotts
- Operating Earnings increased 11%
  - Earnings growth in Pepperidge Farm

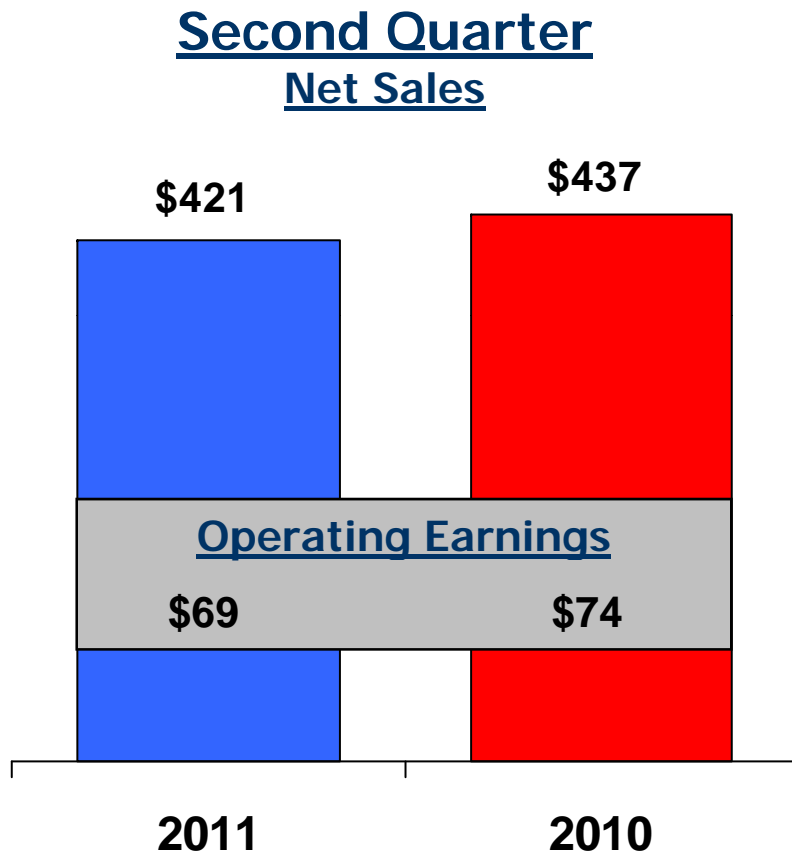
\*See Non-GAAP reconciliation

---



# International Soup, Sauces, and Beverages

(\$ millions)



- Organic Net Sales decreased 3%\*
  - Declines in Latin America, Canada, Europe
- Operating Earnings decreased 7%
  - Declines in Europe and Canada

\*See Non-GAAP reconciliation

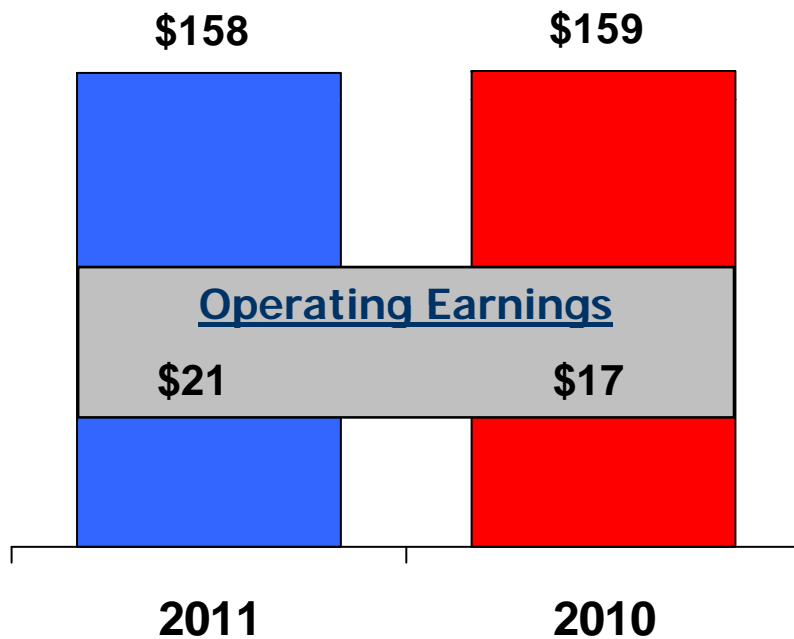


# North America Foodservice

---

(\$ millions)

## Second Quarter Net Sales



- Organic Net Sales down 2%\*
- Operating Earnings increased 24%

\*See Non-GAAP reconciliation

---



# 2011 Financial Summary

---

(\$ millions, except per share)

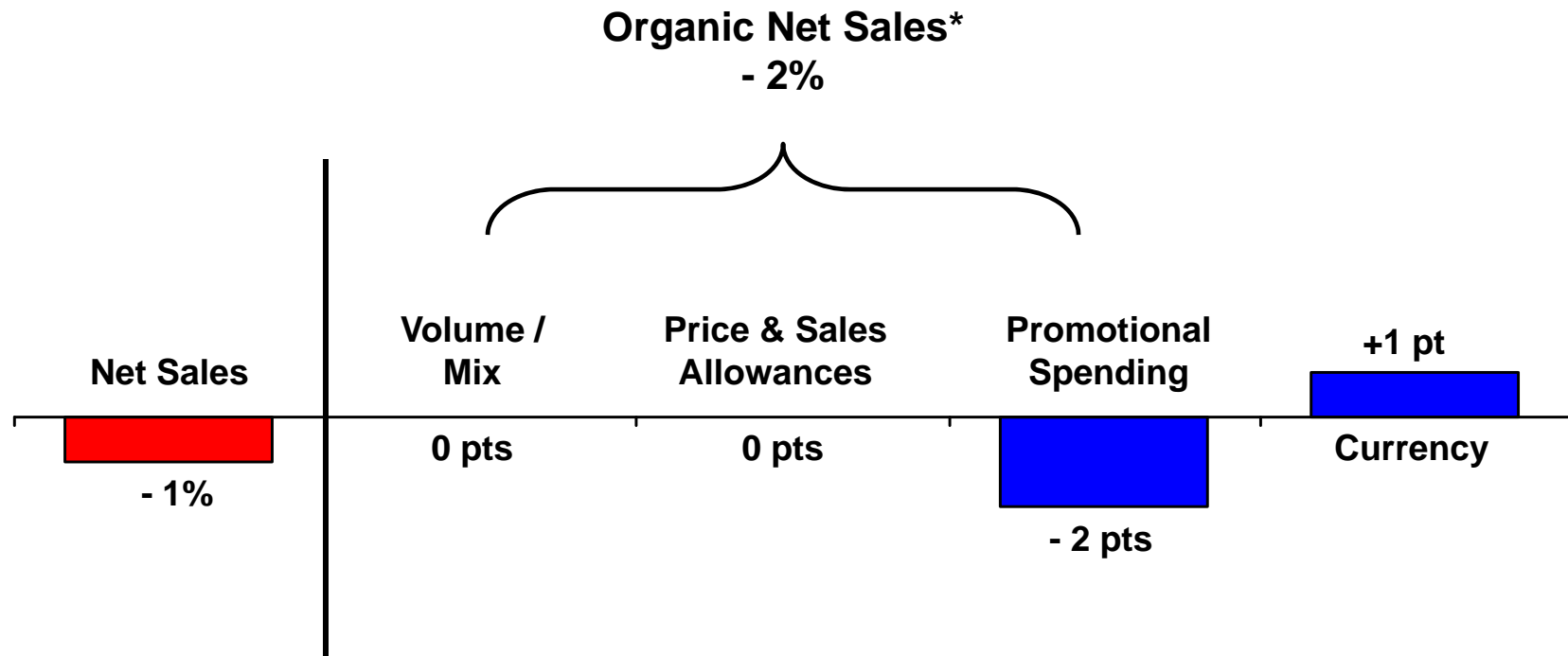
	<u>Fiscal YTD</u>	<u>% Change</u>
Net Sales	\$ 4,299	-1%
<i>Organic Net Sales*</i>		-2%
EBIT	\$ 803	-8%
EPS - Diluted	\$ 1.53	-5%

\*See Non-GAAP reconciliation

---



# Fiscal YTD Components of Net Sales Change



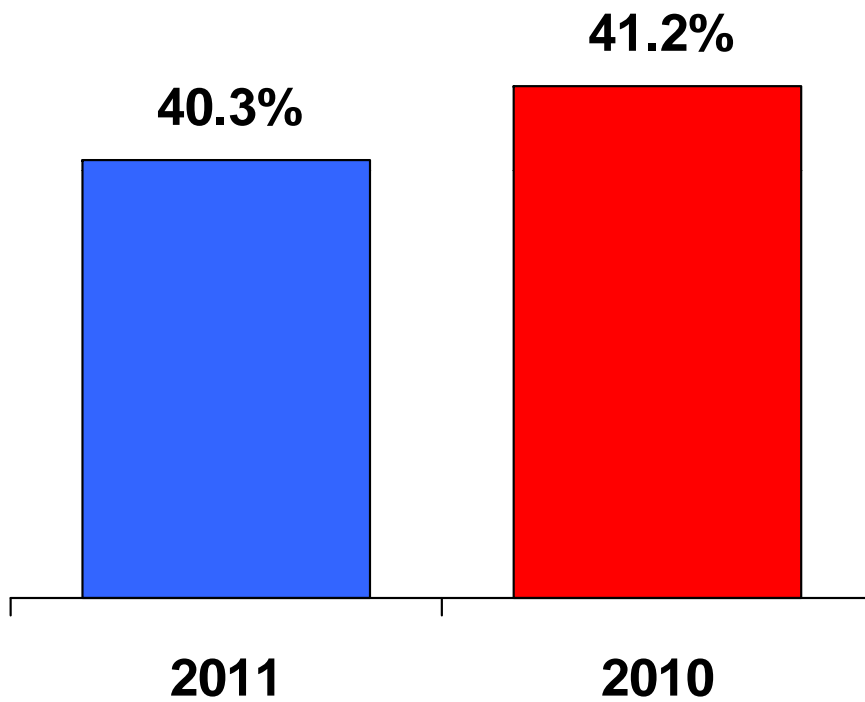
\*See Non-GAAP reconciliation



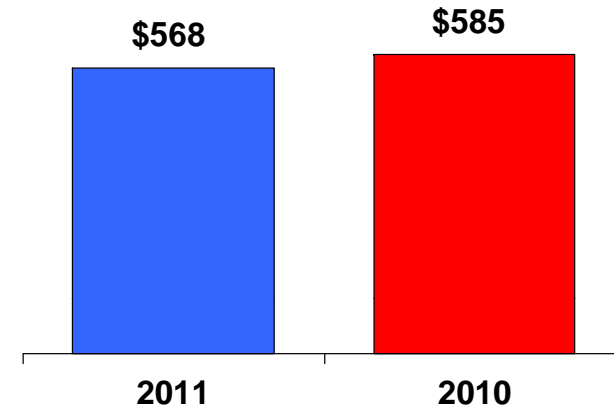
# Fiscal YTD – Gross Margin and Other Operating Items

---

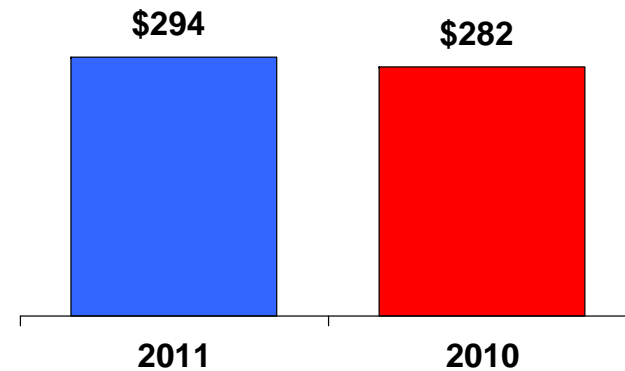
Gross Margin Percentage



Marketing and Selling Expenses



Administrative Expenses



# 2011 Financial Summary

---

(\$ millions, except per share)

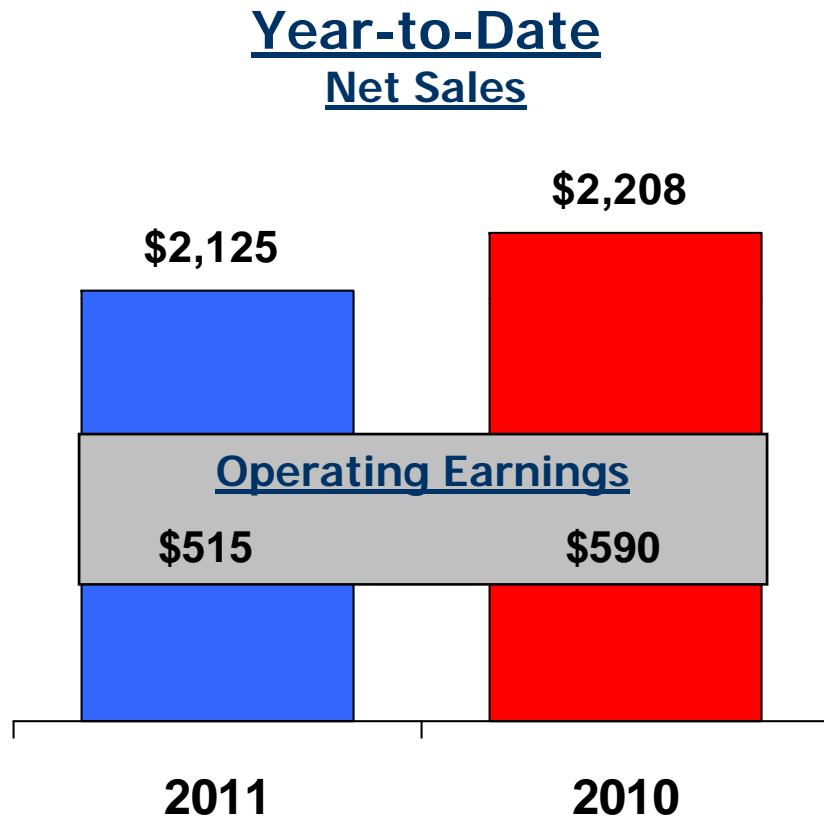
	<u>Fiscal YTD</u>	<u>% Change</u>
EBIT	\$ 803	-8%
Interest, Net	\$ 61	15%
Tax Rate	30.2 %	-0.8 pts
Net Earnings	\$ 518	-8%
EPS - Diluted	\$ 1.53	-5%
Diluted Shares	335	-3%



# U.S. Soup, Sauces, and Beverages

---

(\$ millions)



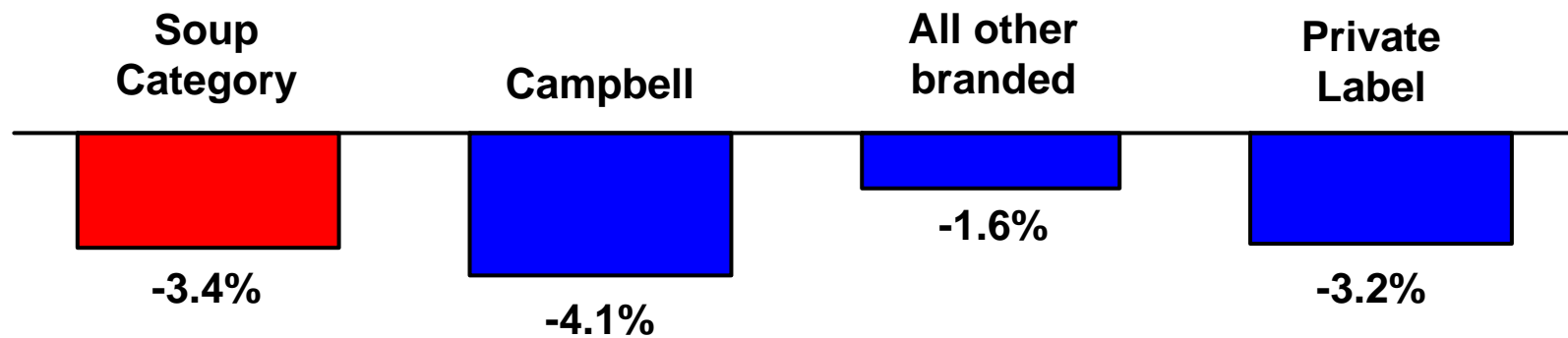
- Net Sales down 4%
  - U.S. Soup sales decreased 5%
- Operating Earnings down 13%
  - Increased promotional spending
  - Cost inflation
  - Productivity improvements



# Retail Sales – U.S. Wet Soup Category Performance

---

## % Change in \$

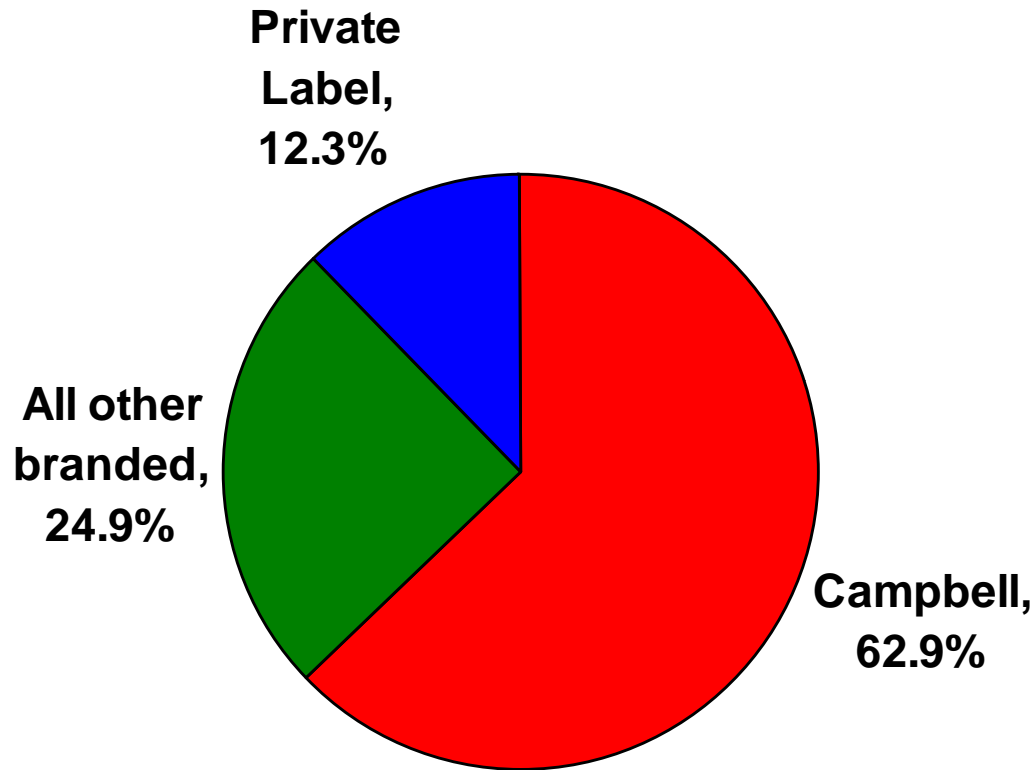


Campbell figures include condensed and ready-to-serve soup and broth.  
Source: IRI panel data and internal company estimates  
For 52-week period ending Jan. 30, 2011



# U.S. Wet Soup Dollar Share

---



- Campbell's dollar share declined
- Private label's dollar share was flat

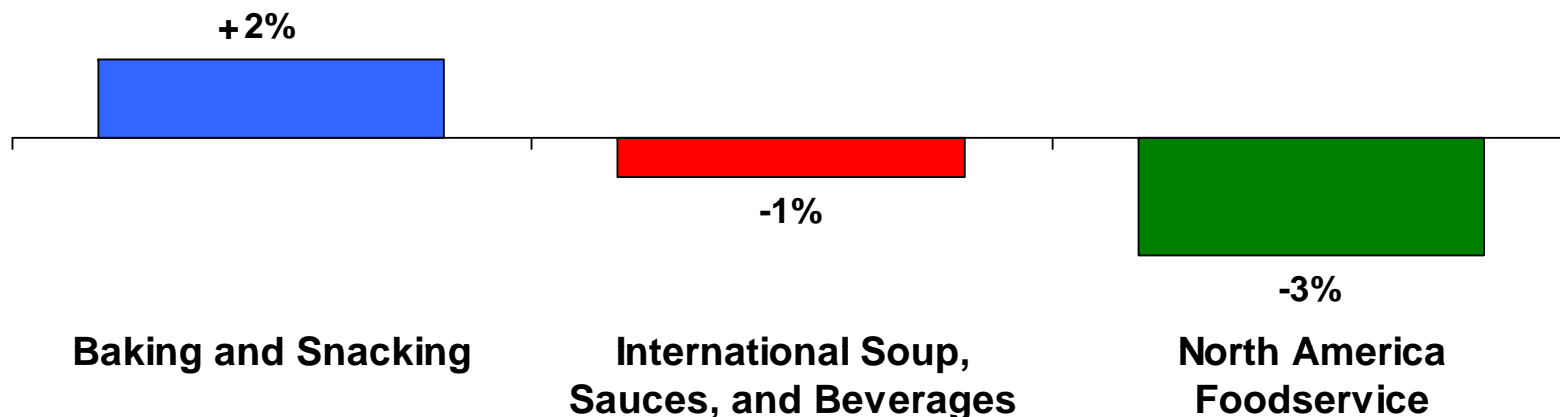
Campbell figures include condensed and ready-to-serve soup and broth.  
Source: IRI panel data and internal company estimates  
For 52-week period ending Jan. 30, 2011



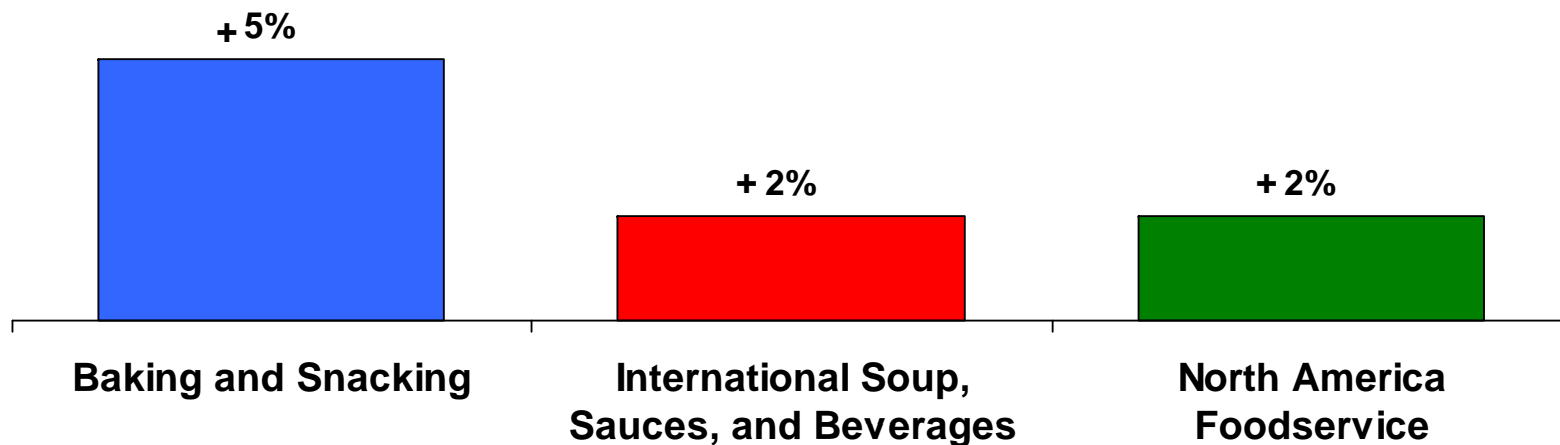
# Fiscal YTD Segment Results

---

## Organic Net Sales Change\*



## Operating Earnings

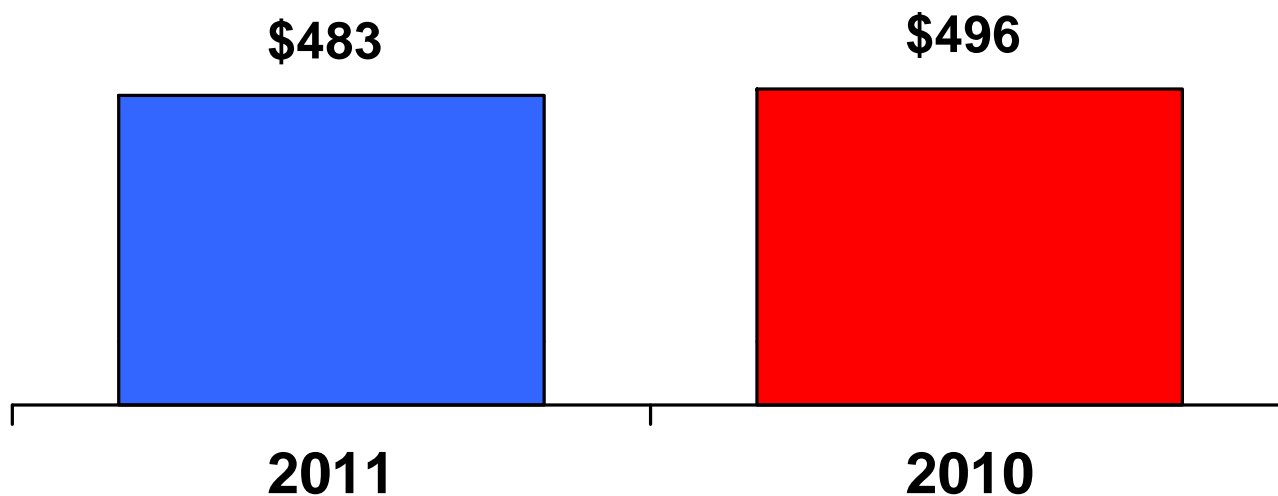


\*See Non-GAAP reconciliation

# Cash Flow and Balance Sheet

(\$ millions)

## 1<sup>st</sup> Half Cash Flow from Operations



	<u>2011</u>	<u>2010</u>
YTD Capital Expenditures	\$74	\$103
YTD Share Repurchases	\$573	\$213
Net Debt*	\$2,796	\$2,537

\*See Non-GAAP reconciliation



# Campbell Fiscal 2011 Guidance

---

	<u>Growth Rate</u>
Net Sales	+1% to (1%)
Adjusted EBIT*	(3%) to (5%)
Adjusted Net Earnings per Share*	(1%) to (3%)
— Versus fiscal 2010 adjusted base of \$2.47*	

\*See Non-GAAP reconciliation

---





---

# Appendix



# Reconciliation of GAAP and Non-GAAP Financial Measures

## Net Sales For the Three Months Ended (millions)

Second Quarter <u>January 30, 2011</u>	Net Sales, As Reported	Impact of Currency	Organic Net Sales	% Change	
				Net Sales, As Reported	Organic Net Sales
U.S. Soup, Sauces and Beverages	\$ 1,022	\$ -	\$ 1,022	-4%	-4%
Baking and Snacking	526	(14)	512	8%	5%
International Soup, Sauces and Beverages	421	4	425	-4%	-3%
North America Foodservice	158	(2)	156	-1%	-2%
<b>Total Net Sales</b>	<b>\$ 2,127</b>	<b>\$ (12)</b>	<b>\$ 2,115</b>	<b>-1%</b>	<b>-2%</b>
<u>January 31, 2010</u>					
U.S. Soup, Sauces and Beverages	\$ 1,068	\$ -	\$ 1,068		
Baking and Snacking	489	-	489		
International Soup, Sauces and Beverages	437	-	437		
North America Foodservice	159	-	159		
<b>Total Net Sales</b>	<b>\$ 2,153</b>	<b>\$ -</b>	<b>\$ 2,153</b>		



# Reconciliation of GAAP and Non-GAAP Financial Measures

## Net Sales For the Six Months Ended (millions)

	Net Sales, As Reported	Impact of Currency	Organic Net Sales	% Change	
				Net Sales, As Reported	Organic Net Sales
<b>January 30, 2011</b>					
U.S. Soup, Sauces and Beverages	\$ 2,125	\$ -	\$ 2,125	-4%	-4%
Baking and Snacking	1,070	(29)	1,041	5%	2%
International Soup, Sauces and Beverages	793	6	799	-2%	-1%
North America Foodservice	311	(2)	309	-2%	-3%
<b>Total Net Sales</b>	<b>\$ 4,299</b>	<b>\$ (25)</b>	<b>\$ 4,274</b>	<b>-1%</b>	<b>-2%</b>
<b>January 31, 2010</b>					
U.S. Soup, Sauces and Beverages	\$ 2,208	\$ -	\$ 2,208		
Baking and Snacking	1,019	-	1,019		
International Soup, Sauces and Beverages	811	-	811		
North America Foodservice	318	-	318		
<b>Total Net Sales</b>	<b>\$ 4,356</b>	<b>\$ -</b>	<b>\$ 4,356</b>		



# Reconciliation of GAAP and Non-GAAP Financial Measures

---

## Six Months

	<u>Diluted EPS</u>
2010 - As Reported	\$ 1.61
2009 - As Reported	\$ 1.34
Add: Unrealized Losses on Commodity Hedges	0.04
Add: Restructuring-Related Costs	0.03
Deduct: Tax Benefit from the Sale of the Godiva Chocolatier Business	(0.01)
2009 - Adjusted	<u>\$ 1.41</u> <sup>(1)</sup>
% Change	14%

<sup>(1)</sup> The sum of individual per share amounts do not add due to rounding



# Reconciliation of GAAP and Non-GAAP Financial Measures

---

(\$ millions)

## Net Debt

	<u>January 30, 2011</u>	<u>January 31, 2010</u>
Short-Term Borrowings	\$ 1,184	\$ 400
Long-Term Debt	1,937	2,250
Total Debt	<u>\$ 3,121</u>	<u>\$ 2,650</u>
Less: Cash and Cash Equivalents	(325)	(113)
Net Debt	<u><u>\$ 2,796</u></u>	<u><u>\$ 2,537</u></u>



# Reconciliation of GAAP and Non-GAAP Financial Measures

---

(\$ millions, except per share)

## Fiscal Year - 2010

	<u>EBIT</u>	<u>Net Earnings</u>	<u>Diluted EPS</u>
2010 - As Reported	\$ 1,348	\$ 844	\$ 2.42
Add: Health Care Legislation Tax Expense	-	10	0.03
Add: Restructuring Charges	12	8	0.02
2010 - Adjusted	<u>\$ 1,360</u>	<u>\$ 862</u>	<u>\$ 2.47</u>

