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CPB - Q4 2014 Campbell Soup Co Earnings Call

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OVERVIEW:

CPB reported 4Q14 net sales from continuing operations of $1,852m and adjusted EPS of $0.49. Expects FY15 continuing operations sales growth to be 1-2% and EPS to be $2.45-2.50.

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Campbell Soup fourth-quarter 2014 earnings conference call. At this time, all participants are in a listen-only mode.

(Operator Instructions)

As a reminder, this call is being recorded. I'd now like to introduce your host for today's conference, Jennifer Driscoll, Vice President of Investor Relations for Campbell's. Please go ahead.

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

Thanks, Kate. Good morning, everyone. Welcome to the fourth quarter of FY14 earnings call and webcast for Campbell Soup Company.

With me here in New Jersey today are Denise Morrison, President and CEO; Anthony DiSilvestro, our Chief Financial Officer; and Anna Choi, Senior Manager of Investor Relations. I'm going to start things off with a few reminders, including items impacting comparability and our quarterly earnings dates for FY15. Denise will follow with her perspective on the quarter, the year, and our plans for FY15. Anthony will then discuss our financial results for the quarter and full year, finishing with our expectations for FY15, and after that, we'll take your questions.

As usual, we've created slides to accompany our earnings presentation. You'll find the slides posted on our website this morning at investor.CampbellSoupCompany.com, and on our IR app, which is available through Google or Apple. Please keep in mind that our call is open to members of the media, who are participating in listen-only mode.

Today's presentation includes forward-looking statements, which reflect Campbell's current expectations about future plans and performance. These forward-looking statements rely on a number of assumptions and estimates, which could be inaccurate, and are subject to inherent risks. Please refer to slide 3 in the presentation, or to Campbell's most recent 10-K and SEC filings, for a list of factors that could cause our actual results to vary materially from those anticipated in any forward-looking statements.

Now I'd like to remind you about items impacting comparability. As we said in this morning's news release, in the fourth quarter of FY14, we recorded $21 million of pretax restructuring charges and restructuring-related costs to improve our supply chain efficiency in Australia, to reduce overhead across the organization, and from previously announced initiatives. We also recorded an additional $4 million pre-tax settlement charge, associated with the US pension plan.

Last year in the forth quarter, we recorded $30 million of pretax restructuring charges and restructuring-related costs to improve our US supply chain and structure, to expand access to manufacturing and distribution capabilities in Mexico, to improve the Pepperidge Farm supply chain, and to reduce overhead North America. Our comparison in FY14 with FY13 will exclude previously-announced items, as shown on slide 4.

So now let me remind you that we will use non-GAAP measures to enhance our explanations. We've provided a reconciliation of these measures to the most directly-comparable GAAP measure, as an appendix to the slides accompanying our presentation. Because the guidance for FY15 is on 52 weeks versus [52] weeks, we show the estimated impact of the extra week in FY14 on sales and earnings, as well. These slides, along with our earnings release and selected quarterly and annual financials, also can also be found or our website, which is available online or on your mobile device with the Campbell IR App.

Last, please mark your calendars for our planned FY15 earnings dates, shown on slide 6. Like this quarter, the dates are a little later than usual due to the 53rd week which you'll be hearing modeled out on this call. November 25 is when we plan to report first quarter earnings. The next three earnings dates are February 25 of 2015, May 22 of 2015, and [September 3, of 2015] (corrected by company after the call). With that, let me turn the call over to Denise.

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

Thank you Jennifer, and good morning to everyone. Welcome to our fourth-quarter earnings call. At our Investor Day in July, I told you that I remain confident that our strategy to reshape Campbell by strengthening our core business and expanding into faster-growing spaces is the right course for our Company, but I also know that it will take more time than we originally anticipated to achieve our long-term growth targets.

Our industry is now in a period of profound change and challenge, and there has been a meaningful decline in the performance of the packaged food sector. Forces like the economic environment, the transformation of consumers food preferences with regard to health and wellness, and their demand for greater transparency, the powerful social and demographic changes, and the rise of e-commerce are all driving significant changes in consumer behavior, with respect to food.

With this as background, today, today, I will focus most of my remarks on our performance for full-year 2014 and our expectations for FY15, but first, I will briefly comment on our fourth-quarter results. Our fourth quarter results benefited from the extra week in the fiscal year which was the significant driver in the quarter, as we delivered 7% sales growth and double digit growth in adjusted EBIT and EPS. Organic sales in the quarter decreased 2%, as our core business continued to underperform in a challenging consumer environment.

Turning to our full-year results in 2014, including the 53rd week and the benefit of acquisitions, Campbell delivered growth in both sales and adjusted earnings. We were encouraged by the performance of the businesses we acquired in the last two fiscal years as part of our strategy to reshape Campbell's growth trajectory, but we were not satisfied with the performance of our core business, and our organic sales results for the year reflected the extremely difficult market conditions which are impacting the food business.

Consistent with our most recent guidance, sales from continuing operations increased 3% to nearly $8.3 billion, benefiting from acquisitions, and an extra week in the fiscal year. Organic sales declined 1%. Adjusted earnings before interest and taxes from continuing operations grew 4% to nearly $1.3 billion, and adjusted earnings per share from continuing operations increased 2% to $2.53.

In US simple meals, we delivered growth in sauces, with higher sales of Prego pasta sauces and Campbell's dinner sauces, but after growing 5% in FY13, sales declined in US soup, as organic growth in Swanson broth, which increased 8%, was more than offset by declines in ready-to-serve and condensed soups amid softer consumption. In global baking and snacking, the acquisition of Kelsen Group contributed $193 million in sales. We had modest growth in Pepperidge Farm, including continued gains in our Goldfish franchise and fresh bakery.

We had solid growth in Indonesia. As we expected, sales declined in our business in Australia. As we outlined at our Investor Day in July, we have initiated turnaround plans to reinvigorate both our Australian business and our US beverages business, which also declined for the year.

Overall, we are embracing change, and continuing to diversify our portfolio. We are building our presence in package fresh and other faster-growing spaces, in strategically important geographies outside of our developed markets, and in channels that will make our products available everywhere consumers shop.

In FY14, we achieved some key milestones in the execution of these strategies. We completed our acquisition of Kelsen Group, which has given us a valuable growth platform, with 40% of its sales of baked snacks in China and Hong Kong. We invested in our first marketing programs to build the Bolthouse Farms brand, and expanded the distribution of Bolthouse products, driving solid sales growth and share gains of super premium beverages in measured channels.

Internationally, we divested our slow-growing European simple meals business to focus on growth opportunities in Asia and Latin America, and expanded our sweet biscuit business in Indonesia, a key developing market. In January, we transitioned to a new US network of distributors for our single serve beverages. Over time, we expect this network to drive immediate consumption growth for both our V8 and Bolthouse Farms brands.

We increased our digital and e-commerce capabilities to enhance our connection with consumers, who are engaging with brands in new ways. We continued to drive consumer-focused innovation, with new products equaling 11% of list sales on a rolling three basis. Across our portfolio, we reduced overhead costs, which is critical to funding our growth.

Finally, we reflected on our Company's purpose, which we've expressed in seven words, Real Food That Matters For Life's Moments. This will be the compass that guides our decisions, as we aspire to become a $10 billion Company within the next five years. It affirms our connections to the core values that have inspired trusting Campbell in the past, and it bridges us to the priorities of new generations.

Now that 2014 is behind us, I want to give you a brief overview of our plans for FY15. We will take further action to drive growth in our important US soup portfolio, and improve category performance. To do this, we will continue to elevate quality, increase our brand building, and drive more innovation, including our first Campbell's organic soups. We intend to expand in the premium soup segment, strengthen ready-to-serve soups, and grow our number one position in condensed soups and broth.

We will drive growth in Pepperidge Farm by executing against all of the drivers of demand, including increased innovation, particularly in the back half of the year. We will revitalize our shelf-stable US beverage business by leveraging innovation and the powerful equities of the V8 brand in vegetable nutrition, to capitalize on the juicing trend with affordable juicing. We will continue to stabilize our Australian business, and rejuvenate sales of Arnott's Biscuits in that key market.

In faster-growing spaces, our acquisitions of Bolthouse Farms, Plum and Kelsen have diversified our nearly $8.3 billion portfolio, as we continue to shift our center of gravity. We expect all three of these businesses to grow the top line, as we expand distribution. To continue to drive our expansion into faster-growing spaces, we will focus on four key platforms under our long-term strategy.

Number one, accelerating breakthrough innovation including continued expansion in Campbell's dinner sauces, and plans this year to extend the V8 brand into adult on-the-go nutrition, with protein bars and shakes. Across our portfolio, we will launch more than 200 new products, as we continue to respond to the evolving tastes and needs of consumers.

Number two, becoming a leader in packaged fresh foods, a growing $18.6 billion category, in which Bolthouse Farms has given us a solid foundation, and is now expanding with the launch of Bolthouse Farms Kids, an innovation portfolio of healthy snacks and beverages for children. Number three, expanding in developing markets in Asia and Latin America, building on our footholds in China, Indonesia, Malaysia and Mexico. And finally, increasing the availability of all of our products in all channels, including immediate consumption channels and e-commerce.

We will fund our growth by aggressively managing our costs and margin. Furthermore, we will become a high-performance Company as we continue to drive agile decision-making, own our results, and attract and retain world-class talent to further diversify our team.

In FY15, we expect to deliver growth of 1% to 2% in sales, and between 0 to 2% in adjusted EBIT and adjusted EPS from continuing operations on a 52-week basis. This guidance reflects the impact of some significant headwinds that will affect year-over-year comparison. Importantly, while we will continue to invest in our platforms for long-term growth, we are prepared to take additional actions if these headwinds accelerate.

It is important to note that our growth in FY15 won't be evenly distributed across quarters. Our first-quarter comparison will be favorable, because in FY14, we experienced retailer inventory movements and later Thanksgiving holiday timing, that pushed sales into the second quarter. We expect a larger amount of holiday sales this year to shift back to the first quarter. As a result, looking at our business performance on a first-half basis versus a quarterly basis will be more meaningful.

We continue to believe that our long term growth targets of 3% to 4% in organic sales, 4% to 6% in EBIT, and 5% to 7% in EPS are achievable; however, we recognize, as we said at our Investor Day, that further portfolio reconfiguration, including smart external development, may be required to deliver and sustain growth at this level. We have meaningfully changed the composition of our portfolio, and are following through on our commitment to diversify our business into faster-growing spaces, but we know that it will take some time to realize the full promise of our new platforms, and we know that we stand at a critical juncture.

In closing, I believe that it is essential to balance optimism with realism. Consumers are changing in profound ways. At Campbell, we're putting the consumer first, and adapting quickly to the new normal of our world.

While remaining true to our core beliefs, we have opened our minds to new ways of thinking about our business. To win in the long term, food companies will have to embrace change and lead change, and we are doing this at Campbell. I look forward to answering your questions in a few minutes, and I'll now turn the call over to Anthony DiSilvestro.

Anthony DiSilvestro - *Campbell Soup Company - CFO*

Good morning. Thanks, Denise. I'll walk through our fourth-quarter results and segment highlights, followed by a look at our fiscal year results.

As Jennifer indicated, both our fourth quarter and fiscal year results included an extra week compared to the prior year. We'll wrap up with a look at our FY15 guidance, which will be presented on a 52 to 52 week basis. As usual, my discussion of results will exclude items impacting comparability, which are detailed in our non-GAAP reconciliations.

For the fourth quarter, we reported net sales from continuing operations of $1.852 billion, an increase of 7% versus the year-ago quarter. These sales results include a 7 point benefit from the 53rd week, and a 3 point contribution from our Kelsen and Plum acquisitions. Excluding the 53rd week, acquisitions, and the negative impact of currency, organic net sales decreased by 2%, driven by declines in our US simple meals, and global and baking and snacking segments, partly offset by gains in Bolthouse and foodservice.

Adjusted EBIT increased 25% to $259 million. The increase was primarily due to lower administrative expenses and the benefit of the 53rd week, partly offset by a lower gross margin percentage. Adjusted earnings per share were $0.49, a 14% increase versus the prior year, reflecting EBIT growth, partly offset by a higher effective tax rate.

The next slide shows the composition of our sales performance. As you can see, there was no impact from volume mix and pricing. The organic sales decrease of 2 points reflects increased promotional spending, primarily related to higher rates of spending to remain competitive in our global baking and snacking segments.

Unfavorable currency had a 1 point impact due to the Australian and Canadian dollars weakening against the US dollar. The acquisition of Kelsen and seven additional weeks of Plum added 3 points. The benefit of the 53rd week added 7 points to sales growth.

Our adjusted gross margin percentage declined by 240 basis points to 34.3%. Of the decline, 210 basis points came from the base business, and 30 basis points was the impact of acquisitions. Excluding acquisitions, the decline in gross margin was primarily due to increased supply chain costs, cost inflation, and higher promotional spending, partly offset by productivity improvements.

To give this some context, the fourth quarter is a relatively small quarter for us, and the increase in supply chain costs negatively impacted gross margin by about 2 points. This included the impact of fixed cost absorption compared to last year, and mark-to-market losses on open commodity contracts. Importantly, going forward, we estimate that our gross margin percentage for the full year of 2015 will be comparable to this year.

Marketing and selling expenses for the quarter decreased by $2 million to $189 million. The decrease was primarily due to lower advertising and consumer promotion expenses, lower selling expenses, and the impact of currency, partly offset by the impact of acquisitions. A&C for the quarter and the year fell 2%, while total marketing support, including trade spending, rose for both periods. Administrative expenses decreased $46 million to $149 million, primarily due to lower incentive compensation costs and cost savings from recent restructuring initiatives.

Now, let's look at below the line items. For the quarter, net interest expense of $30 million was comparable to the prior-year quarter as a lower debt balance and lower interest rates were offset by the impact of the additional week. The adjusted tax rate for the quarter was 33.2%, an increase of 8.5 points versus the prior year. The 2013 rate was significantly lower, benefiting from lower taxes on foreign earnings. Reflecting the impact of the higher tax rate, both adjusted earnings and earnings per share from continuing operations increased by 14%.

Fourth-quarter segment sales results and organic growth rates are shown on the next slide. The global baking and snacking segment, our largest segment by sales in the quarter, delivered $628 million in sales, including a $32 million contribution from Kelsen. Organic sales declined 2% versus the prior year, with declines at Pepperidge Farm and Arnott's. The sales decline at Pepperidge Farm was driven by increased promotional spending, partly offset by volume gains.

Sales of cookies and crackers were comparable to prior year, with gains in Goldfish Snack Crackers offset by declines in Pepperidge Farm adult cracker varieties. Sales of frozen and other products declined, while sales of fresh bakery products increased, driven by volume gains in bread and rolls. The sales decrease in Arnott's was due to weakness in Australia, primarily in savory and sweet varieties, partly offset by continued strong sales growth in Indonesia.

Our US simple meals segment delivered $518 million in sales, including $32 million of sales from Plum. Organic sales decreased 5% versus the prior year. Within this segment, US soup organic sales decreased 10%, including a 7 point decline due to movement in retailer inventories. As you may recall, we ended the third quarter with inventory levels higher than the prior year, due to the later timing of the Easter holiday.

As we ended FY14, retailer inventory levels were comparable to a year ago. Our consumer take away of soup in measured channels was down 3% in the quarter. Organic sales of other simple meals increased by 2%, driven by gains in Campbell's dinner sauces and Prego pasta sauces.

Our Bolthouse Farms and foodservice segment posted $334 million in sales. It was our best-performing segment, as organic sales increased 4%. Double-digit growth in Bolthouse Farms premium refrigerated beverages and salad dressings was partly offset by decreases in North America foodservice.

International simple meals and beverages delivered $188 million in sales. Organic sales were comparable to the prior year, as declines in Latin America and the Asia Pacific region were partly offset by gains in Canada. US beverages delivered sales of $184 million. Organic sales decreased 1% due to declines in V8 V-Fusion, partly offset by gains in V8 Splash beverages and V8 Vegetable Juice. Excluding the sales decline associated with the continuing transition to our new immediate consumption route to market, organic sales would have been up modestly in the quarter.

Operating earnings for US simple meals increased 4% to $114 million. The improvement was primarily due to the 53rd week and lower administrative and marketing expenses, partly offset by the decline in US soup sales and a lower gross margin percentage. Operating earnings for global baking and snacking increased 17% to $98 million, primarily driven by lower administrative expenses and the extra week, partly offset by a lower gross margin percentage. The increased reflected earnings growth in Pepperidge Farms, and the addition of Kelsen Group's operating results. Earnings for Arnott's were comparable to the prior-year quarter.

Operating earnings for US beverages more than doubled to $43 million. The gain was primarily driven by lower administrative, selling, and marketing expenses, and the benefit of the 53rd week.

Operating earnings within Bolthouse and foodservice gained 16% to $29 million. The increase was primarily due to lower administrative expenses, and the benefit of the 53rd week, partly offset by a lower gross margin percentage and higher marketing expenses, as we continue to support the Bolthouse Farms brand. In the international simple meals and beverages, operating earnings totaled $21 million, an increase of 50%, primarily due to a higher gross margin percentage, driven by productivity improvement and the benefit of the 53rd week.

Our full-year results as shown on this chart were consistent with our most recent guidance for sales, EBIT, and EPS. For the year, net sales were up 3%, while organic net sales decreased 1%. Declines in US beverage and international simple meals and beverages were partly offset by gains in the Bolthouse and foodservice segment.

Adjusted EBIT increased 4% on lower administrative expenses, a 3 point benefit from the 53rd week and lower marketing expenses, partly offset by a lower gross margin percentage and the organic sales decline. Adjusted earnings per share increased 2% to $2.53, including an $0.08 benefit from the 53rd week.

For the fiscal year, sales grew 3%, driven by a 3 point contribution from acquisitions and a 2 point benefit from the 53rd week, minus 1 point each from lower organic sales and unfavorable currency translation. Organic sales decreased 1% as the impact of higher promotional spending was partly offset by higher selling prices.

Our adjusted gross margin percentage declined by 190 basis points to 35.4%. The decline in gross margin was primarily attributable to cost inflation, higher promotional spend, increased supply chain costs, and the unfavorable impact of acquisitions, partly offset by productivity improvements and higher selling prices.

The rate increase in cost of goods sold was approximately 4% for the year, in line with our estimate, partly offset by productivity savings of 3%. Marketing and selling expenses decreased 1% or $12 million. The change was primarily due to lower advertising and consumer promotion expenses, the impact of currency, lower marketing overhead expenses, and lower selling expenses, partly offset by the impact of acquisitions.

Administrative expenses decreased 15% or $104 million, primarily due to lower incentive compensation costs, cost savings from restructuring initiatives, and lower pension costs, partly offset by the impact of acquisitions. For the fiscal year, net interest expense decreased 5% or $6 million, primarily due to lower average interest rates on our debt portfolio.

The adjusted tax rate for the fiscal year was 31.7%, a 1.9 point increase versus the prior year, which benefited from lower taxes on foreign earnings, and a favorable settlement of certain US state tax matters. Adjusted earnings and earnings per share from continuing operations increased by 2%.

I'll briefly comment on full-year segment results. In the US simple meals segment, organic sales were comparable to a strong prior year, which saw sales grow 5%. Within this segment, US soup organic sales decreased 2%, while sales of other simple meals increased by 4%, primarily due to growth in Prego pasta sauces and Campbell's dinner sauces.

Our global baking and snacking segment includes a $193 million contribution from Kelsen. Organic sales were comparable to the prior year, as sales growth in Indonesia and Pepperidge Farm, driven by Goldfish, were offset by declines in Arnott's in Australia.

Our Bolthouse and foodservice segment had organic sales growth of 2%, with double-digit gains in Bolthouse Farms premium refrigerated beverages and salad dressings, partly offset by declines in North America foodservice. Organic sales for international simple meals and beverages decreased by 3%, with declines in Latin America, Canada and the Asia-Pacific region. US beverage organic sales decreased 4%, due to sales declines in our V8 V-Fusion multi-serve beverages, as well as weakness in our single serve products, as we continue the transition to our new distribution network for the immediate consumption channel.

Commenting on full year segment earnings, US simple meals operating earnings decreased 2% to $714 million, as a lower gross margin percentage and expenses related to the November 2013 Plum recall were partly offset by lower administrative expenses, lower marketing expenses and a benefit of the extra week.

Global baking and snacking earnings gained 5% to $332 million. The increase was primarily driven by lower administrative expenses, the acquisition of Kelsen, lower marketing expenses, and the benefit of the 53rd week, partly offset by a lower gross margin percentage, and the unfavorable impact of currency. The increase reflected growth in Pepperidge Farms and Kelsen Group's operating results, partly offset by lower earnings in Arnott's.

US beverages operating earnings increased 6% to $127 million, primarily driven by lower administrative and marketing expenses, partly offset by a lower gross margin percentage, and lower volumes. Bolthouse and foodservice operating earnings increased 1%, primarily due to lower administrative expenses, the increase in sales, and the benefit of the 53rd week, partly offset by a lower gross margin percentage, and increased marketing for Bolthouse Farms.

International simple meals and beverages operating earnings decreased 2% to $106 million in the fiscal year. The decrease was primarily driven by volume declines and the unfavorable impact of currency, partly offset by lower administrative expenses, a higher gross margin percentage, and lower selling expenses.

On the next slide, you can see the sales performance of US soup, excluding the estimated impact of the 53rd week. Sales declined 2% compared to the prior year, in which soup sales rose 5%. Consumer take away in measured channels also declined by 2%, as soup inventory levels at retailers at year-end were comparable with 2013.

For the year, sales of condensed soups decreased 3%, driven primarily by declines in eating varieties. Ready-to-serve soup sales declined 6%, with lower sales across the RTS portfolio. Broth had a very strong year, with sales increasing by 8%, driven by stronger marketing programs, innovation and distribution gains.

Here is a look at US wet soup category performance in the past year, and now share performance, as measured by IRI. For the 52-week period ending August 3, 2014, the category as a whole declined 1.1%. Our sales in measured channels declined 2%, with low single digit declines in condense and ready-to-serve soups, partly offset by high-single-digit growth in broth.

Campbell had a 59% market share, a decrease of 50 basis points in the period. All other branded players collectively had a share of 28%, with private label at 13%.

Cash flow from operations was $899 million, compared with $1.019 billion in the prior year. The decline was primarily due to lower cash earnings and taxes paid on the divestiture of the European simple meals business partly offset by the lower working capital requirements. Capital expenditures of $347 million increased from $336 million a year ago. Net debt decreased by $337 million to $3.783 billion.

Now, I'll talk about our FY15 guidance. As we've stated, FY14 comprised 53 weeks, which includes one additional week. As shown on the chart, we estimate that the extra week benefited sales by 2 points, EBIT by 3 points, and EPS by $0.08 per share.

On a 52-week adjusted basis in 2014, we delivered $8.139 billion in sales, $1.244 billion in EBIT, and EPS of $2.45. These 52 week numbers are the base for our FY15 guidance. As we stated at our recent Investor Day, while we expect to achieve growth in 2015, we do not expect to achieve our long-term target growth rate. For FY15, we expect continuing operations to grow sales by 1% to 2%, adjusted EBIT to grow between 0% and 2% and EPS to grow 0% to 2% or $2.45 to $2.50 per share.

Turning to some of the key assumptions underlying our guidance, we expect inflation and cost of products sold of approximately 3% to 4% driven by double digit increases in dairy, meat and tomatoes. Cost inflation will be mostly offset by estimated productivity gains of 3%, as a percentage of cost of products sold. We expect our gross margin percentage to be comparable to last year, as we realize some gains in net pricing and wrap some one-time costs, most notably the Plum recall.

The anticipated return of incentive compensation to targeted levels represents a 4 point headwind at EBIT, or approximately $0.09 per share, the majority of which will flow through our administrative expense line. We expect that the benefits from our restructuring initiative, including the program initiated in the fourth quarter, will partly offset the incentive compensation impact. The effective tax rate is projected to be in the 31% to 32% range, comparable to FY14. This guidance assumes a modest EPS contribution from share repurchases, as we anticipate resuming our strategic share repurchase program in 2015.

We forecast capital expenditures to increase by $50 million to approximately $400 million, as we increase funding for capacity expansion projects for Goldfish, Bolthouse Farms, aseptic broth, and our business in Indonesia. As Denise has already mentioned, given our performance in the first half last year, we expect stronger performance in the first quarter and softer performance in the second quarter, which should add up to a first half that's more consistent with our annual guidance. Thank you, and now I'll turn it back to Jennifer.

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

Thanks, Anthony. At this time, we'll conduct a Q&A session. We would like to request that our callers limit themselves to a single question. If you have a second question, we invite you to reenter the queue, as we'll take double dippers after everyone else has had the opportunity to pose a question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question comes from the line of John Baumgartner with Wells Fargo.

John Baumgartner - *Wells Fargo Securities, LLC - Analyst*

Just wondering if you can provide an update on the sauces strategy, and maybe the progress you're seeing in terms of retailers adopting these dedicated aisle merchandisers, and your expectations for the contribution of sauces to growth in FY15?

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

Our sauces strategy is to continue to build the Pace brand. We have on the docket for FY15 some innovation and brand-building programs, but most of the contribution from sauces will come from the growth in Prego, where we're continuing to expand our white sauces, and also, the innovation in our Campbell's dinner sauces where we've introduced skillet and slow cooker sauces, and this year we're introducing oven sauces, and that platform continues to build. We now have the majority of retailers giving us an extra four-foot section in the store as a destination for those particular sauces, so it's a very strong and profitable business for us.

John Baumgartner - *Wells Fargo Securities, LLC - Analyst*

Thanks, Denise.

Operator

Our next question comes from the line of Andrew Lazar with Barclays.

Andrew Lazar - *Barclays Capital - Analyst*

Denise, in the prepared remarks, I think you made a comment about remaining committed to investing in the platforms for the long term, but also having willingness to take additional actions if industry headwinds accelerate. So I'm trying to get a sense of what you meant by those additional actions. Is that the potential for just to be more thoughtful around marketing in the year potentially or incremental restructuring, or both, or things beyond that, that I didn't mention? Thank you.

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

Yes, I think it's really important that the Company, given the fact that we are still having challenges on our organic sales, to continue to invest in these brands, and to make sure that we are innovating, and that is going to take the investment that we have in our plans. However, given the volatility in the marketplace and some of the commodity issues that we're facing, et cetera, we are constantly looking for additional opportunities for cost reduction and management of those margins, so that's what I was indicating there. We believe that we've got it balanced, but quite frankly, if there are surprises, we will take extra action to make sure that we deliver what we said we were going to do.

Andrew Lazar - *Barclays Capital - Analyst*

Got it. So a little less on the marketing side, where I think you've mentioned, even at your Analyst Day, that does need to be continue to be bolstered behind the new innovation, and maybe more on the cost side, potentially?

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

Correct, absolutely.

Andrew Lazar - *Barclays Capital - Analyst*

Thank you very much.

Operator

Our next question comes from the line of Eric Katzman with Deutsche Bank.

Eric Katzman - *Deutsche Bank - Analyst*

I guess maybe a little bit of a follow-up to Andrew's question for the long term, and then I have a detailed numbers question. But on the long term, why wouldn't you, maybe it's somewhat semantic, but why wouldn't you change your long term targets either a little lower given the environment and the inability to achieve them over the last three years, or just say okay, our long term targets now include the assumption of M&A?

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

Yes, the way we're looking at it, Eric, is we need about 1 point more of sales and 2 points of EBIT growth to get to the bottom of the range, and when you think about the puts and takes that we're cycling in FY14, that gave us about 4 points of EBIT pressure in FY15, with a net impact of about $45 million from supply chain costs and incentive compensation. Without this headwind EBIT, would have been consistent with our long-term targets, so we have a line of sight of how to get there. However, we are saying there may be a call for more M&A to continue to diversify into faster-growing spaces for sustainable achievement of those long term targets.

Eric Katzman - *Deutsche Bank - Analyst*

And then Anthony, if I could just follow-up, I don't understand one thing you said about the FY15 assumptions. You've already started out by saying that your targets are going to be -- that FY15 is likely to be less than planned, so is the incentive comp of $45 million, is that a portion of what you would have assumed, if you had achieved the targets? I'm just surprised that -- wouldn't the incentive comp headwinds be lower, because you're already at the start of the year, assuming a less than average year?

Anthony DiSilvestro - *Campbell Soup Company - CFO*

Let me clarify Eric. What I said is that our FY15 growth rates will be lower than our long-term target growth rates. Those growth rates in FY15 are more consistent with our internal plans, and the 0% to 2% EBIT and EPS growth include the negative headwind from returning incentive compensation to target levels, part of which is offset by restructuring benefits from the programs that we have recently initiated.

Eric Katzman - *Deutsche Bank - Analyst*

I guess I just don't understand, if you're starting out the year knowing that you're going to be below your long-term plan, and I realize compensation is a function of several plans, or several different time periods, why would you restate or accrue the comp at what I guess is essentially a normal year's level? Do you understand what I'm saying?

Anthony DiSilvestro - *Campbell Soup Company - CFO*

Yes, you must be referring to the multi-year programs, and the annual plan resets every year so that certainly goes back to targeted levels. The way the accruals work on the longer-term ones is that you basically adjust to your current expectations, so that going forward, the increment is more consistent, or closer to target.

Eric Katzman - *Deutsche Bank - Analyst*

Okay, maybe I'll follow-up off-line. I'll pass it on, thanks.

Operator

Our next question comes from the line of Chris Growe with Stifel.

Chris Growe - *Stifel Nicolaus - Analyst*

I just wonder if I can get a little more color on the increased supply chain costs. I know that through the year you had those, I think weather in part was a factor, but it seems like those continued in the fourth quarter as well. Can you give a little color on that, and is that pressing any response to Andrew's question in part, which you would you be targeting if there was some more cost reduction activities?

Anthony DiSilvestro - *Campbell Soup Company - CFO*

On the fourth quarter we had a couple situations in the supply chain that were relatively unique and different than the full year impacts that we saw around, for example, the Plum recall or the impact of the extreme weather on warehousing and distribution costs. What we saw in the fourth quarter is really two things, and they both add up to being about a 2 point impact on gross margin quarter-over-quarter.

The first is the timing of our fixed cost absorption. Last year, we had some favorability. This year, we had some unfavorability. It's a relatively small quarter.

We're truing up some of our fixed cost reserves, and what we saw was a year-on-year negative impact on gross margin. And the second is on our open commodity hedges, so we take forward cover on the majority of our hedgable items, and what happened in the fourth quarter, the underlying prices of those commodities declined. And so we had to record a loss on some of those open commodity hedges.

So those two things happened in the fourth quarter and again they aren't a recurring thing, which is why I added the comment that looking ahead, we do expect 2015's gross margin percentage to be comparable to this year.

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

And Chris, just to build on that, in the fourth quarter last year, we were gearing up and launching Campbell's Homestyle Soups, so that is something that we're cycling this year.

Chris Growe - *Stifel Nicolaus - Analyst*

Okay that's very helpful, thank you.

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

The absorption.

Chris Growe - *Stifel Nicolaus - Analyst*

Thank you.

Operator

Our next question comes from the line of Alexia Howard with Sanford Bernstein.

Alexia Howard - *Sanford C. Bernstein & Company, Inc. - Analyst*

Just sticking with the soup category, you've launched a wide range of new soups over the past few years, the Go Soup, Slow Kettle, Bisques, and so on, and yet the category continues to decline, it seems. What have you learned from those new product launches over the years, and what makes the line-up for FY15 more likely to succeed this time? Thank you.

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

Alexia, what we're doing in the next year is two things. We're improving against our drivers of demand, but we're also investing more in broader platforms to improve total category performance. So each one of the things you listed in and of itself is a single initiative, but when you bundle that into a premium soup platform, we then will be building the expansion of Slow Kettle and the introduction of Campbell organic soup.

We're putting premium soup sections in stores, so that we know that the consumer for these particular products is younger and more affluent, so that gives us the range in value all the way from condensed soup all the way up to a premium soup and shelf-stable and then also in chilled. And so focusing on premium soup platform, we believe, is a faster-growing space for us within the soup category.

The second thing we're doing is Swanson broth is giving us an expansion to a flavor infused platform, which is offering consumers creative homemade soup and meal solutions based on the insight of why I cook. And within some of the brands, we have platforms like Pub-Inspired Chunky or building out our Campbell's Homestyle and Healthy Request soups.

So what we've really learned is by bundling these into platforms, what we have to do is improve the total category performance, which has been declining. And if we can do that by bringing new users into the category, we believe then it's the best opportunity for growth.

Alexia Howard - *Sanford C. Bernstein & Company, Inc. - Analyst*

Great. Thank you very much. I'll pass it on.

Operator

Our next question comes from the line of David Palmer with RBC Capital Markets.

David Palmer - *RBC Capital Markets - Analyst*

Just to follow-up on soup for this upcoming year, what year-over-year performance would you expect from simple meals and soups? Specifically, similar to your overall top line guidance? And where I'm going with this is, your innovation marketing and renovation plans for this year, how would you characterize them versus 2014, and what do you think of weather comparisons, are they a neutral or perhaps negative event for 2015 as you're thinking ahead? Thanks.

Anthony DiSilvestro - *Campbell Soup Company - CFO*

Yes I don't want to give a specific forecast for simple meals but as Denise said, we do expect soup to grow in 2014. We do expect growth from some of our other areas within simple meals. The challenge is that some of these core center store categories have been sluggish of late, and that's what's holding us back.

We will select some marketing to focus against some of the innovation that's going on, so the launch of oven sauces and the launch of organic soups, so we'll flex the marketing within there to do that. We expect pretty significant renovation. Denise talked about 200 new SKUs, a lot of those sit inside the simple meals category.

Regardless of weather, I would say neutral year on year. We don't really focus too much on that.

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

The only thing I would add is that we typically plan our innovation at the average in the food business, and so if something performs better than average, we get a benefit from that, but if something performs below that, we believe that by planning to the average, we can balance out.

David Palmer - *RBC Capital Markets - Analyst*

Thank you.

Operator

Our next question comes from the line of Bryan Spillane with Bank of America-Merrill Lynch.

Bryan Spillane - *BofA Merrill Lynch - Analyst*

Just I guess maybe a broader question, just trying to conceptualize a little bit where we stand, or where we will go, going forward in terms of the core business. I guess over the last few years, right, the challenging environment or the challenges have been really North America and I guess Australia, and its been a combination of the economy or a weak consumer wallet, and all of the things that would drive that, and then we've also got changing consumer taste.

From your perspective, I guess from my perspective, it seemed early on it was more a weak wallet and less sort of consumer taste, and maybe that's changed now. So can you just give us a sense for, of those items, which ones are really causing the most pressure today? And as you're going forward, which of those two do you think are the most important in addressing in terms of getting the base to be where it needs, in order to get ourselves back into the algorithm?

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

I mean there's several factors, but I'll talk about two that are on our watch. The first one is the impact of SNAP, particularly on the recipients. They're about 12% of our shopper base, and that's correlated to about a 1% decline in sales.

They are about 19% of households in general, based on government data, IRI captures about 12% of them as they do their analysis. And our analysis shows that about 30% of our retail customer base is experiencing greater dollars decline among these households versus their total retail shoppers, so we're continuing to watch that.

The second is the shopping patterns of the next generation. We're watching the fact that 18 to 24 year olds are not necessarily frequenting stores like their parents. Now, a lot of them live with their parents, so that might explain some of it, but as we big deeper in it, some of them haven't made any trips to either a club store or mass merchandiser in the last year, so making sure that we're engaging this next generation, where they shop and how they are going to be engaging with brands is going to be very, very important.

So those are two things that we think are having a macro impact. There are more.

Bryan Spillane - *BofA Merrill Lynch - Analyst*

But is it fair to say in the near term, the longer term thing is getting the Millennials, or the people in their 20s to engage in the category more, but the more specific thing to turn in the near term would just simply be that financial pressure, the wallet?

Anthony DiSilvestro - *Campbell Soup Company - CFO*

I would say, being the finance guy, that weak wallet has a very significant impact. We're talking about our core category performance and probably something that we can affect the least, and it's certainly impacting some of our center store categories. And unlike the innovation thing, we're doing a lot about innovation, those things are more in our control.

We understand where the consumer is going, we can bring new products. Denise talked about dinner sauces, we have a new line of V8 juices that is more healthy, we have new varieties of Swanson and Chunky and Homestyle and Prego, all of those things address where the consumer taste is evolving. The hardest one for us to get at obviously is that weak wallet, and the impact on our core categories.

Bryan Spillane - *BofA Merrill Lynch - Analyst*

Thank you.

Operator

Our next question comes from the line of Matthew Grainger with Morgan Stanley.

Matthew Grainger - *Morgan Stanley - Analyst*

So you've talked more recently about pulling back on some of the less productive promotional spending that you've seen through the course of the year, and shifting these dollars back to advertising. But with promotion about a 2% headwind to org sales this quarter, I guess it wasn't really evident in Q4. Were you able to make or have you been able to make the kind of tactical adjustments you'd hoped to make two to three months ago, or is the competitive environment making it difficult to follow through on this?

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

Actually, for FY15, we have made course corrections based on our FY14 results, and we work with both depth and frequency, depending upon the category and competition we're facing. And obviously for competitive reasons, we don't disclose the specifics of our promotions, but we have, like I said, taken that learning and applied it.

In general, we aim to keep our total marketing spend, which is the combination of advertising, consumer, and trade at about 25% of list sales. But the marketing mix is going to vary depending upon the brand and the category and competitive set in that category.

Matthew Grainger - *Morgan Stanley - Analyst*

Just to clarify with respect to the marketing and selling costs overall for the full year, my sense is that this should definitely be up year-on-year in absolute terms, because of this course correction, but can you just confirm that's the right way to think about it on a full-year basis, not necessarily quarter to quarter?

Anthony DiSilvestro - *Campbell Soup Company - CFO*

Denise was referring to our total marketing, so advertising, consumer, and trade spending, not the selling and marketing line on the P&L and trying to keep it around 24% to 25% of list sales. I wouldn't expect any significant changes in those percentages year-on-year 2015 versus 2014. Maybe some slight changes within them, but nothing significant.

Matthew Grainger - *Morgan Stanley - Analyst*

Great. Thanks, both.

Operator

Our next question comes from the line of Jason English with Goldman Sachs.

Jason English - *Goldman Sachs - Analyst*

I want to drill down a little bit more on gross margin. I think at least for me that was the biggest surprise in the quarter. Can you help us quantify the Plum recall expenses, as well as the other supply chain expenses?

I'd guess the mark-to-market charges that hit you this year, and then bigger question, thinking forward into next year, you're guiding for inflation to modestly out-strip productivity. As I think Matt was getting at, pricing, net pricing out of promotions has been eroding into the new fiscal year, and you've had this mix issue within your P&L, presumably as soup sales lag and some of your lower-margin, but faster-growth, piece of the portfolio become a bigger piece. So in context of all of that, how do we get comfortable with gross margins being flat in FY15?

Anthony DiSilvestro - *Campbell Soup Company - CFO*

Okay, I can address that because with any planning cycle, there are certainly puts and takes. So this year, we've had the Plum recall that was worth $16 million.

As we have discussed in the fourth quarter, we had this issue around losses on open commodity contracts. Both of those are going to turn and go the other way in 2015, but there's been some one-off or takes in 2015, as well.

Most of that Plum recall wrap is going to be offset by unfavorable currency movement at the transaction level, so imports into both Canada and Australia are adversely impacted by the weakening of those currencies. So there's a number of pluses and minuses that net out, with the exception of the incentive compensation headwind, and we've talked about that, it's $45 million.

A good portion of that $45 million is going to be offset by the benefit of our restructuring programs. We had three quarters this year, where we announced restructuring initiatives, combined, when we're fully implement those, it's worth $65 million.

We won't get all of that in FY15, but we'll get a good portion of that. So we're trying to mitigate that impact, and again, we have a number of puts and takes, and they kind of all balance out, with the exception of that one big one.

Jason English - *Goldman Sachs - Analyst*

Okay, that's helpful. Switching gears, Denise to you, on M&A, you've kind of hinted that maybe M&A is in the cards, but you've put out this $10 billion sales bogey in five years, and even given you credit for pretty healthy acceleration in your underlying portfolio, you're going to come easily $1 billion plus short of that without M&A. So A, is that the right way to think about it? And then B, as we contemplate up to $1 billion or more of acquired sales for the next five years, how do we think about your prioritization, in terms of buying businesses that accelerate long term growth of your portfolio versus buying businesses that can have a meaningful impact on both top and bottom line right out of the gates?

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

Well we continue to evaluate M&A targets that are a good strategic fit, but we have a very disciplined approach. So what I don't want the take away to be is that we're going to be reckless about this. We definitely have been looking at specific targets but we've walked away from more than we made.

So the prioritization will be about the places that we've picked, being the global baking and snacking area, the packaged fresh area, health and wellness in North America. Those are three areas that we believe that there are faster-growing spaces for us, based on the strategy that we've laid out. And we do have the financial flexibility to make a meaningful acquisition. But like I said, we're being very disciplined about it.

Anthony DiSilvestro - *Campbell Soup Company - CFO*

If I could just add to that, certainly M&A can play a role, as you seen us do with Bolthouse and Plum and Kelsen, in terms of improving our growth profile, and we'll continue to look for opportunities to do that. But we also recognize that in terms of value creation, the best thing we can do is improve the performance of our base of business.

And Denise has talked about the dual mandate, what we're focused on expanding into higher growth spaces with innovation in packaged fresh and availability in the international businesses, that we do own. So it's that combination of improving the base and expanding through M&A that will get us to that $10 billion target.

Jason English - *Goldman Sachs - Analyst*

Got it. Thanks a lot, I'll pass it on.

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

I know we're at the hour, but we'll keep going because we still have a few people in the queue.

Operator

Our next question comes from the line of Diane Geissler with CLSA.

Diane Geissler - *CLSA Limited - Analyst*

I wanted to ask about Denise's comments about the four pillars to accelerate growth. In particular, the move into some non-traditional channels. And I'm particularly interested promo spending has been pretty inefficient, most of your peers have said the same, and you even commented about the Millennials not shopping the way their parents do.

So I guess my question is really, as promo hasn't really produced the volume lift, can you first of all quantify what percentage of your sales is coming from these alternative channels, and then can you talk a little bit about how you will go about getting into C-stores or club, or maybe you could just give us a few more details on what's behind that comment? And then obviously, those channels are pretty competitive, so if you could frame that up a little bit, I'd be very interested in hearing that. Thank you.

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

Well we have the majority of our business still concentrated largely in grocery and mass merchandiser, which gives us lots of opportunity for expansion in other channels, and we believe that we need to make a concerted effort to do so. We've expanded our sales presence and our programming across multiple channels. We're also paying attention to the e-commerce space, with many of our large customers.

And so we are doing a better job, in terms of tailoring programs. In some of these new spaces though, we're not highly efficient right out of the gate, but we're learning and getting better at it.

I think most of the promotional situations that we had, though, this year, were more in our traditional channels. And we were working more with frequency and less depth and in some categories, like baked snacks and soup, that didn't work as well as we expected it to, so we are course correcting.

Anthony DiSilvestro - *Campbell Soup Company - CFO*

We have a very significant initiative again for the immediate consumption channels, which we talked about, as we develop our own route to market network. At this point, we have over 100 new distributors signed up.

That transition is largely complete. We've got over 100,000 doors in terms of coverage, and we expect to see some growth coming from this initiative, probably by the second quarter of this FY15.

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

And the original focus on that is beverage for both V8 and Bolthouse Farms.

Diane Geissler - *CLSA Limited - Analyst*

Okay, thank you for the additional color.

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

And I think our estimate for alternate channels, Diane, is about 10%. Somewhere in there.

Diane Geissler - *CLSA Limited - Analyst*

Okay, thank you.

Operator

Our next question comes from the line of David Driscoll with Citi.

David Driscoll - *Citigroup - Analyst*

I see the hour, so I'll be direct here. I want to just talk a little bit about the gross margins. When I look really big picture at Campbell Soup, in more than 10 years of data, Denise, we haven't seen a gross margin like this, 35.4%. It's remarkable in respect to what Campbell's has produced for so many years.

I also believe that at the beginning of the year, you thought that gross origin would actually be kind of flattish on the year, and it was down 190 basis points. So there's a lot of things that have really happened, that I think were not easily predictable by the team.

The point, and the question is, can you just discuss why gross margins wouldn't have significant risk to the downside ongoing for the very same factors that drove the 2000 and the FY14 numbers, and is it simply all about this $65 million in savings, is that the life line that we're hoping that really stabilizes gross margins? Thank you.

Anthony DiSilvestro - *Campbell Soup Company - CFO*

Yes, I think the first is, we certainly acknowledge what happened to our gross margin over the last couple years, and the principal driver of that has been an increase in trade rate. And it has to do with the environment.

It has to do with a couple of our businesses, namely US soup and Australia, and more recently, in Pepperidge Farm. And I think the difference, and certainly it is a challenging goal. We acknowledge that, but we also acknowledge, in order for us to hit our financial targets, we need to do a better job of managing this trade rate closer to flat.

We have plans to do that in 2015 with the combination of changes to promoted price points, that's something we didn't have coming into this year, so that has a direct and immediate impact on the amount of trade. We have adjustments to the frequency, and around specific promotional events, continuing to learn in terms of what programs are more productive versus less productive, and let's reallocate within the portfolio.

I think most of the challenge in Australia is hopefully behind us. We have specific plans to address the issue of late within Pepperidge Farm, so as we look across the portfolio, and again it's going to vary by category, but we're looking to hold the trade rate relatively flat, and it is a challenge, but that's our plan and what we're trying to do in 2015. Because we know how critical it is to the gross margin to get this trade rate back to flattish.

David Driscoll - *Citigroup - Analyst*

To state the obvious, it's unsettling to see these gross margins do what they are doing, and then to have confidence in the model. Certainly 2015 will be critical.

Can you describe or quantify the size of the commodity impact for the open hedge position that you took in the fourth quarter? If I'm correct, that's a reversible item, so what will happen is as you actually recognize those, the actual transactions through FY15, what was a headwind in the fourth quarter will become a tail wind within the operating segments as the course of 2015 plays through and the hedges are used up?

Anthony DiSilvestro - *Campbell Soup Company - CFO*

Somebody studied hedge accounting. It's about $10 million.

David Driscoll - *Citigroup - Analyst*

And then I would go back to Eric's question, just to state it, I think I want to state it simply, the $45 million of incentive comp that you built back into the plan, I think what Eric was getting at was kind of why did all $45 million get back into the budget for the year, when the expectation is that the Company will not achieve its long term targets. So in simple form, maybe and it doesn't mean to come across that harsh, Denise maybe the right answer is, you just have to pay the team in order to keep the team. I think we all want to understand the philosophy on the $45 million and what it takes to maintain the excitement of the people running the business?

Anthony DiSilvestro - *Campbell Soup Company - CFO*

Let me jump in first, here and then Denise can comment if she would like. Thanks for the second attempt here at an answer.

Think about it as two parts. There's, again, there's an annual incentive plan which kind of resets each year, and then there's long term targets that will increase year-on-year but do not get back to 100% pay out. So the annual incentive goes back to target. The long-term ones will go up next year, but they don't go anywhere near 100% if they're set against our sales, our longer-term sales and EPS targets.

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

We have, we definitely have a pay for performance compensation system, with sales goals that are higher than our guidance.

David Driscoll - *Citigroup - Analyst*

Okay, thank you so much.

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

I think we have time for one more question.

Operator

Our final question comes from the line of Todd Duvick with Wells Fargo.

Todd Duvick - *Wells Fargo Securities - Analyst*

Thanks for the question. Very simply, on the balance sheet, you had $700 million of debt that matured in August, and I think you had capacity to refinance that with commercial paper. And I guess my question is really twofold.

First of all, would you look to refinance a portion of that in the debt capital markets to term out a portion of your floating rate debt? And in terms of capital allocation priorities do you continue to be focused somewhat on debt reduction for FY15?

Anthony DiSilvestro - *Campbell Soup Company - CFO*

So I can take that. In FY14, we had $700 million of long term debt maturing. We also had cash flow that enabled us to reduce our total debt level by $300 million to $400 million, so one of them has just been paid off with cash from operations. The other, as you point out, refinanced with commercial paper.

As you know, we have pretty good access to capital markets, so we're continuing to evaluate opportunities to come to market. We don't have a specific plan to share with you today on that, but again, we're looking at that pretty closely.

In terms of capital allocation priorities, not much has changed there. I mean, obviously our first priority is to fund our ongoing business. The second would be dividends.

Third, M&A, and the last would be share repurchase. What's changing in FY15 is that we're going to resume in a modest fashion a return to share repurchases, get a little bit of EPS benefit in FY15, but that would be the only change for us going forward.

Todd Duvick - *Wells Fargo Securities - Analyst*

Okay that's helpful, thank you.

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

Thanks and thanks everybody for hanging on a little extra time there. We appreciate you for joining us on our fourth quarter earnings call and webcast.

If you missed any of our call, the replay will be available about two hours after our call concludes. Simply dial 703-925-2533. The replay access code is 1642451.

You have until September 22 at midnight at which point we move our earnings call to the website, investor.CampbellSoupCompany.com. Just click on news and events, and then recent webcasts and presentations.

If you are a reporter and have questions please call Carla Burigatto, Director of External Communications at 856-342-3737, and investors and analysts should call me, Jennifer Driscoll, no catchy number, just 856-342-6081. This concludes today's program. You may now disconnect. Thanks.
