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CPB - Campbell Soup Co Corporate Analyst Meeting

EVENT DATE/TIME: JULY 19, 2017 / 4:15PM GMT

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PRESENTATION

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All right. We're going to get started. Thanks again, everyone, for coming to our 2017 Investor Day Meeting. And for those of you who got here early, I hope you enjoyed the foresights exhibits. And if you have any questions in that area, feel free to reach out to me. I know it's kind of rushed, it's like 10 minutes per station. So feel free to reach out to me for questions. And I hope you enjoyed the lunch and had a chance to try some of our new products.

So I just have a couple of slides, first, the crowd's favorite. Today's presentations include 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 the forward-looking statements slide in the presentation or the Campbell's most recent 10-K or SEC filings for a list of factors that could cause our actual results to vary materially from those anticipated in our forward-looking statements.

We also make use of non-GAAP measures to enhance our explanations. Reconciliations are provided in the handouts or available electronically at investor.campbellsoupcompany.com.

And now that's out of the way, we have a full program for you today. Our senior leadership team will provide updates regarding our business plan for fiscal 2018. As a reminder, we will be giving guidance for next year and responding to questions about our F '18 financials on our fourth quarter earnings call on August 31.

Denise Morrison, our CEO, will kick off our formal remarks. There will be a short break around 1:10. Mark Alexander will wrap-up our formal presentations with an update on Americas Simple Meals and Beverages and e-commerce. Then our speakers will field questions posed by this audience, by this live audience. We will get you out of here -- I know some of you have trains and planes to catch, so we're going to be done at 3:30, okay?

And so now, with that, it's my pleasure to introduce to you Campbell's President and CEO, Denise Morrison.

Denise M. Morrison - *Campbell Soup Company - CEO, President & Director*

Growth. We're all in search of it. And we recognize it's been elusive for several years as the entire food industry grapples with the seismic shifts that have altered the consumer, food and retail landscapes. These changes we've been discussing with you over the last 6 years have not only accelerated but converged. They have had a dramatic impact on consumer behavior.

Consumers no longer settle. They demand. And at Campbell, we believe in putting the consumer first. The drive to deliver sustainable, profitable top line growth has been a constant theme during my tenure as Campbell's CEO.

At this very meeting, in 2011, I outlined our growth strategy by focusing on 2 critical spaces: one, strengthening our core business; and two, expanding into faster growing spaces. Both were necessities to address these seismic shifts. In particular, the massive demographic shifts, the changing consumer preferences towards health and well-being centered on fresh and real food, technology advancements that are reshaping the consumer shopping experience and a range of socioeconomic forces, all of which I've gone into detail in past meetings.

There's no arguing that many new consumers, millennials and, now, Generation Z, are focused on health and well-being. And it's where many of our core aging baby boomers are headed as they too seek a better quality of life. There's no denying that the retailer landscape is changing dramatically, with new value players and the explosion of e-commerce and meal delivery services disrupting the market.

One need not look any further than Amazon's proposed acquisition of Whole Foods, the expansion of Aldi and Lidl or the Blue Apron IPO for evidence of the changing retailer landscape. In this environment, companies and brands must differentiate themselves or risk extinction.

In the last 6 years, we've made significant progress on transforming our portfolio towards faster growing spaces. Our intention has been to move Campbell in the direction of health and well-being. Although these strategic decisions have not yet yielded the sales growth to which we aspire, they have given us platforms for future growth.

Our commitment to health and well-being has been unwavering. Our journey was accelerated in 2014 by the declaration of our purpose, Real food that matters for life's moments. In combination with our Real Food Philosophy and our values, our purpose remains our true north and continues to serve as a filter for our decision-making.

Why did we choose this path? Because we recognized that the dramatic change is taking place with the consumer and in the market and realized that we needed to try to stay a step ahead. We recognized that real and healthier food was better for our consumers and better for our business. And quite simply, we chose this path because it provides the most compelling growth opportunity, and we continue to believe that today.

Today, I want to put another stake in the ground, to take another step to accelerate our efforts. That is to declare our ultimate goal. What is our moonshot? What actions will inspire our people and appeal to a wide range of consumers? What will resonate with our customers and ultimately lead to growth rates that outperform the industry?

Let me state it clearly and unambiguously. Our goal is to be the leading health and well-being food company. When people look for something real to eat and something that tastes good, they're going to look for the food we make. We chose this path not because it's expedient but because we believe it represents the future of the food industry and that it will lead to differentiated performance.

You've heard me say this before, that health and well-being means different things to different people. In fact, research shows that many consumers' beliefs about this topic do not align with traditional definitions. No amount of advertising or government definitions will convince them otherwise. Consumers associate healthy with fresh, naturally functional and organic foods. Understanding these consumers' beliefs is central to how we define health and well-being.

Our definition begins with real food. And as we've said before, we're on a journey to continuously improve our food, and over time, that means all of our food will be real. That means food made with simple, recognizable and desirable ingredients from plants and animals so that people don't need a periodic table to understand the label. That means food crafted with care, using ethical sources and sustainable practices. That means food that's safe, delicious and available at a fair price, all 3 without compromise.

Real food has become a nonnegotiable demand by consumers. They've simply come to expect it. Campbell is listening, and we're taking our cues on health and well-being from consumers. On the well-being side, we mean food that provides a sense of purpose and shared values, that's engaging and comforting, food that's relatable and fits into people's lives, that offers a pause, a reward, a small moment of satisfaction or celebration.

A cookie or a biscuit and a well-being product do not have to be mutually exclusive. As long as it's made with real ingredients and consumed in moderation, of course. Think of a Milano moment. In keeping with our baking heritage, a Milano cookie is made with simple, real food ingredients.

All said, the definition of health and well-being is consumer-centric and focused on delivering the benefits consumers think are important, including fresh and organic foods, naturally functional foods with benefits such as energy, endurance and digestive health, food that's relatable, engaging and provides a sense of purpose, and as we discussed at CAGNY, something completely different and revolutionary, personalized nutrition.

We've made significant strides in transforming our portfolio over the last several years. Plus, we have the benefit of 148-year heritage of providing safe, affordable and simple foods for health and well-being that's within the reach of most pocketbooks.

Campbell holds an advantaged position among our peers, and we exceed most of the other players in terms of the amount of vegetables and whole grains in our foods. On this dimension, I believe our credentials are in the top tier in the industry. We have a powerful connection with consumers, especially families, whether it's our iconic soups, Goldfish, Plum baby food or Vita-Weat crackers, our brands have and will continue to play an important role in the moments that matter in people's lives.

To strengthen this connection, we have worked and will continue to work tirelessly to earn consumers' trust every day. We've established significant credibility as a purpose-driven company that puts the consumer first in everything we do. From improving our real food bona fides to becoming a standard bearer of transparency in the food industry, Campbell's is and always will be on the side of the consumer.

We earned this position due to the significant actions we've taken over the past 6 years to reshape our company, to drive health and well-being across all 3 of our divisions. We started by streamlining Campbell, selling businesses that would not lead to growth, such as our former European simple meals business. Simultaneously, we laid the foundation for our expansion into the future of real food by making Packaged Fresh and organic the cornerstones of our health and well-being efforts. We added new brands to our portfolio and acquired access to new categories. New consumers, particularly brands like Bolthouse Farms, Plum Organics and Garden Fresh Gourmet. All of these acquisitions provided Campbell with additional credibility and capability in this space. Also, you can add the pending acquisition of Pacific Foods to this list.

Importantly, these moves help to redefine the way people view Campbell. If consumers are looking for fresh foods, clean labels or organic offerings, they can now find it in Campbell's portfolio. These actions also increased our relevance among younger consumers. With Plum, we established a leading organic baby and kid platform, and Bolthouse Farms became the centerpiece of our Campbell Fresh division, a business with approximately $1 billion in annual sales through fiscal 2016.

Let me be blunt. We learned some tough lessons with C-Fresh, which we discussed with you at length. But it's essential to separate strategy from execution. Without question, we could have done and should have been better. And I believe it will significantly improve under the new C-Fresh leadership team. But our strategy was and is sound.

Next, we established our company purpose. In recognition of the seismic shifts in the consumer, customer and employee landscapes, we thoughtfully reexamined and articulated Campbell's role in the world, Real food that matters for life's moments. These 7 words are ubiquitous as you walk around our world headquarters or any of our locations around the world. You've heard me say this so many times that it might sound like a tagline. But emphatically, it's more than that. It's become part of the fabric of who we are.

Our purpose continues to be the single most important change in our company's culture in the last few years. It's fundamentally altered the way we think, talk and act about our food. It's created an enterprise understanding that the future of food is rooted in health and well-being, and it's changed the way we make decisions and allocate resources.

Related to this, we've taken important steps to be a leader in transparency, including the launch of whatsinmyfood.com. We continue to believe that transparency is the single most important ingredient in the recipe for earning consumer trust, especially with new generations who demand to know where their food comes from and how it's grown.

Most notably, our purpose has led us to take principled positions about the most pressing issues facing the food industry. One of the problems with having principles is you have to live by them. And as a result, at times, we find ourselves with philosophical differences with many of our peers in the food industry on important issues. For example, viewing GMOs through the lens of our purpose caused us to think very differently about transparency, and we changed our position on GMO labeling. It was a popular decision in the eyes of consumers and customers. Another recent issue is the delay in the implementation of FDA's new Nutrition Facts panel. While the FDA has agreed to delay implementation, we're continuing to strive to meet the original deadline of July 2018.

As we continue to evolve as a purpose-driven company, many of our beliefs have diverged from the rest of the food industry and from our trade association. To that end, we have decided to withdraw from the Grocery Manufacturers Association at the end of this calendar year. This is not a financial decision. It's a decision driven by our purpose and our principles.

I'm proud to announce today that Campbell's is partnering with the Sage Project to raise the bar on food transparency. Sage has created a new kind of food data platform. Using design and technology, they have reimagined food labels in the digital world so people can find the information they need about the food they eat. And both Campbell and Sage share a commitment to transparency.

Look. Transparency doesn't mean much if the consumer can't understand what they're looking at. We believe that food data should be open, accessible across digital platforms and most of all, easy to understand. Sage's technology creates the labels we've always wanted for our food: smart, simple, personalized and interactive.

This represents a quantum leap forward in giving consumers the information they are demanding about their food. Sage's customizable digital lens includes meaningful information about calories, nutrition, product attributes and where the food was made. We'll start with our Well Yes! soup line. And over the next 2 years, we'll work with Sage to tell the real food stories of our brands.

Campbell is the first major food company to embrace the platform because we believe it delivers the information consumers are increasingly demanding. This commitment to transparency is matched by our investments to make our food better and healthier. As previously discussed, we're investing $50 million over the next few years to make the kind of food that consumers are looking for, the kind of food that we're proud to serve at our own tables.

As we've said, we're removing artificial colors and flavors from our food and BPA from our can linings. We're increasing the use of vegetables and whole grains and using chicken with no antibiotics. We choose to make our food better and more real, not because it's trendy and convenient but because it's important to provide people with greater access to more affordable real food because it's required of a company that wants to define and redefine the future of food, because it's necessary to remain relevant to new generations of consumers and because we truly believe that it provides the most compelling growth opportunity.

We've made progress on our food, and we're fully committed to our Real Food Philosophy. We said what we meant about real food, and we meant what we said. We're currently undertaking a thoughtful examination of our portfolio from a real food perspective. And if a product does not fit our definition of real, we will work to change it. We'll make decisions, not excuses.

Beyond enhancing our real food credentials, we centered our innovation efforts on health and well-being. It's the lens through which we've approached virtually all of our new product development. Look across the 3 divisions, and you'll notice many of our significant new products deliver on that health and well-being goal.

As a result of our actions, today, Campbell is one of the leading players in health and well-being based on the percentage of our sales from health and well-being products. We have nearly $1 billion in annual net sales from fresh products. Our products provide 15 billion servings of vegetables and more than 2.4 million tons of whole grains to consumers annually. And our organic portfolio is in the top 10 in the industry and growing at double digits.

Campbell has the ability to win in this space, and our goal to lead in health and well-being is attainable. But to truly lead the industry, we need to redouble our efforts and move with urgency to evolve our portfolio. We can do more, and we will do more. We'll need to add more relevant brands that resonate with consumers and customers. We need greater innovation skills, and we need increased distribution capabilities in new channels. Some of this we can build ourselves. But in other cases, we'll have to leverage external development, including M&A and partnerships.

Health and well-being has long-guided our approach to external development. Frankly, if we're to achieve our goal, acquisitions will continue to play a pivotal role. Two weeks ago, we announced our plans to acquire Pacific Foods. This acquisition is consistent with our purpose, in line with our Real Food Philosophy and another step toward the achievement of our health and well-being goal. Pacific is a natural foods industry pioneer with strong health and well-being and organic credentials, particularly with younger consumers. The deal is a trifecta for Campbell's. It's an excellent fit strategically, culturally and philosophically.

First, it's completely in keeping with our strategy. It supports our health and well-being goal while also advancing our real food, transparency and sustainability imperatives. Second, Campbell and Pacific share similar values and a commitment to a purpose driven culture. And third, philosophically speaking, both companies believe in making real food that we're proud to serve at our own table using simple, recognizable ingredients. This acquisition will mark another significant step on our journey.

As I've said before, defining the future of food will require approaches and an ecosystem of innovative partners. A prime example is the partnership that we announced with Chef'd, a leading meal kit marketplace. They possess deep competencies in consumer insights, the shopper's path to purchase, digital marketing and analytics and fulfillment capabilities. We invested $10 million in the company, and we'll also work with Chef'd on new concepts for fresh, healthy recipes and to integrate our products into their popular meal kits. Perhaps more importantly, we'll gain insights from their data and analytics and participate first-hand in emerging e-commerce models.

But it's not enough for us to simply say what we aspire to be. We need to tell you how we will achieve it. Our growth agenda with our purpose as a North Star informs everything that we do, from resource allocations, innovation priorities, new products and external development activities. Our 4 strategic imperatives provide a clear blueprint to win in health and well-being space and deliver sales growth.

The foresights we've shared with you today and at CAGNY have sharpened our approach and have helped us establish well-informed perspectives on the opportunities driven at the intersection of real food, health and well-being and technology. And our strong balance sheet and successful cost savings programs provide the resources to explore additional acquisition targets and invest back in the business.

As we announced earlier this year, we've increased our multiyear cost savings target by $150 million. We now expect to deliver $450 million in cost savings by the end of 2020. A large portion of that incremental $150 million will be reinvested in the areas of the business that we've identified as high growth. We plan to invest approximately half back in our business over time.

First, in health and well-being. Next fiscal year, we'll continue to invest across the business, including ongoing funding of Habit, the personalized nutrition start up I started -- or I highlighted at CAGNY, and Habit is in beta test in San Francisco, and we're learning a great deal. We expect multiple business models to emerge that ultimately create value. Additionally, looking ahead over the next 5 years, our objective is to grow our fresh business by approximately $250 million organically while also seeking external development opportunities.

Second, we'll increase investments to expand our digital and e-commerce capabilities in fiscal 2018. Today, the percentage of food sold online is in the low single digits. By 2021, online grocery sales are projected to reach $66 billion annually. Mark Alexander will provide additional details later this afternoon on how we plan to address this opportunity. Over the next 5 years, we expect to generate $300 million of sales in this space, giving us more than our fair share of the market.

Third, we'll invest to broaden our snacking business beyond cookies and baked snacks to include soup, mini meals and fresh snacks, with a focus on mindful kids snacking. This expanded snacking market is worth approximately $125 billion in the U.S. alone and growing around 3%. Later today, Luca Mignini will highlight our plans to grow our global snacking business, and Carlos Abrams-Rivera will share a strategic framework to drive growth beyond cookies and crackers. We anticipate adding $200 million in sales across our 3 divisions over the next 5 years.

And finally, we'll continue to invest in our real food credentials. These areas represent significant growth potential for Campbell in the long term, and we're well positioned to pursue it. Considering the growth opportunities we'll outline today, we believe our long-term growth targets are both appropriate and attainable over time, and we remain committed to achieving them.

As we pursue our growth agenda, we'll continue to leverage new models of innovation, including internal and external innovation, venture activities through Acre Venture Partners and direct investments, as well as internal startups such as Habit and traditional M&A.

Campbell is the biggest small food company, with the entrepreneurial spirit of a small company and the scale and resources of a large company. To be the leading health and well-being food company, we're leveraging the best of big and the best of small to deliver value for our consumers, our customers and you, our shareholders.

The food industry landscape is more complex than when I became CEO in 2011, and it's far more complex than when I joined Campbell back in 2003. The industry dynamics of that era seemed quaint by comparison. As I mentioned at the outset, the changes we foresensed and shared with you 6 years ago have not only accelerated and converged, they have become more urgent.

Consumers no longer settle. They demand. Those companies who cannot or choose not to respond are running out of time and will soon be out of luck. Like dinosaurs who thought the sudden drop in temperature was only momentary or radio broadcasters who thought that TV was just a passing fancy, food companies who cannot envision their roles evolving into health and well-being food companies may very well face a similar fate. At Campbell, we're listening to consumers and responding to the signals they are sending about health and well-being.

I began my remarks today by observing how we're all in search of growth. Today, we'll tell you how we intend to find it and sustain it.

Thank you. And now, it's my pleasure to turn it over to our Chief Financial Officer, Anthony DiSilvestro.

Anthony P. DiSilvestro - *Campbell Soup Company - CFO and SVP*

Thanks, Denise. Good afternoon, everyone. Welcome to our 2017 Investor Day Meeting. I have a few topics to cover today. I'll discuss our division structure and reporting segments, which have been in place for almost 2 years now. Then, I'll review our cost savings program and how the proceeds are both expanding margins and being reinvested to drive long-term growth. I'll finish with our 2017 financial performance and close with our priorities for the uses of cash.

As Ken mentioned and consistent with past years, we will not be providing 2018 guidance today and won't be able to answer questions regarding next year's financial performance. We will close out our fourth quarter, continue to monitor developments in the marketplace, finalize the marketing and reinvestment plans you will hear about today and then provide 2018 guidance on our Fourth Quarter Earnings Call on August 31.

Campbell had annual sales of just under $8 billion in fiscal 2016 and generated about $1.5 billion in adjusted EBIT. Our division structure aligns our business operations with our core growth strategies. Our largest division, Americas Simple Meals and Beverages, includes our soup, simple meals and beverage units in the U.S., Canada and Latin America. The division includes many iconic brands, including Campbell's, Swanson, Prego, Pace, V8 and Plum. With our recent announcement, we're excited for the opportunity to add the Pacific brand to the list.

Year-to-date, the division generated over half of our sales with above-average margins and generated over 70% of our operating earnings. Global Biscuits and Snacks includes a number of leading brands, Pepperidge Farm in the U.S., Arnott's, the #1 biscuits brand in Australia, and the Kelsen business, which extends our geographic reach into China. This division contributed about 1/3 of the company sales, with margins slightly below the company average.

The Campbell Fresh division or C-Fresh gives us a presence in the growing Packaged Fresh category and includes Bolthouse Farms refrigerated beverages and salad dressings, our refrigerated soup business and Garden Fresh Gourmet. In addition, C-Fresh includes our fresh carrot and carrot ingredient business.

Year-to-date, the division generated 12% of sales. Recently, sales and margins have been negatively impacted as we rebuild capacity following the recall of our Protein PLUS drinks last year and from quality-related share losses in our carrot businesses. As Ed Carolan will discuss, these are execution issues that we're working through. We continue to believe our strategy is right and that C-Fresh operating margins can reach 10% within the next few years.

Importantly, each of our 3 divisions has a clear portfolio role. In Americas Simple Meals and Beverages, we're targeting sales performance consistent with the categories in which we compete. We are also targeting margin expansion as we benefit from our cost savings program, net price realization and supply chain productivity improvements.

Consistent with this role, the division has delivered competitive marketplace performance and strong margin gains, increasing 330 basis points in 2016 and another 150 basis points year-to-date through the third quarter of 2017.

In Global Biscuits and Snacks, we will invest to profitably grow our business in our existing markets, principally Pepperidge Farm in the U.S. and Arnott's in Australia and leverage the brands in our portfolio with broader geographic potential, namely Goldfish, Tim Tams and Kelsen. And we'll continue to expand our business in developing markets like Indonesia and China.

The GBS division is delivering against its portfolio role with organic sales growth and double-digit earnings growth in 2016. Through 3 quarters of 2017, organic sales are flat and operating earnings are up 1 point. And we expect strong fourth quarter earnings growth in our Global Biscuits and Snacks division.

Despite the execution challenges we've faced in C-Fresh, the role of this business has not changed. Packaged Fresh categories are growing faster than center store and are on-trend with changing consumer preferences for health and well-being.

We plan to accelerate the growth of our CPG businesses, Bolthouse Farms beverages, salad dressings, fresh soup and Garden Fresh Gourmet. We will also leverage our fresh platform to expand into new categories, the launch of Bolthouse Farms plant protein milk being a good example.

While each of our 3 divisions plays a unique role, they each have powerful brand equities with strong positions in their categories that span both shelf-stable and fresh simple meals, beverages and snacks.

Our long-term targets have not changed. Long term, we are targeting 1% to 3% organic sales growth. This top line growth target is above our current run rate and will require Americas -- the Americas division to perform in line with its portfolio role, including a turnaround of the V8 business, for Global Biscuits and Snacks to capitalize on its faster growing categories and expansion opportunities, including China, and returning C-Fresh, specifically the CPG businesses, to accelerated growth.

As you'll see, we plan to make investments in several key areas to drive improvement in our long-term sales performance. We will also look to improve our growth profile by reshaping our portfolio through external development, targeted at higher growth spaces. The pending acquisition of Pacific Foods is a prime example.

Our long-term earnings growth targets, which exclude the impact of currency translation, have adjusted EBIT growing 4% to 6% and adjusted EPS benefiting from cash flow growing by 5% to 7%. These bottom line growth targets imply continuing margin expansion, benefiting from our cost savings program and our businesses delivering against their portfolio roles.

We are very pleased with the progress on our cost savings program. As a reminder, we launched our cost savings program in 2015. And as we've said before, this program is incremental to our ongoing supply chain productivity program in which we target annual savings equal to 3% of cost of products sold.

We expect to reach approximately $310 million in annual cost savings by the end of fiscal 2017. And as we announced at CAGNY, we have raised our savings target to $450 million, about 6% of sales, which we expect to achieve by the end of fiscal 2020. We have generated savings by reducing layers of management and increasing spans of control. We have changed our operating model by creating an integrated global services organization, and we implemented a comprehensive zero-based budgeting process, which is delivering savings across both simple and more complex cost categories.

Looking ahead, we see additional opportunities in our supply chain as we further optimize our network in North America, including our new distribution network which decouples our logistics and distribution from manufacturing. Second, we will continue to evolve our operating model to drive efficiencies and focus resources on our most significant growth opportunities. We recently announced that we are consolidating our 3 U.S. sales organizations into 1.

And lastly, we are more fully integrating our recent acquisitions to generate cost synergies and improve our effectiveness by leveraging both our enterprise scale and capabilities. Importantly, savings from this program will provide investment funding for growth and contribute to margin expansion.

We are making good progress on expanding our gross margin percentage. On an adjusted basis, our gross margin percentage increased 170 basis points in 2016 to 37.1%, and we anticipate almost another point of gross margin gains in 2017 to approximately 38%. The margin gain reflects improved supply chain performance, benefits from our cost savings program and net price realization, while cost inflation over this time period was modest. Delivering against this portfolio role, the Americas Simple Meals and Beverages division has been the primary driver of the company's gross margin expansion.

Our recent EBIT margin gains have improved our position relative to our peers in the S&P Packaged Food Group. Over the last 4 quarters, our adjusted EBIT margin is very competitive and now ranks #4 in our peer group. Two years ago, this same chart would have shown us at the median. It has always been our intention to reinvest a portion of our cost savings to drive future growth. From the incremental $150 million in cost savings, we expect to reinvest about half back into the business over time. We plan to make investments in innovation, e-commerce, our real food initiative and snacking.

On innovation, we will continue to invest in Habit, focused on personalized nutrition, in the Acre Venture Fund, focused on early-stage investments, and to further build our internal innovation capabilities, for example, a rapid incubation process in C-Fresh, and also to support new product launches.

On e-commerce, we are standing up a new e-commerce organization, including a dedicated customer team. We are also expanding our digital capabilities and evolving our supply chain model for late stage differentiation. We continue to invest behind our real food initiative, eliminating BPA from our can liners, removing artificial colors and ingredients and expanding the use of chicken with no antibiotics. We are also investing to expand our kids snacking platform, and we'll continue to expand our Kelsen business in China.

Now I'll review our 2017 guidance, which is unchanged from our Q3 earnings call. We expect net sales to change by minus 1% to 0%, adjusted EBIT to grow by 2% to 4% and adjusted EPS to grow by 3% to 5%. We continue to expect our adjusted gross margin percentage to end the year at about 38%, about 90 basis points better than last year.

In the fourth quarter, we are wrapping a decline in gross margin percentage, including the Bolthouse Farms recall and related production outages. In addition, we're cycling a fourth quarter with marketing investments above historical levels. And as I mentioned earlier, we expect improved performance in Global Biscuits and Snacks.

Our EPS guidance reflects a full year adjusted tax rate of approximately 32%, which is also unchanged, implying a fourth quarter rate similar to the third quarter. And EPS is also benefiting from our strategic share repurchases.

Now changing topics, I'd like to review our operating cash flow and our priorities for the use of cash. One of our company's strengths is the ability to generate a significant and consistent level of cash flow. Reflecting higher earnings and significant reductions in working capital, we generated a record $1.5 billion in fiscal 2016. For this year, fiscal 2017, we expect to finish at about $1,250,000,000.

In addition to our ongoing cash flow generation, our balance sheet metrics are strong. Over the last 4 quarters, interest coverage was 16x and net debt to adjusted EBITDA was just 1.7x. This provides us with significant financial flexibility to pursue our strategies, including the pending acquisition of Pacific Foods, which we intend to finance with additional debt.

Our priorities for the use of cash have not changed. First, we'll make capital investments to support and grow our existing businesses. Second, we target a competitive dividend payout ratio. Third, we will focus our external development efforts in health and well-being and snacking and fund acquisitions that are strategically compelling, improve our growth profile and create shareholder value. Note that the M&A number on this chart does not include the pending acquisition of Pacific Foods.

Lastly, to the extent there is excess cash generated, we will use share repurchases as a flexible and effective means of returning funds to shareholders.

I'll quickly touch on each of these 4 priorities, beginning with capital expenditures. On average, we spend about 4% to 4.5% of sales on capital expenditures. We expect this to be close to 5% in 2018 as we invest in our distribution network to decouple logistics and distribution from manufacturing, which will give us a more flexible and cost-efficient distribution system.

Our capital spending includes amounts to maintain our asset base and importantly, on projects to generate an economic return by increasing capacity or by reducing cost. Recent spending has included projects to add capacity for Pepperidge Farm, Goldfish and Bolthouse Farms beverages. Capacity additions for Swanson aseptic broth and Prego white sauce have allowed us to repatriate third-party production at a lower cost. And in Arnott's, we have made investments in packaging capability, which adds flexibility for multipack offerings.

Our second priority is to return cash to shareholders through dividends. Our objective is to maintain a competitive payout ratio while increasing the dividend over time, consistent with adjusted earnings growth. At the beginning of fiscal 2017, we increased the quarterly dividend by 12%, to an annualized rate of $1.40 per share. Over the past decade, our dividend has increased at a 6% compound annual rate. And today, our payout ratio is just below 50%.

Our third priority for cash is external development. Leveraging our strong cash flow, we will continue to add businesses to our portfolio that improve our growth profile. We are very excited about the pending acquisition of Pacific Foods, a leader in organic broth and soups, with a history of growth and strong presence in the natural channel.

Over the 12 months ending May 2017, Pacific Foods generated $218 million in sales. And as announced, the acquisition price is $700 million, and the closing is subject to regulatory approval and other customary closing conditions.

Through top line growth and significant margin improvement opportunities, we are confident in our ability to create value. We expect the acquisition to be neutral to EPS in the first 12 months following closing, excluding purchase accounting and transaction and integration costs.

Lastly, to the extent there is excess cash available, we will return funds to shareholders through share repurchases. We believe share repurchases are a flexible and effective means of returning funds to shareholders. Combined, our dividend and share repurchases returned over $3 billion to shareholders over the past 5 years. As you can see on the chart, that's about $2 billion on dividends and an additional $1 billion of share repurchases.

As I've stated, we prioritize value-creating M&A over share repurchases as the best strategy to maximize shareholder value over the long term. Absent external development needs, we are committed to returning excess cash to shareholders through share repurchases as evidenced by our board approving a new $1.5 billion share repurchase authorization.

Wrapping up, we are very focused on creating long-term value for our shareholders. We start with our portfolio of powerful brands, and we have a clear understanding of the dynamics facing us in the marketplace, both today and in the future. In the current environment, in which industry growth has been challenged, we have delivered significant cost savings. We will continue to manage our cost going forward as we've increased our savings target, designed to generate funding for investments and expanding margin.

We have a strong balance sheet and generate significant cash flows, with clear priorities for the uses of cash, all designed to create value for our shareholders.

Thank you, and now we will be taking a short break.

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

Yes, we'll take a 15-minute break. So we'll restart at 1:20. And there are snacks outside and drinks, so you can stretch your legs as well. Thanks.

(Break)

Edward L. Carolan - *Campbell Soup Company - President of Campbell Fresh*

We're going to go ahead and get started. All right. I hope everyone had the chance to visit the milk and cookies table earlier today. We featured our new Bolthouse Farms Plant Protein Milk, an exciting dairy-free innovation for us that I'll cover in a few minutes. I'm energized to be here today on behalf of Campbell Fresh, to share an update about our division. I joined the business in November 2016, and I am proud to lead this entrepreneurial, hardworking team, which has embraced our company purpose and has championed the fresh revolution since the division was formed.

Before we jump in, I want to ground us in the composition of the Campbell Fresh division. Using fiscal 2016 full year data as a base, we delivered about $1 billion in net sales, with our CPG products contributing 59% of net sales and our Farms business contributing 41%. We have 2,800 employees and 4 manufacturing sites.

We have 2 main brands, Bolthouse Farms and Garden Fresh Gourmet, with a portfolio of products spanning 10 categories. You can find us across the retail perimeter, from bagged carrots, to beverages, to dressings, to refrigerated soups, salsas and hummus. And no matter what role or location, we are all equally proud of our heritage. We're farmers, and today, our agricultural team is farming about 35,000 acres annually. We're an entrepreneurial team committed to shaping the future of food, winning and growing this business.

In our time together today, I want to cover 3 things: where we've been; where we are; and where we're going.

Let's start with where we've been. To look at where Campbell Fresh has been recently, it's important to frame that through the lens of our strategy and portfolio role in the enterprise. As you've heard from Denise, we've been on a journey and remain committed to our strategy for Packaged Fresh. The portfolio role for Campbell Fresh is to accelerate CPG sales growth and expand into new categories.

Looking at our recent performance though, growth and profitability have been challenged, and we're not delivering our portfolio role. Over the past several quarters, you've heard Denise and Anthony describe these challenges.

In the first 9 months of fiscal '17, divisional performance fell short on net sales and EBIT growth. The division has had executional issues, which have negatively impacted performance, particularly in our carrot and beverage businesses. The primary drivers of these execution issues on both businesses have been quality and supply. We have faced the issues head on, have made meaningful progress to address them, and importantly, we have used this experience as an opportunity to strengthen our foundation.

So let's now talk about the early progress and where we are today. In November 2016, we established priorities to help us get really clear on what we need to do to turn around Campbell Fresh.

Let's start with carrots. I opened by explaining that we're proud of our heritage as farmers. That means we need to apply smart agricultural strategies to ensure we grow the highest-quality conventional and organic carrots. We're now applying new planting and harvesting strategies while optimizing our growing regions to more predictably and consistently deliver the quality and supply that our customers and consumers expect. We're already starting to see results as of Q3 fiscal '17. In quality, we've dramatically improved the percentage of carrots meeting our customers' expectations. In supply, we've increased our customer service levels to 99%.

With our Bolthouse Farms beverages, we're now leveraging the strength and credentials of the broader enterprise, R&D and quality teams to elevate our quality standards and consistency. Elevated quality is always about consumer safety and about creating the best possible consumer experience. We have now developed and implemented new quality standards and protocols across the total beverage portfolio. Our efforts to supply premium beverages to our customers and consumers starts with procuring the best ingredients and extends into our supply chain capabilities, which I'll talk about in more depth in a few minutes.

Similar to carrots, we need to predictably and consistently supply our beverages. To do that, capacity is key.

Starting with internal capacity. We've commissioned and started up a new manufacturing line at the end of our third quarter this year. Additionally, we've qualified one new co-manufacturing partner and we remain on track to have this capacity available for Q1 of fiscal '18. This combination of internal and external production can fully support our growth plans for fiscal '18.

Importantly though, we aren't stopping there. To consistently deliver the high-quality beverages our consumers and customers expect, we need contingency plans. Therefore, we are already taking further steps to identify and qualify additional co-manufacturers. We've taken the opportunity to build a stronger foundation. And I am encouraged by the early indications of progress.

Now let's move to where we're going for the fiscal year ahead as we help drive Campbell's progress in the health and well-being space. Campbell has been taking a number of actions to transform the company over the past 6 years. Part of that transformation was to declare and drive toward creating a Packaged Fresh platform to meet the growing consumer demand for health and well-being products. Consumers associate fresh foods with making healthy choices.

Campbell's journey to building this platform has included the acquisitions of Bolthouse Farms and Garden Fresh Gourmet. We have combined these brands with our fresh soup business to form the C-Fresh division. Now the evolution of Campbell's growth agenda further reinforces the importance of our Packaged Fresh strategy. The health and well-being space has been elevated to an enterprise-wide goal, and C-Fresh will be an important contributor to delivering that goal.

Consistent with being an important contributor toward health and well-being leadership, we have reaffirmed and plan to deliver our portfolio role. We have a new management team in place. That team undertook a strategic deep dive, exploring external trends and insights along with internal capabilities. Based on the current consumer, customer and competitive dynamics, that deep dive has informed our new strategic direction and plans, which I will cover in detail, as well as our expectations for growth.

The expectations I'm sharing with you today refer to organic net sales growth. To be clear, we remain committed to external development in C-Fresh. However, finding the right opportunities that are available at the right time and at the right price to deliver shareholder value is unpredictable. There's no formula for when they will come along or how big they will be. Therefore, we believe that excluding M&A from our outlook is a simpler, more transparent way of communicating our expectations. So in that spirit, our full fiscal '18 to '20 plan is that we will consistently grow organic net sales in mid-single digits; deliver innovation that accesses new consumers and new occasions; increase operating margin to approximately 10%, in line with what Anthony DiSilvestro has shared; and incrementally pursue external development when and where we see the opportunity for value creation.

Let's move in to how we're going to achieve these growth plans. To sustain and build on our stronger foundation, we have further invested in quality, supply chain and R&D. This investment includes adding people, processes and capabilities that are critical to our base business and to ongoing innovation. We're committed to having the right resources to ensure great consumer and customer experiences through consistently high quality, exciting new products and having all of those products available when and where people want them.

To further underscore and reinforce this commitment, we've changed the composition of the leadership team. We've elevated R&D to the division leadership level, and we've appointed a full-time head of supply chain also at the division leadership level.

Delivering profitable accelerated growth requires that we transform our business model and its underlying financial algorithm. Starting at the top and moving clockwise, we have now declared strategic portfolio roles for all 10 categories and plan to significantly increase our investment in brand-building. We are prioritizing our resources into the areas of greatest opportunity to grow net sales.

Moving into our small brand approach and rapid incubation. We're leveraging our entrepreneurial founder heritage to identify, refine and launch ideas quickly while connecting with consumers in more personal and experiential ways. Next, we're integrating into Campbell's U.S. sales force, benefiting from the company's scale to broaden and deepen our customer relationships. This approach will help us drive accelerated growth with and for our customers. Finally, we are tapping into the power of Campbell's global supply chain to enable our growth as well as expand our margins. Our global supply chain has a proven track record of delivering the quality and consistent service our customers have come to expect from Campbell. Further, by unlocking higher levels of efficiency and savings, we can expand our margins while also reinvesting to drive sustained growth in line with our portfolio role.

I'll now share some of the actions and initiatives behind these key components of our new business model as part of our F '18 plans. I'll spend the next few slides talking about how we plan to accelerate demand, anchored in our decision to integrate into the U.S. sales organization, the shift to a consumer marketing model that will significantly increase our brand-building efforts and the ways we plan to drive category growth through innovation.

In June, we made the announcement that Campbell Fresh would be integrated into the newly formed U.S. sales organization. This move allows us to leverage Campbell's scale with one voice to our customers and immediately access capabilities like revenue management, category management and shopper insights.

We will also transition responsibility for our CPG field sales to Acosta, broadening Campbell's relationship. This work is underway now, and Acosta will oversee Campbell Fresh CPG field sales and merchandising beginning in the new fiscal year. Working with Acosta allows us to tap into their capabilities, technology and nationwide team, which helps us to do 2 things: increase the frequency with which we visit stores and increase the amount of time we spend in stores by approximately 75%. We expect this broadened partnership will drive distribution and increased merchandising opportunities across our CPG portfolio.

Moving to the second way we'll accelerate demand. We're shifting a consumer marketing model. We have great brands and delicious products spanning 10 categories. What we haven't done is consistently nurture them with meaningful brand-building investments. We plan to increase our marketing spend with the intent to double it as a percent of sales over the next several years.

Our plan in fiscal '18 is to increase marketing by about 75%, moving our investment to more competitive levels. That investment will be allocated in line with our portfolio roles. In the year ahead, we'll focus on driving awareness and trial for our beverage and salsa businesses and on sharing new innovations with our consumers, like our Bolthouse Farms Plant Protein Milk.

We plan to track this investment closely to ensure we are getting the return expected as well as learning how to make those dollars work harder over time. We plan to communicate our mission-driven brand stories and utilize touch points that are relevant to our consumers, such as social media and digital marketing. We also plan to build new strategic capabilities, starting with field marketing, an experiential tactic common for small brands. Field marketing brings our brands directly to the most relevant consumers during the most relevant occasions and helps create personal connections.

Moving to innovation to accelerate demand and help drive category growth. We've identified some high-growth spaces where we want to focus our early efforts, including joining the plant-based movement, offering purposeful snacking options and expanding the organic offerings across our portfolio. We plan to launch products in all 3 spaces starting in fiscal '18, and we will continue working to identify new spaces for the unmet needs of tomorrow.

Let's start with Bolthouse Farms innovation. We plan to expand our 1915 organic ultra-premium beverage line by introducing a plant-based protein platform. These products will be dairy-free, provide 12 grams of plant-based protein and come in 3 delicious flavors: coffee; chocolate; and vanilla. Also extending our organic offerings, Bolthouse Farms launched an organic dressings line in February with 4 exciting flavors. These organic dressings, which are also lower in fat and calories, non-GMO and gluten-free, can now be found in your retailers nationwide.

Organic dressings are driving the majority of the dollar growth for the refrigerated dressing category in recent periods and have seen 60%-plus year-over-year dollar sales growth in the last 52 weeks ending June 25. We plan to build on this strong product proposition of organic dressings that are great-tasting and lower in fat and calories by introducing 2 new SKUs.

Transitioning now to our Garden Fresh Gourmet brand, let's begin with salsa. The refrigerated salsa category is about $345 million in retail sales as of the last 52 weeks and grew 5.5%. Branded Garden Fresh Gourmet salsa is outpacing the category, posting 7.1% retail sales dollar growth for the same period.

Our vision for the brand has not changed since its acquisition, and we remain focused on expanding distribution of this Midwestern brand into the West Coast. We introduced new varieties this year, both conventional and organic, to help us expand distribution and expand the offerings we have for consumers who want a snack but require those snacks to deliver on their health interests and preferences for fresher foods. We've also recently introduced new packaging to capture the spirit of Garden Fresh Gourmet, its vibrant flavors and colorful ingredients. That new packaging was available on-shelf beginning in May.

Beyond salsa, we started incubating Garden Fresh Gourmet branded soup with 5 core varieties in September 2016. This product is a great example of leveraging and extending the Garden Fresh Gourmet acquisition. We've combined a core enterprise capability, making great-tasting refrigerated soup, with the fresh food equity of the Garden Fresh Gourmet brand.

In development, we co-created our soups with consumers to achieve higher purchase intent and consumer liking scores versus competition. We incubated in over 2,000 stores, spanning the grocery club and value channels, and supported the proposition with a robust marketing plan. We are pleased with the results of the incubation and we'll be launching Garden Fresh Gourmet soups nationally with 6 additional new flavors as of the fall 2017.

The refrigerated soup category continues to see growth, currently up 11.3% versus a year ago. The branded refrigerated soup category is seeing even higher growth, up 14.1% versus year ago, which continues to reaffirm our decision to move into the branded soup space.

Looking out beyond fiscal '18. Identifying and exploring new high-growth spaces is essential. Our rapid incubation process relies on 2 stages: a broad ecosystem that allows us to cultivate ideas through a web of diverse resources; and funneling our ideas through an agile process that allows us to net the biggest best ideas with the most potential.

In any given year, we plan to have 6 early-stage development projects that we're working on, 3 which have moved to in-market incubations or small tests and one concept that has moved to broad launch. Ultimately, the process works to increase our speed and probability of success.

Lastly, as you've heard me mention, we plan to continue to pursue M&A as those opportunities arise and are determined to be the right fit to drive shareholder value.

One of the first broad scale launches to emerge from our rapid incubation process is Bolthouse Farms Plant Protein Milk. Available in 4 varieties and 2 sizes, this is our first entry into the $5 billion U.S. plant-based food market.

Bolthouse Farms Plant Protein Milk support C-Fresh's mission to inspire the fresh revolution. We are committed to offering consumers new food choices by introducing innovative products that meet unmet or evolving needs. We are proudly introducing our new Bolthouse Farms Plant Protein Milk, which provides a delicious, high-protein alternative in the dairy-free category for consumers who may have allergen intolerances or sensitivities or simply want to balance their protein sources with more plant-based options.

Bolthouse Farms Plant Protein Milk is where our farming tradition meets modern nutrition. With more than 100 years of farming heritage, Bolthouse Farms knows a thing or 2 about plants and how to create great-tasting healthier options for consumers interested in trading up or changing up.

Modern nutrition means fueling our bodies with nutrients, such as sufficient protein for satiety, strength and to sustain a busy, on-the-go lifestyle, while being aware of the impact products have on the health of our bodies and on the environment. The future is still protein-packed, but also clean, sustainable and offered without common allergens.

We're raising the bar and bringing exceptional plant-based wellness from farm to fridge with the launch of Bolthouse Farms Plant Protein Milk. As I mentioned in describing our new business model, one key component is integrating into the Campbell global supply chain, with a focus on driving 2 key outcomes, enabling growth and expanding margins.

First, you've heard me talk a lot about the importance of building reliable internal and external capacity in line with our high-quality standards. This is pivotal to growing our beverage business, and we are on track to support our growth plans in fiscal '18.

Second, Campbell's has key capabilities in areas that can have immediate impact in C-Fresh. Our enabler program is world-class and has driven ongoing reinvestment into the company. Now we are kicking off this enabler capability for the very first time in Campbell Fresh.

We're focused on 3 major areas to unlock margin: procurement, conversion and logistics. All 3 are planned to contribute to our journey toward 10% operating margins over the next several years.

As we move into F '18 and beyond, we plan to create competitive advantage by combining the best of big and small, the best of big company capabilities and the best of a small brand approach. Today, I've described the steps we have taken to strengthen our foundation across areas like quality and supply. We've also started the integration into one U.S. sales organization. These areas represent some of the best of big, big company scale, capabilities and resources that are real advantages that an enterprise like Campbell brings to the Packaged Fresh marketplace and C-Fresh.

I also talked about our small company mission-driven brands and mindset in describing our brand-building plans and innovation process. I'm equally committed to championing the organizational agility and entrepreneurial culture required to be successful in rapidly incubating ideas and exploring leading-edge innovations like dairy alternatives in plant-based proteins.

Our small company approach starts with R&D and marketing and how we design products that have a true north purpose for consumers, how we launch those products and how we connect with today's fresh-engaged consumers.

The Campbell Fresh division is now structured to maximize the best of big company capabilities and the best of a small brand approach. And we believe this powerful combination of best of big and small will create competitive advantage for us.

In summary, I want to reinforce a few key points. We strengthened our foundation. The strategy of building a scale-branded Packaged Fresh portfolio remains a significant opportunity and is increasingly relevant with consumers and customers.

We have addressed executional issues by improving the quality of our core products and increasing the supply expected and needed for growth. This progress positions us to build our business off of a stronger foundation.

We have started transforming our business model. Clear portfolio roles now inform our resource allocation. We have begun to integrate sales and supply chain. And we're on track to bring new innovations from incubation to broad launches. Importantly, we are seeing green shoots across our business. And we are ready to deliver top and bottom line growth starting in fiscal '18.

Thank you. I'll turn the mic over to Luca for our Global Biscuits and Snacks update.

Luca Mignini - *Campbell Soup Company - SVP and President of Global Biscuits & Snacks*

Okay. Thank you, Ed, and good afternoon, everybody. So here is our agenda for the next 20 minutes as we focus on Campbell Global Biscuit and Snack businesses around the world. I'll start with the snapshot of the category of opportunity, provide an overview of the division and then highlight some of our fiscal year 2018 plans.

Snacking is an attractive growth space and increasingly important for Campbell's future. Snacking occasion continue to grow as consumer all around the world change the way they eat. Today, the addressable category for Campbell includes cookie and baked snacks. This is an $89 billion category in U.S. and is growing approximately at 3%. It's an even larger market opportunity if you place a broader lens on it as Carlos Abrams-Rivera will do in a few minutes.

Through our consumer insight and strategic foresight work, we have sharpened our understanding of consumer snacking behavior. We are confident that Campbell has the brands and capabilities to continue to grow this business. I will focus my remark on the opportunity within Global Biscuits and Snacks. When I'm finished, Carlos will share our strategic framework to address snacking at the enterprise level as we expand our focus beyond cookies and crackers to soup, mini meals and fresh food.

For Global Biscuits and Snacks, we are very clear of where the opportunity lies, both in the short and long term, and we have a plan to unleash our powerful brand to unlock snacking growth across the division.

Like the rest of Campbell, our action in Global Biscuits and Snacks are guided by our growth agenda. We are focusing on executing against all for (sic) [of] our strategic imperatives. We are making our food more real in terms of the ingredient we use. We are increasing our digital and e-commerce activities with a focus on U.S. and China. And we are driving health and well-being across the portfolio. And we are expanding our snacking business to capitalize on this growing consumer behavior around the world.

As Denise discussed earlier, our strategic imperatives have been enhanced by our foresight work. All this foresight affects our business in different ways and have helped sharpen our thinking. Limitless Local has us thinking about ingredients in a new way. Better.Me is influencing the way we view the functional benefit of snacking. Future commerce is influencing our digital and e-commerce activities. And, of course, My.Moments is helping to drive our overall approach to snacking.

So let's focus on My.Moments. The lines between snacks and meals are blurring. Snacking occasion are increasing and even cutting into traditional meals. In fact, 90% of consumers snacks multiple times per day. More than 50% of all U.S. eating occasions are snacks. And nearly half of U.S. consumer replace meals with snacks at least 3, 4 times per week. Snacking is a well-established behavior in many culture and countries. For instance, in Indonesia, consumer pause to partake this well-established behavior as often as 7 times per day.

Today, more than 2/3 of snacks are what we have referred to as mindless munching. In other words, snacks that satisfy craving. We are turning our attention to purposeful or mindful snacking. This type of snacking has a role beyond simply satisfying a craving. These snacks can impact health and well-being. The right snack at the right moment can provide numerous benefits, from burst of energy to increase mental activity or even a sense of a reward from a Milano moment. As you can see, we participate in a large and attractive category that has plenty of opportunity for growth.

Let's take a closer look at the Global Biscuits and Snacks division in which we have combined our iconic Arnott's, Kelsen and Pepperidge Farm brands. Managing these brands as one portfolio enable us to leverage the combined scale of our assets and capabilities around the world. Unlocking the potential of these powerful brands is the key to delivering the portfolio role of Global Biscuits and Snacks within Campbell, expanding into faster-growing spaces while growing profitably.

Let's spend a minute on the size and scope of Campbell Global Biscuits and Snacks. At the end of fiscal 2016, the division delivered $2.6 billion in net sales. Looking at the category breakdown of our division, our biscuit brands contributed nearly 2/3 of our total net sales, and U.S. bakery contributed 26%. Our International Soup (sic) [Simple] Meals and Beverage business made up the remainder.

In terms of our geographic breakdown, 84% of our net sales came from our developed market businesses in U.S., Australia and New Zealand. The remaining 16% of our net sales came from our developing market businesses in China and Southeast Asia. Developing market are a long-term commitment, and our disciplined approach is showing progresses. I'm proud of the team hard work, but no one of us will rest until we capture a bigger piece of the developing market opportunity, especially in China.

In addition to our powerful portfolio of brand, we have a strong and talented management team in place with extensive international experience. It consists of longtime Campbell executives and new leaders from outside the company, all of whom have a consistent track record of success in operating global businesses. Our entire team is committed to executing our portfolio role and delivering our vision for the division to become the best-performing snacking business with brands that create real moment for consumer around the world.

Let me explain how we will bring our vision to life and deliver our portfolio role. As a reminder, these are the 4 key strategies that we use to allocate resources and manage our portfolio. First, strengthening our core, restoring modest growth and sustainable profitability while also bringing our portfolio together to leverage scale. Our U.S. business is delivering against this portfolio role with consistent sales growth and share gains in cookie and crackers while also expanding margins. In Australia, our most recent market share trend continue to improve.

Second, expanding into faster-growing spaces and expanding our brand footprint into high potential channels and geographies where we can win, including our developing markets of Indonesia and China. We are regaining momentum in Indonesia and delivering growth in Malaysia. In China, we added several new distributor and had a successful Mid-Autumn Festival and Chinese New Year, gaining share in key markets. As Denise mentioned during her presentation, smart external development will continue to play an important role in our expansion plan in the faster-growing geographies.

Third, starting with 3 of our most iconic brands, Goldfish crackers, Tim Tam biscuits and Kelsen premium butter cookies, we are investing resources to build these brands in their own country while also extending them into new markets. We have started to do this with some success in the U.S. with Tim Tam biscuits, and we are planning to expand Tim Tam and Goldfish in Asia.

Fourth, optimizing our organization and business models, including recruiting and retaining top talent with a global mindset, sharing ambitious performance metrics and making smart cost management decision that enable us to invest in the highest growth areas.

We will achieve our vision by expanding the footprint of our brands. First, more consumers. This is about gaining access to new households and recapturing consumer who may have moved away from our products. To do this, we constantly evaluate evolving consumer preferences and launch delicious new products to meet those preferences such as Goldfish made with organic wheat to meet the growing demand for health and well-being products. Many of our new product development efforts are focused on health and well-being and premium space. Our R&D team leverages our baking credential, a Real Food Philosophy, to deliver the ingredient an eating experience consumer expect from a premium snack.

Second, more often. This is about frequency, about creating a reason to enjoy our biscuit and snacks even more. We drive frequency by developing exciting new products and packaging that appeal to the explosion of snacking behavior and to help to make our food relevant for new occasion.

To do this, we are going small and big, introducing both single serve as well as club or multipack format. For example, we recently added new capabilities in Australia that significantly improved our packaging format and the portability of our product.

And third, more places. This is all about availability. It's about having our products within arm's reach of the consumer anywhere and everywhere they shop for snacking. And it's about entering faster-growing geographies to reach entirely new consumers. To do this, we are investing in resources to expand distribution and ramp up our e-commerce capability. For instance, we are continuing our geographic expansion in China and Southeast Asia.

We have focused priority for fiscal 2018 to strengthen our core, expand in faster-growing spaces, build our global brand and better leverage our global capabilities. Let's take a look at how this comes to life in each region starting with U.S.

I'd like to focus on three key areas in the business, kids snacking, adult snacking and fresh bakery. In kids snacking, we intend to reach more consumers more often with Goldfish by continuing to driving up our health and well-being through the brand goodness prevention. Another major focus of our plan this year is to expand Goldfish to a new demographic, older children, while continuing to strengthen connection with Millennials families.

A key component of this strategy in fiscal 2018 will be to expand the Goldfish franchise to bigger kids. Through our consumer insight, we know that as kids get older, they begin to want intensively flavored chips. We also know that moms don't feel as good about giving their kids these type of snacks because of the ingredients, particularly artificial flavors and colors, and how those snacks are made, generally fried. The new Goldfish line, we are planning will solve both of these pain points for moms and deliver our Real Food Philosophy. They are baked, made with whole grain corn and contain no artificial flavors, colors or preservatives. It's food we are proud to serve at our own table. We are finalizing our plans to introduce these new products next spring.

In our adult snacking portfolio, we continue to execute the successful strategy that has led to both sales and share gains. First, we will invest more in our successful Milano moments campaign, reminding women to say something for themselves. We'll also continue to provide support for our cookie portfolio to deliver on the unique authenticity, a Real Food credential, of our Farmhouse line. Introduced this spring, Farmhouse is on track to be the biggest Pepperidge Farm snack launched in more than a decade. And finally, we'll leverage our insight from our Tim Tam launch to drive increased trial from both traditional retailer and e-commerce channel.

In fresh bakery, we plan to reestablish our sandwich bread business by focusing on quality and its premium positioning in the market. Second, building on our recent improvement in swirl bread, we will reengage consumer with improved communication. And finally, we maintain the momentum in [brands of all] businesses by reminding consumer of their everyday uses.

Turning to our other large developed market, Australia. We have plans to strengthen our core, expand in health and well-being, stake a broader claim in premium and new spaces and drive the availability of on-the-go snacks.

Let's start with our core. The new Shapes Flavours of the World range provides consumer with new choice of flavor, inspired from different countries around the world. The chili and meat flavors are proven performers and have been well-received by consumer in the past.

The launch will be supported by massive in-store support as part of Shapes' first quarter activation and FTSE final display. Also, in the first quarter, we are launching the Arnott's master brand advertising campaign. We are very, very excited about this campaign, which we ran for the entire fiscal year. It highlights and celebrates that there is no substitute for real moments of connection between Aussies and their loved ones, of that featuring Arnott's biscuits. So let's have a look.

(presentation)

Luca Mignini - *Campbell Soup Company - SVP and President of Global Biscuits & Snacks*

[Audio Gap]

significantly behind the campaign, which will highlight Arnott's entire range across all traditional and digital media.

So now let's turn to health and well-being. In the first quarter, we will launch the new Vita-Weat Cracker Chips. By the way, we've been sampling that somewhere. I hope you had the chance to try it. These bite-size, super thin and crispy crackers truly live into our Real Food Philosophy and our health and well-being goal. They combine the goodness of whole grain, corn and toast seeds and are flavored with delicious ingredients like fresh herbs, fresh sea salt and classic cheddar. They contain no artificial colors, flavors or preservatives and are baked, not fried.

Our Cruskits Deli Infusion launch is another health and well-being play slated for the first half. This launch will address the opportunity to appeal to lapsed and light Cruskits consumer and grow eating occasion through a new range designed to appeal to foodies. Cruskits Deli Infusion combine interesting Real Food ingredients such as the rustic Italian herbs, sun-riped tomato and basil and put them into a delicately puffed and lightly tossed crisp breads.

Our third area of focus is expanding in premium and new spaces, where we'll be introducing Arnott's biscuit-inspired cakes, designed to capitalize on a new consumer and incremental occasion. The launch into a new segment of snack cakes provide the opportunity of a significant dollar premium. We have also entered into a licensing agreement with Australian ice cream maker, Peters, to launch a line of Arnott's-inspired ice cream based on some of our most popular biscuits, including Iced VoVo, Caramel Crown, Mint Slice and Wagon Wheels.

Finally, on-the-go snacking is a growing and attractive space for consumer. The launch of the new Arnott's multipack range is a result of a $30 million investment across our Huntingwood and Virginia bakeries. We have made and started shipping new multipack, single-serve Arnott's Shapes minis and Tiny Teddys in multiple sizes for take home and on-the-go consumer occasions. This provides consumer with innovative new packaging that will help meet their change in snacking needs.

The launch provides significant growth opportunity via new shoppers and new occasions. The new packaging delivers shoppers' favorite snack with an optimum format both in store through improved shelf presence and at home. It has also the other benefit of improving our quality and productivity. It also deliver efficiency on the shelf and in the supply chain with more cases in each track and environmental benefits through the increase of our -- of use of recyclable packaging. The launch will be supported by an extensive campaign which highlights how the new packaging literally checks all the boxes.

So turning now to developing markets. I'd like to remind everyone why Campbell has chosen to prioritize and invest in both China and Indonesia. These 2 countries are among the most or largest biscuit market and they offer huge potential. China is sized at $10 billion and Indonesia at $1 billion, both with strong category growth. China alone has the largest middle class in the world. Despite the recent economic challenges, particularly Indonesia, the fundamentals of the biscuit category within this market remain attractive, with both offering ample room for profitable growth.

In Indonesia, we are delivering new products, brand activations and packaging in fiscal 2018. We are launching the new Good Time chocolate chip cookies with a local favorite sweet cheese base. Additionally, we are -- we have a marketing campaign called Dipping "1-2-3" to strengthen everyday relevance through Indonesia custom of dipping chocolate chips cookie in their favorite of beverage.

With Tim Tam, we are introducing new, on trend, cheesecake-inspired biscuits and product sampling to trigger trial on Tim Tam chocolate-coated biscuit and wafers. And with Nyam Nyam, we'll be introducing a new product in the general trade with a very attractive price point.

Turning to China. We do feel good about the progress we made over the last several years. Presently, we are in the process of establishing a new business model in China to deliver sales and market share gains for our Kelsen business. In June of this year, we established a subsidiary in Shanghai where we can import directly and without the need of a third party. This is a significant change from our previous importer-reliant trading model to a local buy-and-sell model.

We are essentially moving from a sell-in model to a consumer-focused sell-through model. This will lead to improved business processes and system, including logistic supply chain, and a significantly improved management of our distribution network. We expect this approach will greatly enhance our operation and drive accelerated growth. Importantly, over time, it will enable us to manage directly our strategic customers.

We are confident that this new business model we are establishing for Kelsen will become the chassis that will be able to leverage for additional brand across our portfolio. In fiscal 2018, we will lay the foundation expand 2 of our global brands, Tim Tam and Goldfish, for launch in fiscal 2019. On the distribution front, we'll keep enhancing our capability by adding a significant number of new distributors to expand and strengthen our execution, with an additional focus on the coastal areas.

So that concludes our tour of Campbell Global Biscuits and Snacks. I hope it gives you a sense of the tremendous growth opportunity we have before of us and an understanding of our strategy to capture a larger piece of the snacking behavior by expanding our brand footprint across faster-growing channels and geographies. As I like to say, we have a simple recipe with great ingredients, from iconic brand to strong global leadership. I'm confident it will deliver our portfolio role and achieve our vision to become a snacking powerhouse with brands that create real moments for consumers around the world.

Thank you for your time. Now I'll turn it over to the President of U.S. Biscuits and Bakeries, Carlos Abrams-Rivera, who will share more thoughts on how we can capture the broader snacking opportunities across the Campbell enterprise. Carlos.

Carlos Abrams-Rivera

Thanks, Luca. Good afternoon. I appreciate the opportunity to share an exciting new snacking growth strategy. As Denise mentioned, it can unlock an incremental $200 million in sales for Campbell. Denise spoke of our focus on delivering sustainable, profitable, top line growth. As a company, we declare snacking as a strategic imperative for expanding into faster-growing spaces. Today, I will share with you how we plan to bring this strategy to life. When we made snacking one of our strategic imperative, it was a deliberative move to accelerate a part of our business that is performing and growing faster than our competitors.

Campbell has a significant presence in snacking consumer moments. Our Global Biscuits and Snacks division has 4 icon brands, Goldfish, Milano, Kelsen and Arnott's. Each of them is expanding due to growing snacking behavior. Beyond GBS, there is an opportunity to leverage other brand within our portfolio to further penetrate for snacking occasions.

First, we needed a company-wide strategy that could focus and sharpen our efforts. We know the consumer of snacking is as diverse as the amount of snacks in the market. I am certain that your own personal experiences with snacks and in your families mirror what we see here in U.S. and around the world. There are widespread views of type of snacks you want and those that you need.

One thing is clear, consumers are continuously looking for new and better snacking solutions. It's not only the type of snacks that they have expanded but also the moment in which consumer look to snacks across all day parts, whether it's the child in school that needs a nutritious snack before lunch, to the family that opens a bag of popcorn in the evening as they're watching a movie. We know that categories that are predominantly used for snacking are growing faster than all the grocery categories.

When we looked at the size of the opportunity, we considered those fewer snacking categories which are $89 billion in sales. We then went further to include snacking-related consumption in other categories. This includes sales from categories such as soup, which consumers use as a snack on certain occasions. Together, it creates $125 billion snacking universe in the U.S.

Snacking occasions include a wide range of snacks. At the highest level, we have identified two types, encouraged snacks and regulated snacks. Encouraged snacks are often touted for the health and well-being benefits. They tend to be functionally driven. In our portfolio, think of Arnott's Vita-Weat crackers that are 100% natural with ancient grains and seeds.

On the other hand, regulated snacks rely on strong emotional bonds. We call them regulated because we heard from consumers that they look to regulate the amount they consume, and if you look at the images, I'm sure you can agree.

Denise laid out a galvanizing purpose for Campbell. Out of that purpose, we crafted a snacking ambition to bring real food snacks to all consumers. From the consumer perspective, it means enjoying snacks made with real food that are accessible for me and my family. We believe it's imperative that all families have access to food made with real ingredients with the quality and consistency that we can uniquely bring to market. From Campbell's perspective, it means a deliberate focus on snacking as a key source of enterprise growth.

To attain our ambitions, we needed to understand how consumers make in-store decisions when buying snacks and how they balance the type of snacks they need versus the type of snacks they want and when can they have both. Our journey began with a clear ambition in assessing where to play. We first took an external lens from defining today's market reality, how consumption and shopping behavior will evolve, where traditional competitors have strongholds and where new challenger brands are growing fast. Secondly, we assessed our capabilities and strengths, including the positioning of our portfolio. This analysis led us to decide which specific platforms to pursue. For us, platforms are strategic focal points that leads to specific actions requiring a different allocation of resources, people and insights.

To give you a sense of our learning, we discovered 4 distinct consumer segments that range from more emotional taste-dominant to more functional health and well-being affinities. At the top level of wide consumer snack, we found 3 fundamental needs: fueling, craving and connecting. These 3 needs captured the benefit and situational context that drive all snacking behavior.

Fueling demand moments are mostly functionally driven and often occur in the morning. Craving demand moments have a strong emotional motivation for consumers. And lastly, connecting demand moments are about bonding with others and also tend to be more emotional in nature.

Earlier, I mentioned 2 types of snacks: encouraged and regulated. Fueling occasions are predominantly encouraged, whereas craving needs skew toward regulated snacks. Connecting needs are fairly balanced between regulated and the encouraged snacks. We then leverage the series of foresights that Denise spoke of at CAGNY to go beyond the picture of today. By linking the learning from the foresight work, we were able to project how consumer segments at new states are poised to evolve over time.

Combining the consumer segments with the snacking needs created a full demand landscape. The intersection of these axes allows us to go deep on the specific snack options consumers are choosing today. We know their consumption, growth and, most importantly, how satisfied our consumers with their current snacking alternatives. This analysis give us a rich information to create new and unique snacking solutions. It also helps identify which snacks could be replaced if consumers can find a snack with the right benefits.

As we assess our capabilities, we looked across the entire value chain, starting with the depth of consumer understanding, our manufacturing expertise, the value throughout the markets we have access to and the myriad of ways we reach our consumers. Not surprisingly, Campbell's -- we have a critical and unique capability that can fuel our snacking ambition. Until now, we have thought of those capabilities within each division. Going forward, we will leverage them on behalf of the enterprise towards achieving real food snacks for all.

Putting it all together, the snacking landscape, how consumer snacking needs will evolve, how our internal capabilities will [delineate at] 4 distinct platforms: mindful kids snacking, purposeful fueling, adventurous snacking and better-for-you social snacking. Currently, within Global Biscuits and Snacks, we are pursuing innovation in these platforms. Some of those innovations, you will see in our fiscal '18.

Today, we're making the elevated investments of people and resources to significantly expand our focus on mindful kids snacking. Over time, we will continue to change the allocation of resources for each of these 4 platforms as we look to further drive profitable growth for Campbell.

Our snacking ambition will not only shape a company-wide internal strategy, it will also play out role in our own external development strategies. M&A, partnerships and joint ventures can allow us to gain critical and complementary capabilities, further access to emerging channels and bringing brands that can uniquely play in specific snacking moments.

Denise spoke of an unprecedented amount of change in our industry. Our snacking ambition brings real food snacks to all, lays out a path for Campbell's to solve consumer snacking needs with delivered benefiting attitudes anchored in our purpose and guided by our goal to be the leading health and well-being food company.

Thank you. It's my pleasure to turn it over to Mark Alexander, President of Americas Simple Meals and Beverages.

Mark R. Alexander - *Campbell Soup Company - Senior VP & President of Americas Simple Meals & Beverages*

Thank you, Carlos, good afternoon, everyone. Growth, Denise opened with it earlier and you've heard my colleagues talk about it today. Each of them has shown you how we're straightening our core business while, at the same time, expanding into faster-growing spaces to diversify our portfolio. I'll focus on these 2 topics as well. But first, let's talk about where we are today and where we're headed. I'll share more about the Americas division year-to-date performance and what we're seeing in the marketplace today. Then I'll shift to our fiscal '18 plans for the Americas and finish by introducing our new approach to accelerate growth in digital and e-commerce.

In the Americas division, it's no surprise that we're focused on the center of the store. The center isles in grocery stores have always been stocked with canned goods, and Campbell soups have been there since the very beginning. We are a center-of-store leader, and it's our role to bring excitement, shift momentum and drive change here. We are using consumer insights and foresights to deliver against today's food needs and to anticipate the future of food. Our long-term objective is to bring shoppers back to the center of the store, and I believe you'll see just that throughout our '18 plans. We're going to do this by focusing on the taste of our food, the realness of our food, the functional benefits that meet the health and well-being needs of consumers, growing challenger brands and innovation.

So where we are today. Last year, the division delivered just under $4.4 billion in sales and contributed over 70% of the company's operating earnings. Our division has a clear portfolio role for Campbell and that has not changed, to expand margins and deliver performance in line with the categories in which we compete.

For fiscal 2017, Q3 year-to-date, we've delivered performance consistent with our portfolio role. We've successfully expanded operating margins by 150 basis points, and operating earnings are up 5% over 2016. We are outperforming our competition and gaining share in categories representing nearly 70% of our volume, led by ready-to-serve soups, Prego sauces and Plum Organic premium baby foods. And our F '17 innovation is hitting the mark with the successful introduction of Well Yes!, strong selling new Chunky soup items and our new Prego Farmers' Market Italian sauce.

This has been a challenging year across the industry, particularly for those best competing in the center of the store, driven in part by the growth of discount formats and the proliferation of store brands. It's a tough environment. Meanwhile, we continue to see small challenger brands emerge and grow across a number of categories. These brands cater to very specific consumer needs. They tend to be purpose-driven, founder-led, digital-first brands that are often health and well-being oriented. They are outpacing larger brands in growth and share.

As Denise mentioned, we know the modern consumer mosaic has changed. Households are more diverse in every way. Consumers are changing the way they shop and the foods they eat. All together, these factors make for an extremely challenging landscape. But I'm a big believer that from adversity comes opportunity. Some of our boldest ideas have come from listening to consumers and examining our business through the lens of these macro conditions. Let's look at where we're going.

It all begins and ends with our food and the consumer. For the Americas division, we believe that real wholesome food should be affordable and available to everyone. I believe that Campbell is the biggest small food company. That gives us the right to operate like a small challenger company. Yes, you heard me right. Our Americas division strategy is to behave like a challenger company. That's why you've seen our division acquire challenger brands such as Plum Organics and a pending acquisition of Pacific Foods, build our own challenger brands, including Well Yes! and Slow Kettle soups, and operate our core brands with a challenger mindset that advances our bigger purpose and respects our heritage. This belief has driven our Real Food Philosophy. It's led to the adoption of what we call the YES-YES and NO-NO list.

The YES-YES list is about adding more wholesome ingredients. Campbell delivers nearly 15 billion servings of vegetables to consumers every year. We can and we will do more of this. Last year, I shared our U.S. retail Real Food Index, where the list of things we're removing from our products, the NO-NO list. Last year, we were at 80% to goal. We've made progress. And I'm proud to share that this year, we're at 91%.

This improvement principally reflects 2 changes. First, we've taken the BPA out of the can liners of all our soup cans in the U.S. and Canada for the upcoming soup season. And second, we'll convert to antibiotic-free chicken for all of our soups by the end of the calendar year.

Real food that matters for life's moments. It's not just words, it's how this company lives and operates today. It's literally aligned on our P&L. As I mentioned last year, we're investing $50 million in real food over the next several years, and we are on track with this investment.

In addition to being real, our food also needs to taste great. We regularly test our products to ensure they delight consumers. Most of our top-selling products are significantly preferred over our competitors, and that's because our chefs and product developers continuously strive to achieve the highest culinary standards.

Let's talk about where we're going as a business. We are taking steps in fiscal '18 to improve the performance of our soup portfolio and our beverage business, drive growth in Simple Meals and connect with our consumers to build relevance and drive demand.

Let's start with soup. Soup is a big category. It's worth nearly $4.3 billion in retail sales a year, and it's enjoyed in more than 90% of American households. For Campbell, despite gaining share through the first 9 months, net sales have declined 1% with flat consumption. Across our soup portfolio, we're focused on big important eating occasions and consumer needs. These are health and well-being, premium, kid fun, tastes you love and easy meals for busy families and home cooks. As Denise mentioned earlier, Campbell has a goal of being a leading health and well-being food company. Let me show you what this looks like in soup.

There is strong consumption growth in the health and well-being benefit space, which includes conventional as well as natural and organic categories. This is being driven in large part by the types of challenger brands that I mentioned earlier. Well Yes! competes in the conventional health and well-being category in our newest Campbell-born and is our newest Campbell-born challenger brand. It was designed to provide a combination of purposeful ingredients such as vegetables and healthy whole grains that consumers want and delicious flavors like minestrone with kale and Italian vegetables with farro. Well Yes! is on track to be one of the most successful Campbell soup launches in the past 10 years. It achieved $28 million in retail sales in just 6 months, trial is ahead of expectations and we're seeing excellent repeat from consumers. Over 6 million households have tried Well Yes! since its launch in January.

We're proud of what we serve and are pleased to offer Well Yes! as our first product to be incorporated on the Sage Project platform. Sage is a simple and easy way for consumers to get the information they want about the food we make. For fiscal '18, we're introducing 5 new soups with an added focus on lean protein in variety such as chickpea and roasted red pepper and braised beef with black barley. We'll continue to aggressively support the brand to drive additional awareness and trial. Here are 2 of our Well Yes! ads that are supporting the launch.

(presentation)

Mark R. Alexander - *Campbell Soup Company - Senior VP & President of Americas Simple Meals & Beverages*

The pending acquisition of Pacific Foods also fits into our health and well-being portfolio with a strong position in the natural and organic category. Pacific Foods has a sustained track record of growth and generated approximately $218 million in trailing 12-month net sales as of May 31. It will be a perfect fit in many ways, of course, in our soup portfolio, but also in Simple Meals and plant-based beverages. Pacific will give us access to consumers and channels that are different from our core soup and broth businesses. It also will provide us with another leading organic brand that resonates with consumers, especially Millennials.

Organic food is a growing and attractive category. Driving more than $11 billion in the U.S., the category has grown over the past 4 years at a compound annual growth rate of about 15%. One of the things we love about Pacific brand is their born organic credentials. And as Denise mentioned earlier, the 2 companies share similar values and beliefs, including a commitment to health and well-being, real food, transparency, sustainability and giving back to the community.

We think we can help them expand distribution in grocery channels, increase brand awareness and penetration, stretch into new categories and add value through the supply chain. We're confident the pending acquisition of Pacific Foods will help Campbell reinvent the center of the store as we will be able to offer an authentic, organic brand that meets the tastes and preferences of a different set of consumers that we reach today.

In summary, Pacific is a great brand that we believe we can grow, and I think you can see why we believe it will be an excellent fit with Campbell.

Let's move next to the nearly $200 million premium segment, in which Campbell Slow Kettle soup plays. This brand has grown at a 24% CAGR over the last 3 years and is over $53 million in retail sales for the past 52 weeks. Slow Kettle features artisan-style soups and real simple ingredients. We'll continue to fuel the growth with 2 new line extensions in fiscal '18 and in-store support. Its target consumers are millennials and adult-only households who crave contemporary flavors that are made patiently and taste great.

The kids line, what can I say? Is there anything better than the combination of chicken noodle soup, Star Wars, the Disney princesses and Cars 3? We continue to see strong performance from our kids condensed range, which is building the next generation of loyal Campbell's fans.

We're working to simplify the recipes of our kids soups and, in some cases, have cut the number of ingredients by 1/3. Our aim is to use more of the ingredients parents and kids tell us they prefer and less of the ingredients they want to avoid. Our F '18 line has removed BPA from the can liners and uses antibiotic-free chicken. This is in addition to the work we've already done to remove artificial flavors, colors and MSG. Our brand partnerships for F '18 are Cars 3, the new Star Wars movie, the Disney princesses and the upcoming Marvel Black Panther movie. We're putting the final touches on the F '18 marketing campaign, but I can guarantee, it's going to be action-packed year for kid fun soups.

Moving to the Tastes You Love segment. Our loyal Campbell consumers love the taste of our iconic condensed soups. Campbell's condensed soup delivered over $1.3 billion in retail sales during the last 52 weeks and continues to be enjoyed by more than 4 million people each week. We sell almost 900 million cans of condensed soup annually in the United States.

I'd like to show you 2 examples of how our real food purpose and challenger mindset are influencing our iconic Campbell's brand. First, let's look at our return to the old way of doing things. We recently discovered Dr. John Dorrance's original beefsteak tomato soup recipe in the company archives. Using our Real Food Philosophy, we reproduced this heritage soup using hand-picked New Jersey beefsteak tomatoes. It sounds easy, but if you ever try to figure out how many fluid ounces are in a #16 bucket, our product development -- probably not.

Our product development team literally called retirees to help figure out how to recreate the cooking methods and translate the bucket sizes to bring the soup back to life. We're expanding the program this year from a modest 10,000 jars to 100,000 jars available nationally while supplies last.

How do you take our classic Campbell soups and make them relevant for today's modern experiences? You think digitally, that's how. Cooking with Campbell's has never been easier or more fun. You can see from the slide the word new used quite a bit. From our redesign of campbellskitchen.com to new apps, we've looked at reaching our Campbell's consumer in new and smarter ways this year. The underlying theme here is personalization. Work is being done now to tailor our content directly to our target consumers. Let me share an example of what that looks like and our second example of how we're applying our Real Food Philosophy and challenger brand mindset, this time, through digital storytelling.

Last year, I told you about our digital marketing investment with NowThis, a mobile new startup known for creating shareable social content. Together, we produced a 10-part video series to appeal to young consumers. The video we're going to look at was the second most-watched branded video on Facebook globally with over 10 million views in March, an extremely positive sentiment. Let's have a look.

(presentation)

Mark R. Alexander - *Campbell Soup Company - Senior VP & President of Americas Simple Meals & Beverages*

Our partnership with NowThis is an example of digital content that is clearly working. Our F '18 plans include further investment that builds off of last year's success.

Let's shift to Chunky. 2018 will be another strong year for Chunky. Chunky has retail sales of over $0.5 billion and is enjoyed in 1/4 of American households. Chunky retail sales are up 6% of the latest 52 weeks, and we believe new insights that have helped us rethink the Chunky man are a big factor in the brand's growth.

It's worth a minute to share the backstory on how we got to the definition of the do-it-all guy. We know that the role of man in American family life is shifting. Our marketers set out to figure out how that was affecting the Chunky brand. The research brought them to an Irish bar in North Jersey where they sat down with a group of loyal Chunky consumers, older men, and a group of younger men who had never tried our soup.

Here's what we learned. The modern man is no longer constrained by traditional rule definitions. And to appeal to the younger consumers, the definition of the Chunky man needed to evolve. Men today are juggling more than ever, family, career, their household, their health. They work hard and play hard and are proud of what they do. They tend to think of themselves as the do-it-all guy, and the Chunky man should be no different.

With the do-it-all guy in mind, we introduced new items that were more relevant to modern men and put in place a more impactful partnership with the NFL and ESPN. Our F '18 plans build on F '17 successes. First, we'll offer line extensions to bring news to the category. Second, we are calling out the protein benefit on pack and in our communications. The do-it-all guy wants to feel fuller for longer. We're offering a real food ingredient from our YES list, lean protein, that provides sustained energy and the satisfaction they crave. And third, we're introducing a whole new product line, Chunky Maxx, with 40% more meat than a comparable can of Chunky. Maxx comes in a microwavable portable container to ensure they don't have to slow down to fill up. This even heartier line of Chunky soups is designed by and for the do-it-all guy. It's a manly food with contemporary varieties like bison bacon burger and black Angus beef.

Now I can't talk about Chunky and not talk about football. Across both Chunky and Chunky Maxx, we'll continue to leverage our NFL sponsorship to take it to new heights. This year, our campaign features several of the League's hottest young stars, Antonio Brown, Dak Prescott and Luke Keuchly. So what happens when a hard-working, selfless, do-it-all guy need somebody to fill in for them when they take a few minutes to fill up? Let's have a look at our new ad campaign.

(presentation)

Mark R. Alexander - *Campbell Soup Company - Senior VP & President of Americas Simple Meals & Beverages*

Turning now to Swanson broth. Swanson is the #1 branded broth with retail sales of about $450 million for the last 52 weeks. It is 4x bigger than the next biggest brand player in broth. Category growth is driven in part by the continued popularity of cooking at home and using broths as basis for soups and meals. The broth category has become an extremely competitive space as we discussed in our third quarter earnings call. In the previous 52 weeks, we've seen a 4.7% decline in our retail sales, impacted by the growth in private label and the misperception that all broths are created equal. The result is a fickle consumer who's purchasing based more on price than on benefits and attributes.

In F '18, we're focusing on what makes Swanson the #1 brand in broth, our rich flavors born from heritage recipes. We have initiatives in place to get competitive and turn Swanson around.

First, packaging. New on-pack claims such as 100% natural, made with American farm-raised chicken and America's #1 broth. Second, messaging. We are working on a new harder-hitting integrated campaign that emphasizes the superiority of our broth. And finally, a new platform. We'll introduce a new soup kit that makes it easier than ever to prepare delicious homemade soups that taste like they've been cooking all day. For example, when you combine the chicken noodle kit with Swanson broth [breast] chicken and Bolthouse carrots, you've got a rich soup that will remind you of mom. I'm confident our plans will substantially improve Swanson's marketplace competitiveness.

That wraps up the highlights of our plans for soup and broth in fiscal 2018. We have impactful programs across each of the main soup eating occasions and consumer needs. We're aiming for stable sales performance in fiscal '18 and are continuing to pursue growth for fiscal '19 and beyond.

Turning to our Simple Meals category and Prego Italian sauces. Prego is the #2 brand in the nearly $2.4 billion Italian sauce category, with retail sales of over $500 million in the last 12 months. Prego is gaining market share and closing in on the #1 branded competitor. Its progress is driven by a superior tasting product, competitive marketing, strong merchandising and relevant innovation. We'll follow that recipe again in fiscal '18.

Look for us to continue to reinforce our product superiority messaging through our Love the Splatter marketing campaign. This week, we launched a digital video campaign called Welcome to the Family, a heartfelt demonstration of the powerful benefits of a family meal. Look for it on YouTube and Facebook.

Last year, we introduced Prego's Farmers' Market, a range of clean label, premium sauces that use simple, high-quality and authentic ingredients. We originally designed the line for empty nesters who raised their kids on Prego and were seeking a sauce with a clean label and fresh ingredients, similar to what you'd find in a farmers' market. What we realized in its first year of sales was that the appeal went far beyond the empty nester households and extended to millennial households without kids. Next year, we're going to expand the Farmers' Market range with new varieties, including mushroom, garden vegetable and four cheese.

And now from empty nesters to young parents. Plum is one of our most powerful challenger brands. Plum's got a novel approach to engaging millennial parents. This isn't just about baby food, it's a mission-driven approach focused on helping parents navigate parenting and feeding little ones. It's done by being available every day with helpful and fun information and by showing how empathy for parents drives who we are and the food that we make.

Plum is loved by millennial parents, and it's the leader in the premium organic baby food category, with retail sales growing at a 3-year CAGR of 25%. Innovation is the key growth driver for the category and the brand. While we continue to offer new varieties and drive the growth of infant formula, the highlight of our fiscal '18 plans will be the introduction of Plum baby bowls.

Plum revolutionized the baby food market with the introduction of the pouches the babies could use to feed themselves. We know the parents enjoy the pouches, but they also still have a heart for spoon-feeding. That's the insight for Plum baby bowls. The new bowls contain culinary-inspired blends that are not typically found in the traditional baby jar segment. For example, beet, apple, strawberry chia and apple, spinach, avocado. The bowl is BPA-free and recyclable. The design allows for easy stacking, has a built-in spoon rest and convenient freshness marker. This line will include a 10-SKU assortment that is true to our real food promise of more vegetables, fruits and whole grains.

The final category I'll discuss today is shelf-stable juices. The shelf-table juice category is worth $7.6 billion a year and is available in more than 93% of U.S. households. We've discussed the challenges here many times over the past few years. For the last 5 years, the entire category has been hurt by consumer concerns about the sugar and calorie content in fruit juice. Additionally, consumers continue to gravitate to the perimeter of the store in search of fresh juices and other functional beverages. These shifts have negatively impacted the category and our V8 business. Our beverage business is down this year, but the improvement we are seeing from V8 original vegetable juice and the continued strong growth for V8 +Energy give me confidence. Let's look at our plan to strengthen V8.

Campbell has 85-plus years of vegetable nutrition expertise. The essence of the V8 brand is superior vegetable nutrition. This focus is the core of our long-term growth strategy. We've identified three benefit areas that have over $16 billion in combined market opportunity, nutritional lifestyle support, smart health investment and energy.

Our plans call for growth across all 3 of these benefit areas. With this renewed focus on vegetable nutrition, we're beginning to see the results pay off. In the last 12 months, our classic V8 juice has responded nicely. There's a clear correlation between when our advertising is on and our growth as you can see here. We're playing this plan forward in fiscal '18.

Let me show you an ad from our latest campaign that reminds consumers V8 is the original way to fuel your day.

(presentation)

Mark R. Alexander - *Campbell Soup Company - Senior VP & President of Americas Simple Meals & Beverages*

Next, for fiscal '18, we are reimagining our V8 line that blends vegetable and fruit juices, keeping with our vegetable nutrition V8 brand promised. The line will have new benefit focus labels and product claims. We're calling out the vegetable servings, no sugar added, lower calorie and lower sugar claims on our new labels. In other words, we've taken what would have been buried on the back of our label and proudly put it on the front. While this might seem like a small innovation, small changes often drive big results.

Finally, V8 +Energy is on a fast track for growth for us. Since its launch just 5 years ago, it's grown to over $80 million in retail sales. +Energy offers one combined serving of vegetables and fruit as well as energy from green tea leaves with no added sugars or artificial colors. It tastes delicious. Just Google it and you'll see what people are saying.

In fact, that's just what we were doing last year when we realized consumers were consistently saying something new to us. They were describing +Energy as a delicious drink that give steady energy versus others that give you the peak and crash energy. It was a fantastic insight that we validated and are calling out on our labels and in our marketing for F '18.

Here's a look at one of our newest +Energy ads. This is a digital omni-channel campaign that cuts across the energy we've got for this product.

(presentation)

Mark R. Alexander - *Campbell Soup Company - Senior VP & President of Americas Simple Meals & Beverages*

We've got a clear strategy to improve V8 performance. It calls for, first, more from V8 original juice; second, the launch of V8 Blends, a revitalized veggie fruit blend with a new benefits forward label; and, third, more from V8 +Energy, which delivers steady energy to consumers and dynamic growth for top and bottom lines. We expect to improve the trends on the business in fiscal '18, a key step on our journey back to growth in the longer term. To get there, look for us to invest in innovation in this space that is focused on more from the vegetables without compromising taste.

That concludes our overview for our F '18 priorities for the Americas division. To summarize, we're focused on the taste of our food, the realness of our food, the functional benefits that meet the health and well-being needs of consumers, growing challenger brands and innovation.

Now let's focus on another important strategic imperative, digital and e-commerce, an area I'm leading across all of our North American businesses. You've seen our foresights work on future commerce that Denise shared at CAGNY and we showcased today. I'd like to provide you with a little more detail on our future commerce approach. The goal here is to make bold moves and do it in a rapid pace. Let me share what we've been up to.

We estimate between 2017 and 2021, e-commerce retail sales of food and beverages in the U.S. alone will reach $66 billion, a compounded annual growth rate of 38%. It's the early days for grocery e-commerce. We see a larger opportunity to generate more top line growth for Campbell by accelerating our digital marketing and e-commerce efforts. But we must be bold in our strategy and our choices, and we need to move fast. Consumer options for how and where they buy groceries are changing rapidly. Shoppers today have immediate access to pricing, product information and product reviews, literally from the palm of their hand.

Across the company, we have seen pockets of success, including Bolthouse Farms and Campbell products and meal kits with Chef'd and Peapod. In fact, Bolthouse Farms is a pioneer for Campbell in the online meal kit space. We've launched over a dozen dash buttons for brands like V8, Plum, Milano, Campbell's and Goldfish.

e-commerce isn't one thing. It's a series of tools, technologies and behaviors that, over time, build consumer expectations of convenience. It happened in entertainment, it happened in apparel, and now, it's happening in food. So let's talk about how we're going to get there.

We're going to scale the company's digital marketing capabilities, create an integrated e-commerce approach for all of North America, drive innovation and develop a new supply chain model. Let's dive into what that looks like at Campbell.

Success in digital marketing will focus on moving from digital mass to digital personalization. In the past, we've shown you the volume of content we've created for digital, digital banner ads, videos, new content for campbellskitchen.com, to name a few. Expect us to share less volume of content and more customization of content. We are building capabilities to drive more meaningful connections with consumers in more relevant ways, meeting them where they are, showing them what they need and delivering it to them instantly.

For example, we use geo-location, an approach that uses data to drive precision and relevance to our target -- to target our marketing, and it will be fueled by analytics to reduce wastage and improve returns at a pace never seen before. These are just a few of the digital engagement capabilities that we'll develop and scale to win in the space. Our methodology will be to leverage what digital is best at, speed and learning at speed, allowing us to invest in what works quickly and then scale that across the business.

Second, we're creating an integrated approach to e-commerce. There are pockets of teams throughout Campbell that have done some great work on digital marketing and e-commerce. We looked at several ways we can organize for growth here and are confident we need to center this work in one organization if we really want accelerated growth. This organization will be set up like a microcosm of Campbell but on adrenaline. It will have cross-functional teams made up of sales, marketing, supply chain and insight experts who will be driving our e-commerce growth across all of our company's brands.

We've looked across all divisions to pull together the talent and the capabilities. Where we have skill gaps, we're aggressively recruiting for top digital marketing and e-commerce talent. We've got about a dozen people in the organization to date, and I can tell you, these folks are smart, talented,

savvy and high velocity; exactly what we need to drive rapid growth mission.

Let's shift now to how we'll drive digital and e-commerce innovation. To stay ahead of consumer trends, we are fostering a rapid test and learn environment where we can innovate, fail and learn fast, identify viable solutions, build abilities and create new and lasting revenue streams. We call this approach the Campbell e-commerce accelerator.

The accelerator has a high-tech company mindset and a test and learn culture. We are focused on fast and effective ways that we can: one, scale new digital and e-commerce capabilities like CRM and social e-commerce; two, develop cross portfolio solutions such as lifestyle bundling and cross-selling; and three, incubate new business models and revenue streams like meal kits and branded service.

We've established our first partnership, the agreement we have with Chef'd, our $10 million investment in strategic partnership gives us a new way to reach consumers directly. We're also learning about the shopping behaviors and purchase decisions.

If you thought our partnership with Chef'd was about putting Campbell products and meal kits you're missing the bigger point. Of course, we'll do that as table stakes. But the more important part of this partnership are the insights we gain. We'll study e-commerce business models, have access to data analytics and insights on shopper behaviors. We'll also test various product innovation capabilities during the 3-year agreement. Here is a short film from Chef'd CEO, Kyle Ransford on our partnership.

(presentation)

Mark R. Alexander - *Campbell Soup Company - Senior VP & President of Americas Simple Meals & Beverages*

This is just the first major external initiative that we plan to leverage to accelerate our development and growth. It will require a strong, fast-paced internal team and a range of creative, ambitious external partnerships and a whole new way of thinking about supply chain to be successful at e-commerce. And that is exactly what our plan is all about.

The final piece of our strategy is a new supply-chain model. Today manufacturing and warehousing are combined in our plans. Product is delivered from these warehouses to customers and then to stores and ultimately to the consumer. It's not an ideal way to meet the changing needs of the various channels we serve. This is particularly true for e-commerce.

That's why we're building a flexible distribution system, able to bundle, customize, reconfigure and ship packs of our products directly to the consumer or our customers' warehouses. In February, at CAGNY, we described our plans to invest in a network of distribution centers to decouple our logistics and distribution from manufacturing. The first facility is in California and the second will go online in August in Texas. We're putting together an agile digital and e-commerce organization to deliver the products and services our consumers demand and rapid growth for Campbell. That starts with leadership.

Today, I'm pleased to announce Campbell has hired Shakeel Farooque, as head of our new digital and e-commerce organization reporting to me. Shakeel brings both a consumer and technology focus. His background is in retail where he worked previously for Amazon, eBay and Kohl's. He told me recently that it's all about the build for him. That's exactly what we need him to do here.

Shakeel's organization will be a dynamic fast-paced team that is hardwired to move quickly, drive and grow. e-commerce is a significant opportunity for the CPG industry. Only 1.5% of all grocery sales are done online today. And it currently represents about 1.2% of the company's total sales in the U.S. As Denise mentioned earlier, our objective is to generate $300 million from e-commerce over the next 5 years. We're moving quickly across 4 priorities and putting a full organization in place to really get at this.

Let me finish my remarks where we started. It's all about growth. Over the course of the day, we've outlined our plans to achieve and sustain it. We remain true to our dual mandate, strengthening the core business, while expanding in faster-growing spaces. There are elements of both in our plans for the Americas division and the new digital and e-commerce organization.

We feel good about the F'18 plans for the Americas division, Campbell has a long history of leading change in the center of the store and that is the role we intend to play once again. And e-commerce represents the future of food commerce. Only those who get there in a fast and smart way will win, and Campbell intends to do just that.

With that, Ken, I think we're ready to take some questions.

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

Thank you, Mark. So I will ask each of the presenters to come up and have a seat, and we are right on schedule. If you could while they are getting set up here we will hand you the mic and just for the transcript, if you would, your name and your firm would be helpful. And we will get you the mic.

QUESTIONS AND ANSWERS

Alexia Jane Burland Howard - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Alexia Howard from Bernstein. So just focusing on the U.S. Simple Meals business and soup in particular. We've been hearing about how the retailer environment has been getting more difficult here in the U.S. particularly and price points are getting sharper. If I look at the Nielsen data, it looks as though your price points in soup have come down or at least that's the way they're going from the retailer to the consumer. Can you just talk about the environment and how confident you are that you could hold onto the pricing? And then as a follow-up, can I just asked about the decision to leave the GMA? What prompted that and is there a philosophical difference there?

Denise M. Morrison - *Campbell Soup Company - CEO, President & Director*

You take soup and I will take the GMA.

Anthony P. DiSilvestro - *Campbell Soup Company - CFO and SVP*

Yes, Alexia, thanks for the question. Yes, it's a challenge. Everyone is fighting for growth out there across all the center-of-store categories, including soup. We have had some price realization over the last couple of years, more last year than this year, but we've held onto -- we've held onto most of that through this year. Certainly, we see the commodity cycle starting to move back into a slightly more inflationary situation as we look forward, and I'm pretty confident we're going to be able to hold on to what we've got.

Denise M. Morrison - *Campbell Soup Company - CEO, President & Director*

Regarding the decision on GMA, there's 2 ways to look at it, why did you decide to leave it? We actually turned it around and said, why would we stay on it? The GMA has grown over the past few years, more as a lobbying and regulatory association dealing with a lot of the regulatory issues on -- in the food industry. What we have experienced is finding ourselves at odds with some of the positions. And when you think about it, you step back, it's comprised of mostly very large food companies and not a lot of small companies and our philosophy seems to be aligning more with the smaller food companies. And so we therefore, as a leadership team made a decision that if you're going to associate, you want to associate with an association that shares your value. And so therefore, we made that decision.

Matthew Cameron Grainger - *Morgan Stanley, Research Division - Executive Director*

Matthew Grainger from Morgan Stanley. In C-Fresh, can you talk a little bit more about the decision to shift to a broker sales model just given how competitive that area of the store is, all the investments you're making and your infrastructure there. Is there any risk that you're giving up some degree of influence and how that section of the store evolves your ability not only to sort of get products on the shelf but ensure that they stay there, and that it's not sort of a quick ramp when you increase coverage, but it's harder to sustain that presence?

Denise M. Morrison - *Campbell Soup Company - CEO, President & Director*

Well, first of all, it's not -- C-Fresh is not going to a 100% broker. C-Fresh is being integrated with the rest of the Campbell brands into 1 integrated United States sales organization, of which there are many direct teams against customers and actually the fact that we put it all together -- it enabled us to go deeper on direct coverage of customers. We do have a partnership with Acosta for some headquarter coverage and also our retail merchandising. In that respect, C-Fresh will actually gain from that coverage because we did not have a lot of resources in the stores whereas Acosta has lots of feet on the street that are trained in fresh and have relationships in the perimeter. So we believe it will be really very value-added to the business.

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

Can you hand it to Rob?

Rob Moskow - *Credit Suisse - Analyst*

Denise. You've been talking about the real food mantra now for a couple of years. And I want to know are you going to put any metrics in place to measure whether consumers are -- whether it's resonating with consumers, whether they think of the Campbell brand differently, especially Millennials. A lot of your competitors are doing similar things, from removing of artificials, but have you had to see anyone kind of keep track of whether this has impacted consumer attitudes towards brands and as your most valuable asset, I was wondering if you could help me with that?

Denise M. Morrison - *Campbell Soup Company - CEO, President & Director*

I don't know, if you want to talk about it.

Mark R. Alexander - *Campbell Soup Company - Senior VP & President of Americas Simple Meals & Beverages*

I can start Rob, we measure our attitudes towards our brand every day. And I believe that if you look at our competitiveness now and the categories that we are in, starting with soup, we are in much stronger position today than we were a number of years ago, and then consistently, really competing effectively there. I believe that probably the single most important driver of that is the food, which is a combination of the realness of it that also to taste superiority. We've done a lot of work. We benchmark and test all of our products on a regular cycle against competition. And when I say it begins and ends with the food and the consumer, that's what I mean. It's that our food has to be better. So the part of the food being better is it being real and the other part of it is being taste better. And I think that's what's a big driver in the competitiveness that we are demonstrating and also in the strength of our brand affiliation.

Rob Moskow - *Credit Suisse - Analyst*

So just a follow-up. Does that mean that you've tested the taste profile of your food? You have data that shows that it's improving versus competition, and that's aligned with your market share improving also? So that's just as important if not more than whether people associate real food ingredients or artificials?

Mark R. Alexander - *Campbell Soup Company - Senior VP & President of Americas Simple Meals & Beverages*

It's a component. I think it's a combination of making the food taste better, making it more real. Actually, those ideas don't fight each other. When you get the chefs and the product developers together by making it more real and using more real ingredients and few artificials, you actually can improve the taste profile and I believe that's a big driver for us.

Denise M. Morrison - *Campbell Soup Company - CEO, President & Director*

The other mechanism we are paying attention to is the household penetration, particularly amongst the next generation of consumers, because we over-index with our core business on baby boomers and some of the new brands that we have bought, some of the challenger brands that we have developed in internal innovation like Well Yes! and Farmers' Market are starting to make major penetration inroads with the next generation, which is important for our future.

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

David?

David Sterling Palmer - *RBC Capital Markets, LLC, Research Division - MD of Food and Restaurants and Consumer Analysts*

David Palmer, RBC. Anthony, on one of your slides you talked about the incremental savings over the next few years. I think it's $225 million of incremental versus -- or no $140 million of incremental over the next 3 years versus a little over $200 million over the last couple of years or so. In other words, the cost savings aren't going to be ramping up quite as quickly as they did in the recent past. I presume, therefore, that improvement is going to be more along the lines of mix and other things top-line oriented. Maybe you can just talk about just big buckets, the things that you will most improve upon in terms of driving the P&L going forward, big buckets?

Anthony P. DiSilvestro - *Campbell Soup Company - CFO and SVP*

Okay. You're, right. The incremental savings are about $150 million through 2020 and that should come relatively evenly over those 3 years, and they come from a couple of buckets: network optimization; leveraging our scale through things like integrating the sales organization; more fully integrating our recent acquisitions and capturing some synergies. As Denise and I both mentioned, about half of that over time is going to go back into many reinvestments that you heard about today. Mark also mentioned cost inflation, it's rearing its ugly head a bit of late. And we expect that to continue into F'18, even approaching kind of 3%, kind of level overall. So that's going to be a headwind for us. We'll continue obviously to work on mix. I think we've actually got it going a bit the other way now with the starting point for C-Fresh instead of it being negative mix, it should be a positive mix, right? And there is significant top and bottom line opportunities there. So that should help. Net price realization will be more challenging all right? We don't -- we expect some modest improvements going forward, but not significant, given the very challenging and dynamic environment that we're in today. So that's just a few other pluses and minuses.

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

Jonathan and then Andrew then Dave?

Jonathan Patrick Feeney - *Consumer Edge Research, LLC - Senior Analyst*

I guess, it's a follow-up Anthony about when I actually multiply out through fiscal '20 it looks like according to your plan we get $100 million or so coming from your target on C-Fresh. So that doesn't leave between that and then even half of the $150 million and savings, it doesn't leave a lot of room for core margin expansion. To use your reference earlier you were sort of moving from medium to like fourth in terms of margins. Are you saying like you're kind of in the right place at margins maybe long-term and that's not something -- not really accelerating the top line is where we need to go at this point?

Anthony P. DiSilvestro - *Campbell Soup Company - CFO and SVP*

I definitely think there is margin opportunity going forward and our long-term targets imply 40 to 50 basis points of margin improvement every year. And I think, in addition to this discrete cost savings initiatives that we're talking about the Americas division and its role is to deliver margin expansion. So there's things happening within the business with improved productivity within the supply chain, some net price realization. In GBS, we expect top and bottom-line growth over time for that business. So I think we're talking about the cost savings, but there's other things happening within the businesses, which would contribute to margin expansion over time.

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

Can you send it to Andrew, Jonathan?

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

Andrew Lazar, Barclays. Just 2 quick things. One, I think on third quarter call you talked about -- seeing you could make, I think it was significant progress towards your 10% C-Fresh margin in fiscal '18. I don't know if I heard that today, I'm trying to get a sense of that. Still broadly how you think about it? Or if something has changed there? And then as you integrate C-Fresh in terms of leveraging the organizational scale sales force, supply chain, things like that. How do you ensure that you don't lose the entrepreneurial spirit that is around C-Fresh? Because we've seen that happen obviously in a number of other examples throughout the industry?

Anthony P. DiSilvestro - *Campbell Soup Company - CFO and SVP*

I'll take the margin comment. We do anticipate I would call fairly significant margin expansion in C-Fresh in F'18. I don't think it's over half the way to the 10%, right? But I think we will get a good chunk of it the way there.

Edward L. Carolan - *Campbell Soup Company - President of Campbell Fresh*

And then I'll build on that now coming to your second point Andrew. What I highlighted in the presentation we're going to focus on 3 big areas to make that progress starting in fiscal '18 on margin. So there will be focus around procurement, conversion opportunities as well as logistics. So our integrated supply chain effort is all meant to give us some capabilities, resources and talent to all make that happen. So that's what's going to help us make the progress starting in F'18. Your second question is a great one. And we've talked a lot about that with the new management team. As we did the strategic deep dive, that's where we really came out with the idea that we needed to transform the business model and if you looked at that business model, what it does is it describes areas where we believe we can leverage the best of the big company capabilities, things like sales and supply chain where the scale, the capabilities, the best practices, the technologies, including our partnership with Acosta. We can bring all those things to bear and bring them to bear pretty quickly on C-Fresh. We've then focused on other areas, largely things like marketing and R&D that are really close to the consumer. And we've identified in that new business model things like a small brand approach and defining how small brands, how they innovate, how they go-to-market with consumers, things like rapidly incubation, how we're going to create a different way to actually incubate new ideas and bring them out to the market. So we've tried to separate that out and we call that the best of small. So we're really going to stay closer to the consumer on best of small and then other things we're going to leverage the best of the big company capabilities.

Denise M. Morrison - *Campbell Soup Company - CEO, President & Director*

I think we've proved that model out pretty well with Plum organic baby food where we have a contingency in California that is largely marketing insights, R&D, and yet they access the Campbell scale for go-to-market. Bolthouse Farms and C-Fresh is now located in Santa Monica and in Bakersfield, California and also in Ferndale, Michigan. So it's a pretty virtual little company within the big company and yet we'll do the same thing. Share the resources where it makes sense and be differentiated where it needs to. And that seems to be a model that keeps the brand identity and yet leverages the scale of a large corporation.

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

David and then Bryan. Yes?

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

David Driscoll from Citi. Had 2 questions. [Wanted one] to address the U.S. Snacks just a little bit about what you're seeing in the competitive environment in terms of your competition [looking] to eliminate the DSD system. Have you considered something similar? And can you just kind of walk us through what you're looking at right there? (inaudible) Mark, I'm saving this for you. The -- I have 2 questions for you. Can you comment, just, basically, is it a net positive to the business overall? People talk about the unlimited shelf space in e-commerce as a negative [or the negative]. Can you talk about e-commerce as an unlimited shelf space, and that's a negative for the brand? So I'd like to hear your opinion on it if you could.

Luca Mignini - *Campbell Soup Company - SVP and President of Global Biscuits & Snacks*

Okay. So we focus on what we do. First of all, more than if competition decide that they want to keep using DSD not. I believe DSD properly used allows you to have very strong distribution, build up distribution very strongly in very short period of time. The example of Farmhouse, the new product we launched, the crispy biscuits, we were able to have a very good distribution and execution in the point of sales. So I believe we have 2 businesses, the bakery and the biscuits. DSDs is an essential distribution system for us. That doesn't mean that you cannot do things better. But quite honestly, we plan to make it better, and we believe it's competitive advantage if we use it properly. So -- in terms of speed, in terms of merchandising, then, you have a choice. We have brands that go through warehouse and brands that go through the DSD or both. But I mean, I would say, at this point in time, that's what we look at. I don't know, Carlos, if you want to add anything.

Carlos Abrams-Rivera

I mean, we have a series of independent distributors that we believe have -- managing their own business, and they're looking to continue to grow and win. And it's helping them, and it's helping us. So we continue to believe the DSD is the right place for us to invest as we are -- continue to grow and drive profitable, successful business.

Mark R. Alexander - *Campbell Soup Company - Senior VP & President of Americas Simple Meals & Beverages*

Yes. David, just, I guess, quickly to answer your e-commerce question. First of all, I think the question you asked is specifically about what we call e-grocery, which is buying products online. That's a part of what we're talking about. Clearly, it's sort of the most developed part so far. But when we think about e-commerce, we also think much more broadly around connected services like meal kits and different delivery services, all the way through to the Internet of Things and auto replenishment and stuff. So we're thinking much more broadly about e-commerce than just the e-grocery channel. But the question on e-grocery is I think the premise is right. There is millions of items out there, but as -- a consumer can't search millions of items. They're not out there deciding which of the million things they're going to buy. In fact, when you look at consumer choice, in many ways, it's almost more limited because they're going to go and they're buying off that first page. They're buying off the list they created the last time. Do you want to just redo that? We're seeing those kinds of behaviors get entrenched very early. So the effect, in many ways, is actually kind of almost opposite to that endless -- people going to buy millions of things, what -- in terms of the behavior that gets created. So we think that there is and we really believe there's considerable advantage to first mover. And getting on that first page, getting on the list is going to really pay dividends in terms of repeat business and consumer loyalty, and that's what we're aiming to do.

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

Bryan?

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

Bryan Spillane, Bank of America Merrill Lynch. Two questions. One, just in terms of we heard a lot about external development today, so whether it's M&A or making investments. There's also a lot of money, private money being invested in the same areas, so it seems like there's just a lot of money chasing the opportunities. Can you talk a little bit about what advantage you bring to these investments that maybe some of the private money doesn't? Do you bring scale, expertise, just how you think about that? And then, I guess, related, just given the level of investment that's happening and things like incubating and e-commerce. Is there a little bit more risk, I guess, in the medium term in your business or in your kind of delivery of targets just simply because there's -- you're kind of lighting more fuses but not everything goes off at the same time?

Denise M. Morrison - *Campbell Soup Company - CEO, President & Director*

Let me start philosophically with the M&A question, and that is when we look at targets, we have a very, very disciplined process in doing this. We boil it down to what can the target bring to Campbell's and what can Campbell bring to the target. And what we find is when there is alignment on values and purpose, that is a great start because a lot of times, even if business makes sense, if you don't have the cultural norms, it's very difficult to integrate. Second of all, I think that we've established ourselves in the marketplace as really understanding entrepreneurs and not wanting to, as Andrew had asked the last question, not wanting to kill that spirit but to embrace the spirit and allow those brands to flourish by providing scale because we found that some of the -- even the smaller brands get to a certain size, and then they need a capital infusion to be able to go the rest of the distance. And in a lot of cases, we look like a really good chassis for that. So that's the first part of the question. You want to take the second part?

Anthony P. DiSilvestro - *Campbell Soup Company - CFO and SVP*

I can't remember the second part.

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

Just with so much money being invested in more start-up type things or things that -- like investment in supply chain, things that might take a little bit longer to pay off, does it just inherently put more risk in the ability to achieve targets because you've got a lot of money that you invested you wouldn't want to pull out?

Anthony P. DiSilvestro - *Campbell Soup Company - CFO and SVP*

Yes. I think the way we're looking at it is in horizons 1, 2, 3 and making sure we have a good distribution of investments. And what you've seen lately as we've pushed out a little bit on some on the horizon 3, you saw Habit today. You've heard about our Acre investment fund that's making a start-up investments. So by definition, to me, those are a little risky, right? But we're actually watching how much money is out there and comparing it to how much do we have on line extension and next product -- and new products and some of the horizon 2 stuff and just making sure we diversify those investments because I think, over time, right, those will generate those returns. And I think that's about it.

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

Chris?

Christopher Robert Growe - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD and Analyst*

I had a question for you in relation to acquisitions, so a bit of a follow-on to Bryan's question. But like Pacific Foods was a relatively expensive acquisition, is a good growth vehicle, fits really well with Campbell. I'm just curious, as you look, there's more and more money chasing fewer and fewer growth assets out there. Are you seeing multiples expand significantly and perhaps to a level that's not that enticing? And then I'm just also curious if C-Fresh could handle an acquisition at this point. Is there more work to be done there before you're going to start adding on to that enterprise?

Anthony P. DiSilvestro - *Campbell Soup Company - CFO and SVP*

Yes. I mean, clearly, multiples are rising. There's a lot of money out there chasing growth. Growth is expensive, and I think the way we look at it is we have a very disciplined approach. Targets have to be strategically compelling. They have to be accretive to our growth profile. They have to work financially sometime. That's the deterrent to many of the most recent types of transactions. To me, Pacific is the perfect example because it offers both growth potential and it's in our wheelhouse. We make these products, and I think that gives us an opportunity to create value not only by driving growth and leveraging the brand but bringing our own expertise on the supply chain side. So I think the combination of growth and margin, we're very confident that we can create value with that acquisition.

Denise M. Morrison - *Campbell Soup Company - CEO, President & Director*

And what Pacific brings us is new channels, new consumers because they have a consumer base that's much younger than what we enjoy today, a new platform to expand into new categories. So there's a lot of things that strategically that this brand name can provide a platform for growth for us.

Anthony P. DiSilvestro - *Campbell Soup Company - CFO and SVP*

But I would say price is a limiting factor. We've walked away from a number of transactions.

Denise M. Morrison - *Campbell Soup Company - CEO, President & Director*

Why don't you take C-Fresh?

Christopher Robert Growe - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD and Analyst*

C-Fresh question, yes.

Edward L. Carolan - *Campbell Soup Company - President of Campbell Fresh*

Yes, yes. So the question on C-Fresh, can we handle it right now. The direct answer is yes because, one, in the marketplace, even though it's gotten more competitive, when a great opportunity comes along, we want to be ready to really take a hard look at that. And if we think it can create value for the company, then we want to be able to move forward with it. You heard me talk this morning, though, about how we spent the last 8 months or so strengthening the foundation. That also gives me a lot of confidence that we have made a lot of progress to strengthen things like quality and supply on carrots, quality and supply on beverages, some of our biggest businesses. No doubt, there's still work to do, but we've got a stronger foundation. We've got a new management team. We've got a strategic deep dive that has informed where we're going. So I think that also puts us in a position where I feel more confident about that right now going forward.

Denise M. Morrison - *Campbell Soup Company - CEO, President & Director*

And we learned a lot, and we'll apply those lessons going forward.

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

Okay, Steve and then Rob.

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

Steve Strycula from UBS. So Denise, you're planting a lot of seeds out there right now, a lot to be optimistic about long term. But what 1 or 2 needle-moving things really have to happen and gain traction for you to hit your flywheel of 1% to 3% top line growth, 5% to 7% EPS growth longer term?

Denise M. Morrison - *Campbell Soup Company - CEO, President & Director*

Well, I think, first of all, we can make the long-term targets with the stability of the soup business, although our plans call for moderate growth of soup. We need to make sure that we get better trends on the V8 business and return that business over time to growth and then finally, making sure that C-Fresh hits its stride as the full-force growth business that we currently designed our portfolio roles for. And we believe that all 3 of those can happen. It's in our court to do that. And when those happen, the math works.

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

Okay. So with inflation perking up a little bit next year it seems and the V8 business taking a little bit longer to turn but albeit sequentially better, is it fair to think that closer like this fiscal '19's probably when you hit that stride? Is that a fair way to think about it of that longer-term algorithm?

Anthony P. DiSilvestro - *Campbell Soup Company - CFO and SVP*

Yes. I don't think we're going to give you an exact date of when we're going to get there, but all of our efforts, all the investments that you heard about today, the things that Denise just mentioned are required to -- of us to get up into that 1% to 3% range, and we'll continue to work for it.

Denise M. Morrison - *Campbell Soup Company - CEO, President & Director*

Yes. And the investments in the faster-growing spaces that we just talked about today need to carry that sustainably over time.

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

If you can hand it -- oh, that's fine.

Robert Frederick Dickerson - *Deutsche Bank AG, Research Division - Research Analyst*

Rob Dickerson from Deutsche Bank. That -- he actually kind of -- Steve actually kind of stole my question. Try to rephrase it in a way. So just in terms of V8, you did call that out. So you did say the 1% to 3% long-term guidance that's partially contingent on the turnaround of V8. So I'm just curious, like that's kind of -- I don't want to say if 1% to 3% is contingent on V8 and then the 4% to 6%, 5% to 7% is kind of contingent on the 1% to 3%. Internally as an organization, is this turnaround of V8 this year or in '18 really obviously a main focus? And then if that just doesn't happen because we've kind of all wanted V8 to turn around, let's say, for some time, are there other levers that you could pull either above the line, cost savings, top line or below the line that may kind of help balance out that longer-term guidance of 4% to 6% in operating profit?

Mark R. Alexander - *Campbell Soup Company - Senior VP & President of Americas Simple Meals & Beverages*

Yes. I mean, I'll start. Like I said in the presentation, I mean, I'm confident that we are going to deliver better performance on V8 in fiscal '18. As I said, I don't think we're going to get all the way to a plus sign in front of it. It is a challenged category, but we see trends improving. The main reason to believe is the V8 -- traditional V8 red juice is by far the biggest single part of the V8 brand. And we've got that moving in the right direction. We figured that one out. And I showed you the advertising. The other real insight there was we had moved the Red franchise, and really, were trying to target new -- try to get at new consumers. And that was really unproductive. And when we went back, you might have noticed the ad. Those are baby boomer consumers. That is the sweet spot for V8 Red. We went back -- go back and just talk to those people and remind them about V8. It responds, and that's -- it's very reliable. So we feel confident that we know how to move V8 Red in the right direction. We've got a proven track record on energy, so like, yes, that's good. We just need to keep driving that. We need our blends, which is a combination, putting Fusion together with the veggie Blends into one Blends line. That new presentation, we need to see the trend improve on that. That's the one we don't have the evidence on yet because that's just coming through yet. But when you put that all together, I have no reason to believe that we're not going to see a decent improvement in trends.

Anthony P. DiSilvestro - *Campbell Soup Company - CFO and SVP*

And the other...

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

Next -- I'm sorry.

Anthony P. DiSilvestro - *Campbell Soup Company - CFO and SVP*

What's that?

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

No, no, I thought you're done, sorry.

Anthony P. DiSilvestro - *Campbell Soup Company - CFO and SVP*

Yes. I think there was another part to the question. I mean, we believe the best way for us to create value over time is to improve our top line performance, and we really come at this thing with a balanced approach. I believe, we've been very successful at cost savings, and we've delivered a lot to the bottom line. But to me, it's really critical that we take a big chunk of that, right, and reinvest it back into the business to get up into those long-term targets because, to me, the best way to drive the bottom line is through the top line, right? And we need to get that flywheel going. And then you add to that some of the incremental cost savings that we're looking. Then, the whole thing should hang together.

Denise M. Morrison - *Campbell Soup Company - CEO, President & Director*

And the portfolio roles working together with the expectation that the Americas division would be at the bottom of the range of that 1% to 3%, that the Global Biscuits and Snacks would be at the top of the range and that Campbell Fresh would be over the range.

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

Okay. Right on schedule. First of all, thanks to the presenters, and thank you, everyone, for coming. And that concludes today's program. Thanks a lot for coming, everybody.