

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

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

EVENT DATE/TIME: FEBRUARY 20, 2013 / 3:30PM GMT



## CORPORATE PARTICIPANTS

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

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

**Craig Owens** *Campbell Soup Company - SVP, CFO & CAO*

## CONFERENCE CALL PARTICIPANTS

**Jason English** *Goldman Sachs - Analyst*

**Chris Growe** *Stifel Nicolaus - Analyst*

**Alexia Howard** *Sanford Bernstein - Analyst*

**Andrew Lazar** *Barclays Capital - Analyst*

## PRESENTATION

### Unidentified Participant

If everyone could take their seats, we are going to get ready for the Campbell presentation. Thank you. I would like to move on for our next presentation here. We are pleased to welcome Campbell Soup back to CAGNY. First, please join me in thanking Campbell Soup for what is sure to be a great lunch today, so thank you Campbell.

We welcome three speakers from the Company today. Denise Morrison is President and CEO; Craig Owens is CFO and Chief Administrative Officer and Jennifer Driscoll, of course, in Investor Relations. The Company is implementing a new strategic plan for the business and coming off a strong second-quarter performance. So we look forward to an update on the Company's progress in implementing this long-term strategic plan and its new product innovation, which serves as the backbone of the plan.

So let me turn it over to Jennifer Driscoll to get us kicked off here and then off to Denise.

---

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

Thank you, Chris, for that introduction. Good morning, everyone. Thanks for coming and joining us at CAGNY. We appreciate the chance to be here with you today. In our presentation, we plan to make forward-looking statements. I have looked at it; they are in there. So that is what inspired this slide here from the lawyers.

As you know, forward-looking statements are subject to risks and uncertainty. As you can read on the slide, there is a list of those. We also are going to be using some non-GAAP measures today, which we think are helpful in your understanding of the business. So we have this slide here from the accountants and with a variety of adjustments in both this year's and last year's numbers, we are posting online the reconciliations that bring you back to GAAP and we also have some of them available at the back of the room for those of you with us here.

I am going to just give you a quick overview on Campbell using our most recent fiscal year, which ended July 2012. Most of our best-known brands are shown on slide 5. Campbell, Pepperidge Farm, Arnott's, V8, Prego and Pace are a few of those. Our business consists of five reporting segments -- US Simple Meals, Global Baking & Snacking, US Beverages, International Simple Meals and North America Foodservice. I will describe them first and then size them up on the next slide.

Our US Simple Meals business is our largest segment. It includes soup, pasta sauces, Mexican sauces, canned gravies and other specialty items. Global Baking & Snacking includes cookies, crackers, bakery and frozen products in US retail and biscuits in Australia and Asia-Pacific. International Simple Meals & Beverages segment includes the Simple Meals & Beverages operating segments in Europe, Asia-Pacific, Latin America and China,



as well as the retail business in Canada. All told, between that one and the Global Baking & Snacking, about 30% of our business is outside the United States.

The US Beverages segment represents the US shelf-stable beverages business. North America Foodservice includes soups, specialty entrees, beverage products, other prepared food and Pepperidge Farm products sold through various food service channels. We recently expanded the segment and renamed it Bolthouse & Foodservice to recognize our Bolthouse Farms acquisition, which closed in early August. Bolthouse produces in markets fresh carrot products, super premium refrigerated beverages and salad dressings.

Campbell is a fairly focused food company. Our F'12 total net sales were \$7.7 billion. For the year, which ended in July, we produced \$1.2 billion in adjusted EBIT and nearly \$800 million in adjusted net earnings. US Simple Meals last year represented about a third of our sales and nearly half of our profit. Global Baking & snacking represented another quarter of the business. The balance is comprised of International Simple Meals & Beverages, North America Foodservice, now Bolthouse & Foodservice and our US Beverage business.

Bolthouse Farms we have said is projected to add about \$750 million to sales this year and \$0.05 to \$0.07 of accretion in earnings per share. Our combined net sales for fiscal 2013 are projected to be about \$8.5 billion based on the guidance we provided last week. So with that brief overview, I will turn it over to Denise Morrison.

---

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

Good morning. I am delighted to be here with you again today and to have the chance to offer a brief report on our progress at Campbell. After I do that, my colleague, Craig Owens, will give you the headlines on the Company's financial performance and we will reserve some time to answer your questions. Later, I hope you will join us for a delicious lunch featuring some of Campbell's exciting new products and recipes. And I am happy to announce that New York Giants wide receiver, Victor Cruz, will be with us. Victor is the newest addition to the lineup of NFL Mama's Boys in our advertising campaign for Campbell's Chunky Soup and I know you will enjoy his company.

About 18 months ago when I first stood before many of you at our headquarters in Camden as Campbell's new CEO, I outlined a new strategic vision for our Company. I told you that our overarching goal is to create value for our shareholders by driving sustainable, profitable, top-line growth. I said we recognize that a key driver of top-line performance in our industry is participation in categories, segments and geographies with strong growth momentum. And I candidly acknowledge that despite its many strengths, our Company had not responded well as it must have to the important changes going on in the world.

I told you that we needed to equip our business to prosper in the face of powerful demographic shifts, pronounced changes in consumer behavior and the forces that are now driving global economic growth. And I described to you how we intended to do that. We told you that Campbell would continue to be centered in our three terrific core categories -- simple meals, healthy beverages and baked snacks. But we said we would broaden our category platforms, focusing our investments in fast-growing segments and adjacencies.

We told you we would engage in new ways with important consumer groups such as millennials and Hispanics and we told you to expect a critical focus on innovation in our products and packaging. We told you that you would see improved management of our costs and margins. We said that we intended to broaden our global footprint by expanding our product platforms in our existing international markets and by increasing our presence in new markets, particularly emerging markets. And we told you that external development broadly defined will be a key element of our overall growth strategy.

Today, I am even more confident that the picture we painted for you 18 months ago is the right vision for Campbell. I have stressed to you before that it is not a plan for revolutionary transformation of who and what we are, but it is a framework for smart, meaningful and successful change in our Company for driving our growth, building our future and increasing shareholder value.

When we started down this road, I also called out to you that our new strategic vision included an essential starting point. First and foremost, we needed to stabilize and restore profitable growth to our core soup and Simple Meal business in North America. That business is an extraordinary asset for our Company, but toward the end of the last decade, it began to falter. Like many other businesses in our industry, it was hammered by



the massive shift in shopping and consumption behavior that followed the economic downturn. It suffered a litany of related blows -- declining sales, volume loss, excessive promotion, erosion of margin.

By the end of fiscal 2011, the very moment when I stood before you to unveil our new strategic vision, net sales for our US Soup and Simple Meal business were down 6% and EBIT was down 11%. We had the good sense to acknowledge that we couldn't simply blame the financial crisis for our problems in Soup and Simple Meals. For one thing, we knew there were some fundamental issues with our own end-market execution that we needed to address.

For another, we knew that some of the key challenges in the business had been building for a very long time. The most important of which was the enormous expansion of attractive alternatives for consumers in the broader frame of Simple Meals. And we knew it was essential for us to begin to respond decisively, not just to the changing preferences of a new generation and growing ethnic groups, but to the heightened expectations of virtually all consumers across a broad spectrum of product benefits such as taste, convenience and value and across an increasingly diverse range of priorities in health and wellness.

So we knew that to realize our strategic vision we must fulfill a dual mandate. We committed ourselves to work diligently and creatively to expand into higher growth spaces, engage with new consumers, build our business in new geographies, but, at the same time, it is imperative that we maintain the strength of our core business and our intense engagements over many, many decades with our loyal consumer base. And we were unequivocal that the mission to fix Soup and Simple Meals was job one in our new strategic framework. And we were very clear about why it is job one.

As I've said several times since then, we know that our core business in North America standing alone is unlikely to deliver on a sustainable basis the levels of growth that we have committed ourselves. We have no intention of turning back the clock of continuing to impose expectations on that business that it cannot meet. But we also know that properly managed, our core business in our largest market is and will continue to be an important contributor to our growth and a powerful and immensely valuable economic engine for Campbell.

Assuring the ongoing vitality of that engine is a critical prerequisite for success in our pursuit of our long-term goals. To succeed in job one, we needed to adjust our thinking about the management of our business and shift to a new focus on profitability and value creation. We said we would rebalance our marketing investments in North America to focus more intensely on the consumer, increasing our emphasis on brand-building and innovation.

We said we would improve the effectiveness of our marketing, optimizing our marketing spend while assuring that we maintain competitive advertising levels. We said we would restructure our priorities in product development, striking a thoughtful balance between sustaining innovation and breakthrough initiatives.

Most important, we said that, going forward, we would manage our Company with our minds firmly rooted in clearheaded views of the growth potential of each of our businesses and its role in our portfolio. We pledged that we would manage all of our businesses with consistent, relentless attention to execution and excellence, applying a laserlike focus to the task of achieving an appropriate balance among all the drivers of demand and optimizing the value that each business can deliver.

So to borrow a phrase from a memorable mayor of New York, the question on the table this morning is how are we doing, how well are we executing our dual mandate? Well, the first headline in this report is that we have made significant progress on job one. Today, I can tell you with confidence that we have stabilized our US Soup and Simple Meals business and we are restoring it to profitable growth. In fiscal 2012, we stabilized profit in that business for the first time in three years. In the first half of 2013, net sales were up 2% and EBIT was up 7%. And we expect to continue to grow both in 2014.

What has been driving this turnaround? Exactly what you would expect -- a disciplined systematic focus on rebuilding the strengths of the core. In our large US Soup business, we have targeted our efforts on big businesses and big behaviors. We have focused on reaching and where necessary re-engaging with our very large and loyal consumer base with product propositions that are compelling to them and advertising that reminds them how much they love our products.



We have invested in innovation to maintain the appeal and excitement of our brands, new recipes to improve taste and quality where they had slipped and line extensions that provide taste adventure and respond well to new consumer needs and interests. We have begun to address some of the white spaces in our product ranges and to extend the brands into faster-growing segments.

Not rocket science, you say. Well, maybe not, but it has worked. In Campbell Chunky, for example, we have restored growth by returning the brand to its roots. Millions of consumers know that Chunky is the soup that fills you up right. With the return of our popular Mama's Boy campaign, now featuring the popular Mr. Cruz, and renewed focus on taste and hardiness both in the recipes for our existing products and in our bold new varieties, we have reconnected the brand's historic core market of male consumers.

And Chunky's performance has rebounded beautifully. Dollar consumption for the brand was up 8.5% for the first half of the fiscal year and its dollar share is rising. We have applied a similar approach to our condensed soup, returning to advertising featuring our beloved iconic varieties and their association with special moments between moms and kids and for the entire family.

In our Italian sauces, we have strong advertising that reminds consumers about the taste superiority of Prego. In fact, Prego is a great example about a brand that has been optimizing all the drivers of demand -- great taste and product quality, competitive pricing, sound positioning and good merchandising, as well as effective advertising.

We are also enhancing the vitality of this brand with wonderful new product launches later this year, distinctive new flavors of Prego red sauces and our first line of Prego white sauces in three yummy varieties. White sauce is a large and growing segment of the Italian sauce category in which the Prego brand previously had no offerings. By extending Prego into this high-growth segment, we will ensure that consumers don't have to leave the brand they love to get the sauce they want.

As we are rebuilding the core, we are also investing in expansion into highly incremental growth spaces in Soup and Simple Meals. One key growth space for us is the premium segment of the Soup category. That segment has been growing rapidly and tends to feature product propositions with packaging outside the can.

In addition to our fresh soups, we have been seeding the space with a range of delicious shelf-stable options that are attracting new consumers to the franchise for different usage occasions, from our Campbell's Slow Kettle style soups in clear plastic tubs, to our velvety gourmet bisques in aseptic boxes, to our unique varieties of Campbell Go soups in pouches, all of which benefit from the higher freshness and quality perception of their packaging.

We have many more ideas in the pipeline to build our presence in this important premium segment and we are approaching the opportunity with a highly pragmatic mindset. We know there are no silver bullets, so we will continue to nurture our brands with new products that appeal to incremental behaviors in different ways and find out which ones ignite and mobilize our resources around the winners.

The short of it is we are running our play for stabilizing and rebuilding the profitability of our Soup and Simple Meals business in North America and it is working. You can see it working now and you can expect to see more of the same in the future. As I said, that is the first headline in today's report.

Headline two is that we are applying this same play in Beverages and Baked Snacks with promising early results. Our V8 brand is one of the strongest in the shelf-stable juice category. It has powerful equities, highly differentiated nutritional credentials and a distinguished record of successful innovation that expanded the brand platform and reached new consumers and usage occasions.

In the last decade, that business posted several years of strong margins and impressive sales and EBIT growth. Although the category has been challenged for a number of years, we drove outstanding growth in the segment of fruit and vegetable blends, which we invented with V8 V-Fusion, a wonderful product that provides fruit and vegetable nutrition in great-tasting fruit flavor combinations.



But as competitors entered the segment with offerings that had less compelling nutritional benefits, but more attractive price value propositions, our growth began to stall. In the last fiscal year, our US Beverages business experienced severe margin erosion due to cost inflation and trade promotion in a competitive environment in which pricing flexibility was limited.

So Beverages is another historically reliable player in Campbell North America that we must now stabilize and restore to profitable growth. And after two consecutive years of high inflation in some key input costs, inflation is moderating in this business. We anticipate with lower inflation and diligent cost management, our margins will improve.

To restore growth momentum in Beverages, we are running the play that is working so well in Soup and Simple Meals, applying disciplined focus to revitalizing our core. Our V8 Splash juice drinks are continuing to grow at a very healthy rate. That productline has strong appeal to value-conscious shoppers and it resonates well with Hispanic consumers. But our more premium brands, V8 100% vegetable juice and our V8 V-Fusion juices, have faltered. We are now returning to proven advertising for these brands, reminding consumers that they could have had a V8 and why they are so happy when they did and when they made a smarter choice.

We have improved the taste of V8 100% vegetable juice and we are also delighting consumers with a twist on the familiar, new varieties that provide a hint of lime and a hint of black pepper. For V8 V-Fusion, we are broadening the range of product benefits with the launch of V8 V-Fusion Refreshers, a new line that offers a crisper, lighter taste for consumers seeking better refreshment. We have more work ahead on our core beverage business, but we know what we need to do and we know we can do it.

Along with resolute attention to the core, we are extending into new spaces in beverages with innovation designed to reach new consumers and penetrate new channels and occasions. Last fiscal year, we capitalized on the rapid growth of energy drinks with the launch of V8 V-Fusion + Energy in three delicious varieties. Our product proposition is distinctly differentiated from the other offerings in this space. While most energy drinks target active young men and feature unfamiliar ingredients, V8 V-Fusion + Energy appeals to adult female consumers and offers health credentials of V8, energy that you can feel good about with green tea as the source of caffeine, as well as a combined serving of fruit and vegetables.

Early results suggest that this proposition has strong appeal for women, including energy-starved moms. This product has been performing well in the marketplace and we see promising opportunities to expand the line. Juice boxes for kids are another untapped opportunity for us and we are encouraged by the early performance of our first entrance into that arena.

So as in Soup and Simple Meals, we will be driving growth in our shelf-stable beverage business both by strengthening the core and optimizing investment in highly incremental growth spaces. We recognize that some experiments may not succeed. For instance, one of our recent launches, V8 V-Fusion teas, failed to gain traction and we are now reevaluating that product. But the larger point is that we are now taking a different and more expansive view of the world of healthy beverages than we did before.

We know we have many opportunities for expansion into high-growth segments in this category with products that offer attractive, on-trend options for consumers and a wide range of benefits than we have offered in the past and that span a broad spectrum of value propositions. I expect you will hear more at our Analyst Day meeting in July about our progress on beverages.

We are also running the same play on the other side of the world in our Biscuit business in Asia-Pacific. Arnott's is by far the leading player in the Baked Snacks category in Australia. It is a great business with iconic brands and a terrific history of consistently strong performance. In fiscal 2012, however, Arnott's suffered some erosion in its profits and margins due to a combination of forces that pressured the food industry in Australia as a whole, including a marked decline in discretionary consumer spending and price deflation triggered by heightened competition between leading food retailers.

This fiscal year, our performance in Biscuit in Asia-Pacific is stabilizing and the business returned to top-line growth in the first half. We are focusing closely on improved execution, rigorous cost management and restoring strengths in the core, particularly Savory Biscuits, our largest and most profitable product segment. Here, as in Soup and Simple Meals in North America, we are managing the business with sensible performance expectations and investment designed to optimize the value it can deliver.



Our other key business in the Baked Snacks category is, of course, Pepperidge Farm, which has a long track record of top-line, bottom-line and marketshare growth, driven by its powerhouse brand, Goldfish, the leading brand of wholesome snacks for kids. It could be said that Goldfish is also returning to its roots this year. When it was originally launched 50 years ago, the brand's outreach was mainly to moms. Much later on, the focus of the communication to consumers moved to direct connection with kids with Finn & Friends, a sensational campaign focused on building children's optimism, curiosity and self-confidence.

Finn & Friends are very much with us and the Goldfish brand continues to broaden and deepen its connection with kids in very creative ways. But it is also reconnecting with mom through television, print and digital advertising that remind her of the magical moments that make the heavy lifting of motherhood worthwhile.

The Goldfish franchise is active and growing on many fronts. We are continuing to drive expansion from our core kids demographic to engage more fully with teens. We are pursuing an untapped opportunity to connect with Hispanic consumers with the Goldfish brand and are now in regional market tests with products with unique flavors, packaging and point-of-sale material.

We are expanding usage occasions with colorful seasonal offerings. We are enhancing the sweet side of the portfolio with tempting new flavors like French Toast Goldfish Grahams and we are leveraging digital and social media to interact with consumers in new ways. For example, through a new website, consumers can order customized Goldfish products with personal messages and photographs for birthdays and other special occasions.

This year, you will also see heightened focus on distribution and merchandising to reach consumers more deeply and more often as we look to increase base shelf space and expand our presence in the perimeter of the store. You will see more end aisle displays, specialized packaging formats and sizes and thousands of plastic Finn & Friends aisle dispensers.

Pepperidge Farm is moving forward with gusto in many other directions as well. Our newest productline in the adult savory segment, crunchy Jingos! crackers, which are seasoned twice with explosive taste, is highly incremental to the business. After a long period of flat performance in sweet snacks, we are also driving growth in that segment with successful extensions of our classic Milano cookies into Milano Melts and Milano Slices and a reframed line of soft desserts that are doing extremely well in the marketplace.

And in Fresh Bakery, we are bringing flavor excitement and a snacking mentality to the bread aisle with Pepperidge Farm's scrumptious Swirl breads. Blueberry Swirl is the newest addition to this line and there will be more to come. All told, Pepperidge Farm continues to flourish. This business is on the go.

So on the first part of our dual mandate, the key takeaway this morning is straightforward. We are doing what we said we would do, not just in our biggest business in North America, but across the businesses in our portfolio. As we promised, we are managing our core with disciplined focus on the fundamentals of execution. As we told you, we are rebuilding the base in places where it had faltered. As we committed, we are investing in smart innovation and expanding our brands into attractive new spaces that will strengthen and broaden the core. As we pledged, we are optimizing investment with close attention to the role each business in our portfolio can play and its potential for value creation.

In Campbell North America, we are stabilizing and restoring profitability in Soup, sensibly growing sauces and revitalizing our core shelf-stable business in Beverages. At Pepperidge Farm, we are continuing to build our Goldfish, driving growth in sweet snacks, expanding our presence in adult savory and leveraging our differentiated Swirl bread franchise in bakery. And in International, we are restoring growth in Arnott's.

But we are well aware that there are still issues to address such as the current headwinds in our Foodservice business. No successful food company is ever free of surprises or unexpected dislocations. They are perennials in our industry. But the critical message is that we are taking meaningful steps to assure that our core business is an engine that we can count on to drive stable, predictable and profitable growth.

The progress we have made in 18 months is, in my view, a huge accomplishment. From the standpoint of advancing our strategic vision, that progress represents an essential beginning. But as I said on the outset, it is just a beginning because we are not looking backward. We committed ourselves to long-term growth targets of net sales growth up 3% to 4%, adjusted EBIT growth up 4% to 6% and adjusted EPS growth up 5% to 7%.



And we have acknowledged from the get-go that we must move beyond our base business in order to deliver this improved growth profile on a sustainable basis, which is why we have assigned ourselves a dual mandate.

So the next question is where are we on the other part of the story. When we began this journey, we called out our strategic vision, the new directions we would pursue to lift Campbell's growth trajectory. To go after them, we had to make some important choices. So headline three today is that we have begun to make those choices. With the benefit of a whole lot of hard work and analysis, we have made some critical decisions about the specific paths we will pursue to accelerate our growth and developed a line of sight to the way we will achieve our long-term growth targets.

We have much greater clarity now about the areas where we will center our efforts and our investments, why we believe in them and how much value we expect them to deliver for Campbell. Let me offer you some insight into a few of the choices we have made. Breakthrough innovation is certainly one of our key drivers for accelerated growth. It is a cross-cutting strategy that is reaching across all three of our core categories.

As I have mentioned in earlier conversations with you, we now have in place an entirely new innovation process with new capabilities for penetrating higher growth spaces, reaching new consumers and addressing unmet consumer needs. We have also embraced a different philosophy of innovation. We are allocating our resources differently and cultivating new expectations about the places we can occupy in the marketplace.

I know there are no sure bets or overnight miracles in this work and I am prepared for attempts that fail. Indeed, I have told my team that if we don't have attempts that fail, you will know we are not working hard enough to break the mold.

To give you a sense of how we are approaching breakthrough innovation, I will share some thoughts about two innovation platforms that I have talked about before, Campbell's Skillet Sauces and Campbell's Go Soups. Our new Skillet Sauces are delicious cooking sauces in convenient pouch packaging. Simple solutions have to be simple and our Skillet Sauces are as simple as 1-2-3. You just brown your choice of meat, add the sauce and pour it over rice or pasta. This product is the first entrant in a comprehensive platform for dinner sauces that will expand our presence in the dinner occasion.

While Skillet Sauces target the stovetop, which is the largest appliance behavior, the next set of products in this range will tap into a different appliance, slow cookers, which are now in more than 80% of US households and are used to make more than 500 million meals a year. Consumers really like the simplicity and the convenience of slow cookers. They would like to use them more, but most cooks have a very limited range of recipes for this device. Campbell's Slow Cooker Sauces, which will be launched in four or five varieties later this year, will immediately expand their repertoire by giving cooks new ways to use their slow cookers to make delicious dinners even with inexpensive cuts of meat.

With our Skillet Sauces, Slow Cooker Sauces and other dinner sauces that are now in the pipeline, we are not simply building a product platform. We are creating a whole new dinner sauce segment in the cooking category and at the same time, inspiring a new consumer behavior. So we know that it will take more time to build awareness and drive adoption that is usually required for more conventional new products.

Customers are still figuring out how to shelve and merchandise our dinner sauces. Consumers are just beginning to find out they exist. We are prepared to be patient as they discover these products, learn how to use them and understand the value they deliver from the standpoint of price, variety, taste and convenience. The good news is that in these early days repeat is very strong. When we connect consumers with this product and with these products, they are responding enthusiastically to the proposition.

We are taking a similar approach to Campbell's Go Soups, our great-tasting edgy soups in pouch packaging. These products are just the first step in our engagement with millennials who are helping us define portable nutrition as a new on-trend space in which we can grow the soup category, as well as our own business.

Distribution gained traction in the first half of the fiscal year and we have just recently begun to turn on the marketing support. Our key challenge is to build trial. Repeat on Campbell's Go Soup is strong and we are, in fact, attracting new millennial consumers to the category and to Campbell. Consistent with the principal of reaching consumers where they live, the marketing for Campbell's Go is exclusively through nontraditional channels, particularly digital and social media.





Campbell Go Soup is a launch sponsor for the popular Angry Birds game. We have also partnered with Buzz Feed, a fast-growing social news website, to create online posts about Campbell's Go Soups for its users to view, comment on and share across the Web. I am sure I need not mention that these are not the historic roots for Mmm Good.

In this connection, I am thrilled to note the arrival of Mike Senackerib, Campbell's first Chief Marketing Officer and the former CMO of Hertz, who is leading a new emphasis on enhancing our marketing capabilities globally, including the digital and social media space.

Our recent acquisition of Bolthouse Farms has provided the foundation for another new platform for accelerating our growth. Bolthouse is on the cutting edge in the exploding space of superpremium fresh beverages. With its terrific pipeline of innovative products, consistent marketshare gains and strong growth momentum, we believe it presents a compelling opportunity to build shareholder value. Although the marriage is still young, the business is exceeding our expectations for both top and bottom-line growth this fiscal year.

One of Bolthouse Farms' greatest strengths is its discipline focused on bringing new and compelling product propositions to market year after year. This is true across all of its product categories, even carrots. This year, Bolthouse has been testing a healthy snack called Baby Carrot ShakeDowns, which come in convenient grab-and-go pouches that include their own built-in seasoning packets. You pinch the packet to release the spices and shake it to lightly season the baby carrots right in the bag in salsa, ranch or chili lime flavors. Wow.

In the superpremium beverage segment, Bolthouse Farms has market-leading positions in juices and smoothies. It is also growing fast in emerging on-trend spaces such as proteins and cafes. With its continuous stream of innovation, Bolthouse has been seeding a very broad spectrum of taste and benefit choices for consumers in the fastest-growing segment of the broadly defined world of healthy beverages.

Next month, we will add four new beverage varieties to the Bolthouse Farms lineup. One taps into the large and growing juicing trend; another is a highly functional juice with 100% of the daily value of 12 essential vitamins and 8 grams of fiber. Still another is a new carrot juice blend, but my personal favorite is a scrumptious salted caramel latte that only has 130 calories per serving. So far, the customer response has been highly enthusiastic for all of these items.

But as we discussed last July, the most exciting attraction of Bolthouse Farms is the platform it gives us to plant the flag in the packaged fresh category in the retail perimeter, a terrain much broader than beverages and salad dressings. Packaged fresh is a \$12 billion category with a growth rate of 6% to 7%, well ahead of the food industry average. We have identified some very compelling opportunities in this arena and at the moment, we are developing plans to pursue them.

A pivotal point to grasp here is that, for Campbell's, packaged fresh is not just another category. Developing our plans in this space has been a springboard for redefining our thinking about our own universe. We are now in the process of connecting the perimeter and the center of store in new ways. We are on our way to becoming a food company that offers consumers wall-to-wall solutions for delicious and convenient simple meals, snacks and healthy beverages across product formats, segments, price points and packaging alternatives.

Our portfolio spans all meal occasions -- breakfast, lunch and dinner and all the grazing occasions in between. And our research shows that Campbell's core shoppers drive more trips and spend more dollars per basket than any of the other leading food and beverage manufacturers. Our proven strength with shoppers offers unique benefits for retailers and we know they are very adept at connecting those dots.

The last platform for accelerated growth that I will highlight today is international expansion. We have many irons in the fire in this arena. Last week, we announced a new commercial arrangement in Mexico with Grupo Jumex, the largest producer of fruit juices and nectars in that market and Conservas La Costena, one of the largest producers of preserved foods. These partnerships will give us access to distribution and manufacturing capabilities that haven't been available to us in Mexico before and will redefine the scope of our business opportunities there. The financial rewards from these arrangements will take some time to materialize, but we regard them as very sound steps in building our Company's future.

In Indonesia and Malaysia, two other emerging markets where we have established businesses, we are experiencing double-digit growth. We will continue to drive organic growth in these markets through innovation, disciplined execution and good marketing support. China is another priority for Campbell in Asia and we are evolving our business model there to unlock its growth potential. So this is another space to watch.

Finally, we are maintaining good momentum in our pursuit of external development opportunities in our priority markets of Asia and Latin America to expand our capabilities and build our scale. Last month, we welcomed Luca Mignini as the new President of Campbell International. Luca has broad experience building businesses in emerging markets and has spent much of his career in these regions of the world. I am delighted to have him as part of my leadership team.

So the bottom line in my report today is that we have made demonstrable progress in both parts of our dual mandate. We are fortifying the strength of our core business and at the same time expanding into higher gross spaces, segments and geographies. We have defined our choices for elevating our growth trajectory and the value that we expect them to deliver and we are moving forward briskly.

By every measure, the mandate we have embraced is a challenging assignment, but I must tell you that it is incredibly energizing to lead the renaissance of this great company. And it has been exciting for all in the past year to craft a plan through which now we can see how all of the pieces will come together.

So before turning you over to Craig Owens, Campbell's Chief Financial Officer and Chief Administrative Officer, I would like to share one final thought. As I have told you before, we know it is going to take time, patience and fortitude to fulfill the strategic vision that I described to you 18 months ago. We are under no illusions that this work will proceed in a straight line. We must constantly balance our short-term needs with our long-term goals.

We recognize that course corrections may be necessary from time to time and that new information may cause us to rethink some of the choices we have made, but we know where we are going, we know how to get there, and we are clearly on our way. The progress we have made in the past 18 months has been hard-won and highly gratifying. I hope you stay tuned because there is a lot more to come. Thank you.

---

**Craig Owens** - *Campbell Soup Company - SVP, CFO & CAO*

Thanks, Denise. Good morning. I am going to take just a few minutes to give you a quick review of our first-half results. My real focus is going to be on an area that is critically important to us in terms of delivery of our profitability, but also integral to our efforts to reinvest in growth and in expansion of the Company, that has been the area of expense and cost control. I will also touch as part of that on advertising spending and I will finish with some thoughts about cash allocation, which will be a review for those of you that know us well already. Then we have a great Campbell's lunch for you where Victor Cruz is pretty excited about meeting famous sellside analysts.

So in the first half, on Friday, we reported 9% sales growth; 1% of that was organic. Our EBIT line was also heavily driven by the acquisition of Bolthouse. We were up 5% there, about 1% ex-Bolthouse for the first half and at the EPS line for the first half, we delivered 8% growth. We are still being advantaged by the fact that we are cycling share repurchases in 2012. Although we have suspended those as of the date of the acquisition. So we are at \$1.58 per share through the first half.

We reiterated our guidance on Friday. We are expecting sales growth of 10% to 12%. That would include organic growth between 0% and 2%, EBIT growth between 4% and 6% and earnings-per-share growth of 3% to 5%. The earnings-per-share number doesn't have the same leverage that we had in the first half, both because of taxes and also because of the fading impact of the share repurchase.

Even excluding Bolthouse, this represents a return to growth and a significant improvement from fiscal 2012. We have been particularly pleased with the growth of our US Soup consumption this year, continued improvement in the profitability of that business and very solid results in our Baking & Snacking segment.

As we commit increased funding to innovation and growth, it is really important to us that we pursue continuous improvement in all the areas of our business to reduce less productive spending. Examples would include our cost of sales enabler program, which has delivered sustained structural reductions at nearly 3% of cost annually.



One driver of these savings has been our use of platform manufacturing techniques, the use of standardized technologies, harmonized ingredients and packaging, scalable product design. Such initiatives not only improve our margin structure, but they also create more flexibility and agility for us within our supply chain. That is important for us for our realization of our innovation goals.

For example, in US Simple Meals, we are harmonizing manufacturing processes, can sizes and formulations. In late F'14, we will be rolling out standard can diameters. Varying the height of the can rather than the diameter of the can for most of our volume changes will require less change over time and less capital equipment. As a result of our longer-term initiatives and ongoing productivity improvements, we are on track to deliver another year in F'13 of about 3% savings against cost of sales.

We are also aggressively managing our supply chain infrastructure. In addition to cost savings, aims of this program include expanding capacity at existing locations and increasing our ability to service our markets and prudently using copackers. Since 2007, we have closed 10 or almost 25% of our total plants -- closed or sold 10 of our plants. Currently, we are preparing to close plants in Sacramento, California and South Plainfield, New Jersey. Those two closures alone will provide about \$21 million of pretax savings next year, which will increase to \$30 million on a run rate beginning in 2016.

While closing inefficient facilities, we have also strategically invested capital to support growth. We have added new production lines in North America and Australia in the US Beverage business and in Baked Snacks. As a result of plant closures and other efforts to boost productivity, our supply chain has increased sales per plant by 38% over the last five years.

Another plant closure that we have recently announced for somewhat different reasons is in Villagran, Mexico. Denise talked about the partnership opportunity that we have there. We saw an ability not only to avail ourselves of more modern plants with more extensive capabilities, but we were especially attracted to the ability that these two partners have to distribute product much deeper into the Mexican market than we can.

Distribution to smaller outlets is particularly important in Mexico and especially important in the beverage business, which now represents more than half of our sales mix in Mexico. Over time, we believe that partnerships with Jumex and La Costena will leverage the scale of these two large players and allow us to be more focused on consumer marketing and product development in this high opportunity market for us.

We continue to keep a close eye on our operating expenses, including administrative expense. The reduction in force that we announced in fiscal '11, the use of procurement tools applied to corporate spending categories and a project to outsource back-office finance functions are all contributing this year to lower cost and administrative expense -- sorry -- in fiscal '12 to lower administrative costs than we experienced in previous years.

As most of you know, we have lowered our overall spending levels on advertising and consumer promotion. The reduction is primarily against base brands in our US retail business. We have actually raised our spending on new products advertising and consumer promotion. We have also improved effectiveness by taking advantage of better analytical tools, improved product positioning and ad copy and more productive media mix, including the use of more online and social media.

As you see on the chart, we continue to have total spending levels that are high versus the industry. Chunky, as you know, has been a star performer for us this year and it is a great example of the importance of more effectively activating the full marketing mix or as Denise says, all the drivers of demand. With sharper positioning, a return to the NFL Association, taste improvement in some key varieties, a stronger promotional calendar and innovative line extensions, Chunky has had its best growth in years. As the chart shows, consumption is up 8% in the first half; advertising spending is actually down 18%; advertising effectiveness is up and advertising efficiency is well up.

As we pursue our strategic agenda, one important asset for us is our powerful cash flow engine. We are projecting another year of close to \$1 billion in cash from operations. Our top priority for the use of cash is investment in high return opportunities within the core business. Our largest projects this year include a capacity and capability expansion for our North American Foodservice business, a Goldfish capacity expansion for Pepperidge Farm, ongoing work on our Soup common platform, an automation project in the Australian biscuit business and continued implementation of an advanced planning system in North America.



A second important priority for us is to maintain a competitive dividend payout ratio and to increase the dividend as we increase earnings. Bolthouse has not affected our approach to dividends.

M&A is becoming more important to us, consistent with our long-term growth strategy. At \$1.6 billion, Bolthouse Farms is actually Campbell's largest acquisition. It is a strong business with a good brand, great beverage and salad dressing growth momentum and an infrastructure that provides opportunities for us in fresh produce and packaged fresh product areas.

Share repurchases are the final and most flexible element of our cash flow picture. Over five years, we have used over \$2.4 billion to repurchase shares. This year, we have suspended our strategic share repurchases due to the Bolthouse acquisition. Our intention would be to resume that program as we have restored capacity to the balance sheet.

So in summary, Campbell, as Denise said, has made a lot of changes over the last 18 months and today, we think we are really positioned for improved growth performance. We are focused on driving sustainable profitable growth in our core business. We have made considerable improvements in US Soup profitability and the sales growth trajectory in that business.

We are enhancing our core business by expanding into adjacent areas that offer accelerated growth potential. We rely on a consistent approach to managing our cost and expense profile to help us fund all of these efforts and with strong cash flows, we are able to invest capital in the base business while also considering external development opportunities that support long-range growth.

Thank you for your attention and for being with us today. I think we have got a little bit of time now for questions and Jennifer will lead us through that.

---

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

I am looking for a famous sellside. Jason, you have your hand up. Jason is from Goldman Sachs.

---

## QUESTIONS AND ANSWERS

**Jason English** - Goldman Sachs - Analyst

Great. Thanks a lot for the question. Denise, congratulations for some of the progress you have made over the last few years. With some of that progress now clearly bearing fruit as reflected by your presentation, do you think you are now close to being back on track with your long-term algorithm for growth?

---

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

We are definitely on track to achieve those long-term growth targets. We are not giving guidance at this point when, but we are optimistic in terms of seeing these businesses respond and we won't rest until we hit it.

---

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

Chris, would you like to -- Chris Growe from Stifel. Use the microphone. Thank you.

---



**Chris Growe** - *Stifel Nicolaus - Analyst*

I had a question for Denise about the new soup innovation or really innovation across Simple Meals in the US. This has typically been a forum where you have highlighted all the new products for next year and given a lot of details. I was just curious on two fronts. One, as you look ahead -- you had a lot of new productivity here in fiscal '13, just how that is going to continue in US Soup and Simple Meals next year. And then also along with that, just if you could speak to the platforms like Go Soups and Slow Kettle and I guess if you expect to continue to launch new products behind those platforms.

---

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

Yes, we will unveil a number of our new products in July at our Analyst Day meeting. But you can expect that we will have about the same number of new products in the Soup business and across the Company, we will be introducing over 216 new products and that compares very well to this year.

---

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

You can tell Denise keeps a close eye on that. Alexia Howard from Sanford Bernstein here in the front row.

---

**Alexia Howard** - *Sanford Bernstein - Analyst*

Can I ask about the marketing spending? You have obviously brought in somebody new and created a new position there. And it seems as though you may be moving from a more overarching campaign in the Amazing What Soup Can Do campaign to something that is more specific to each individual brand and in fact going back to some older campaigns that were successful. Can you talk a little bit about what needs overhauling and how you are thinking about advertising versus promotional activity going forward? Thank you.

---

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

I think to answer the first part of your question, we tried a portfolio campaign. The Amazing campaign did very well for condensed soup, but it did not do very well for Chunky. So going back to its roots has really revitalized that brand with our core consumer. I think that when we talk about optimizing all the drivers of demand, you have to have a product that tastes good. It has got to be packaged right, it has got to be priced right. You have got to have a good promotion level and frequency for the consumer to see a compelling price value proposition and then the advertising works alongside with that. And we think that getting those drivers right and that really depends on the brand and the competition in that space is the formula for success for us.

---

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

It looks like one last one from Andrew Lazar from Barclays Capital please.

---

**Andrew Lazar** - *Barclays Capital - Analyst*

Denise, you have long talked about how soup is just one part of a broader US Simple Meals sort of space and some of the actions we have seen to date in the broader Simple Meals space have been some new subcategories as you talked about with the Skillet Sauces and slow cooking and whatnot. Is that more of what we should expect around expansion into the contiguous Simple Meals space or might we also see you getting into areas that are already pretty well-established categories in Simple Meals, but where you think you have a reason to play based on technology or brand and what have you?

---



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

What you see is the start of building that dinner, actually dinner shortcut, which is a \$12 billion space. However, our innovation teams have studied different spaces in the whole landscape of Simple Meals and breakthrough innovation requires a lot of time to develop some of these ideas since they don't exist today. We are trying to make new markets here, not just do line extensions. So you can expect to see a variety of executions across a variety of consumer behaviors.

**Unidentified Participant**

Thank you, Campbell. Thanks for our lunch in a few minutes here. So thank you again for your sponsorship this year to CAGNY.

**DISCLAIMER**

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2013, Thomson Reuters. All Rights Reserved.