THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

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

EVENT DATE/TIME: FEBRUARY 21, 2018 / 4:00PM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

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

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

CONFERENCE CALL PARTICIPANTS

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

PRESENTATION

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

We just find our seats, we'll kickoff our final presentation of the morning. CAGNY would like to welcome the Campbell Soup Company back to the conference this year. Please join me in thanking Campbell for sponsoring the yummy lunch that is set to follow the presentation today.

Campbell's CEO, Denise Morrison, has been the vanguard of shifting the company's portfolio to be more consistent with changing consumer habits across the fresh package and snacking arenas while setting a more realistic and prudent growth outlook for its namesake legacy business. Campbell has taken it up a notch with its recent announcement to acquire Snyder's-Lance, which is set to meaningfully transform their portfolio. We look forward to hearing more about this opportunity as well as an update on how Campbell plans to continue to lead the industry forward.

One note, at the end of the presentation, instead of the typical breakout, we'll all head right outside to my right for lunch, and management will be out there for questions as well.

And over to you, Denise, and thanks very much for being here.

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

Thank you, Andrew, for your kind introduction. And good morning, everyone.

We've been saying this day was coming for many years. Now this day is here. The millennials have not just arrived, but they're taking over. Millennials are now, by headcount, the largest generation in history, not just in the United States but in the world, with 25% of the former and 1/3 of the latter. To my fellow baby boomers, there are now more of them than there are of us. And millennials are making their presence felt all over. As a friend of mine quipped, "If we don't work with them, we'll soon be working for them." This is indeed a big deal, and Campbell has been embracing it in transformative ways. I'll explore this idea more in-depth later. But first, a recap of where Campbell is, where we intend to go and how we intend to get there.

2017 marked another year of significant change, both in the food industry and at Campbell. As I've discussed with you before, a series of seismic shifts continue to drive monumental change across the consumer and retail landscapes. For the last several years, the food industry has been navigating major demographic shifts, evolving consumer preferences towards health and wellbeing, remarkable technology advancements that continue to reshape consumer marketing and shopping experiences, turbulent socioeconomic and political forces that further bifurcate and polarize consumers and a rapidly changing retailer and food service environment. Without question, these shifts are converging, accelerating and disrupting the status quo. They have fundamentally altered the food industry and changed the way we run our businesses. In short, these shifts have created the conditions in which we find our industry today, one where food manufacturers are competing in a slower, more selective consumption environment, where top line growth is elusive.

As a former President once said, "We must make change our friend and not our enemy." This advice rings true today. The one thing of which I'm 100% certain is that the pace of change will continue to increase. In fact, over the next several years, we believe that the rise of millennials and the changing retail landscape, coupled with an emerging set of new variables, will only accelerate the transformation of the food industry.

Let's talk about what the tipping point is tipping over. As I stated earlier, millennials have become the dominant demographic in the United States, not only in size but in influence. As this generation comes of age, they're beginning to exert their influence over many aspects of our society: politics, culture, business and food. And it's becoming clear that their tastes and preferences are far different from their parents. To start, they are the original digital natives. They're the first generation to come of age in an on-demand world, a world where they're connected to information and commerce anytime, anywhere. This hyper-connectivity has had significant impact on their brand preferences and their shopping patterns. It's not just what they're shopping for that's changing, but how their shopping is changing. As a rule, they avoid established brands, unless those brands speak to them directly. They prefer smaller purpose-driven brands, and they tend to shun shopping in mass channels. Unlike earlier generations, their comfort with digital makes them more willing to share personal information. They don't want to be marketed to. They want to be connected with. Millennials sit somewhere between resistant and impervious to advertising. One of the only thing that attracts their attention and connects them to your brand is if you can forge a common and meaningful bond with them, one that is based on purpose and values. They also expect and demand a personalized experience. And emerging technologies, such as voice activation, virtual and augmented reality and artificial intelligence will deliver it.

Of critical importance to Campbell, millennials have different views on health and wellbeing, and they're willing to pay for items they deem important, including food and snacks. They exercise more and eat smarter than previous generations. And not surprisingly, they are wired for wellbeing, using a variety of wearables, apps and data to monitor their health. And while they have less income than baby boomers for now, they're willing to spend their money on compelling food experiences such as dining out, home delivery of groceries, meal kits and special occasions like friends-giving.

Generations are always shifting, and we have our eye on Gen Z. These mobile natives are just beginning to come of age and exert their influence on food. This generational shift has not only impacted our consumer base, it has fundamentally changed the composition of Campbell's workforce. Today, millennials represent 35% of our salaried employees. Millennials are encouraging Campbell to be more purpose-driven, more attuned to health and wellbeing and more committed to personalized engagement through technology.

Now let's turn to the rapidly evolving retail landscape. It's literally changing before our very eyes as consumers adopt new shopping behaviors. Retailers are responding to shoppers' increasingly personal needs, changing purchasing habits and expectations for immediate response. We call it future commerce. Clearly, the biggest and most obvious change is the growth of e-commerce. And while the full impact of this phenomenon has yet to be felt in food, it will. E-commerce will fundamentally alter the food industry, just like it transformed the fashion, electronics and entertainment industries, where we've already witnessed those tipping points, or should we say toppling points. This change is well underway. Amazon's acquisition of Whole Foods, the subsequent response from other large retailers and the emergence of drone delivery and driverless cars will fuel the acceleration of food e-commerce. Annual sales may be modest today, but by 2022, we expect online sales in food to balloon to nearly $100 billion in the United States, 5 times larger than it was at the end of 2017.

But the changes in the food industry environment are not limited to the e-commerce space. As we look ahead to 2025, we see a rapid and dramatic shift as traditional channels risk losing share to faster-growing ones including online merchants as well as value, specialty, convenience and drugstores. Granted, we do anticipate growth in traditional channels, but we expect this growth to be more modest in comparison to the multiple channels to which consumers from all demographics are flocking.

Welcome to the future of retail, where an integrated marketplace is forming, a marketplace where technology is enabling frictionless commerce. This new integrated marketplace is bearing down on the industry at a furious pace.

This is not the beginning of the end. It is simply the end of the beginning. Stores are not going away, but their role is evolving. Until now, stores were the center of the food retail universe. In the integrated marketplace of the future, they'll become a single node in a complex network of consumer options. The consumers' home will be another node in the network, with many retailers battling for control of the digital pantry. The home will become the center of the Internet of Things and will literally become part of the supply chain. This is completely inverse to the traditional way people shopped and how food makers and retailers interacted. In the integrated retail marketplace, the consumer is more empowered than ever. The power is literately in their hands as they navigate the market with ease through smartphones and other mobile technology.

But for every door that closes, another one opens. At first glance, this emerging retail landscape seems daunting. But think back to the early days of the club stores. When we approach these type of changes in the right way, they present tremendous opportunities. To be competitive, food makers like Campbell's must adapt to the new retail integrated marketplace.

The downside to all this change is that it's led to an overall slower growth environment. Over the last 5 years across the board, consumption is slowing. But slow growth doesn't mean no growth. Of course people are still eating, but they're eating differently. What they're eating and where they're shopping has changed. Their shopping habits are swinging to click-and-collect options and unmeasured channels as consumers continue to experiment with meal kits, home delivery of grocery and freshly prepared meals. All of these changes have significant implications for Campbell, and we're responding by evolving our operating model to compete more effectively. For example, we're transforming our portfolio towards faster-growing brands and categories. We're accelerating and diversifying our distribution in other channels. In general, we're becoming a more agile company, with brands that appeal to and connect with new generations of consumers.

My father always told me that failing to prepare is preparing to fail. At Campbell, we started preparing for these tipping points 7 years ago. We declared our purpose and values and invested behind our Real Food Philosophy. Among the many changes that we've made through my time as CEO, articulating our purpose, real food that matters for life's moments, may be the most significant action we've taken to reposition the company for growth. Our purpose has helped us capture who we are, what we believe and has moved us closer to the company we aspire to be. It serves as a filter for our decisions from the ingredients we use to the way we allocate resources, from -- and the acquisitions that we make. It's the compass we return to time and again as we make decisions, big and small.

We've leveraged strategic foresights to identify longer-term growth platforms. They include future commerce or the integrated retail marketplace, which I just described. Better. Me, which advances the emergence of nutrition systems that leverage biometric data to provide personalized food options. We believe this technology will have a profound impact on consumers' food choices. And My. Moments, this is being driven by the increased deliberate snacking and mini-meal behaviors around the world that offer people more physical, functional, cognitive and emotional benefits. We're transforming Campbell through external development, and we've acquired new businesses to expand into faster-growing spaces of health and wellbeing and snacking while simultaneously divesting businesses in slow growth markets like Europe. We've established clear portfolio roles for our brands. We've implemented a successful cost-savings program that has delivered more than $365 million in savings to date and invested a portion of these back in the business. We've implemented new models of innovation by seeking out dynamic partnerships, like Chef'd, a leader in home-delivered meal kits; forming a venture capital fund that invests in early-stage companies that are disrupting and redefining food; and funding Habit, our personalized nutrition start-up. Finally, we formed a new digital and e-commerce unit to earn more than our fair share in this emerging channel.

Look, talk about anticipating tipping points. We've redefined the essence of Campbell. We're no longer just a canned soup company. We're a company moving with purpose and determination towards health and wellbeing and snacking, a direction that will appeal to new generations of consumers. Today, we're a company built around real food and real snacks, a foundation which we believe will ultimately lead to sustainable, profitable growth.

Here is how we lean forward in pursuit of that profitable growth. All great organizations start with their people. In today's highly competitive environment, attracting, developing and retaining the right talent and capabilities is essential to build a winning culture and team. Our growth agenda continues to be guided by our purpose and is driven by 3 key strategies: optimize the value of the core; increase health and wellbeing, food, beverages and snacks; and accelerate new models and accelerate distribution.

Campbell has a long and proud history of providing good, affordable food that's accessible to most people. I'm proud to say that Campbell built on this heritage and declared our goal to be the leading health and wellbeing food company. That is to have all of our food be real food over time and have a greater percentage of our annual sales coming from brands with unique health and wellbeing attributes as defined by consumers.

Today, Campbell is one of the leading players in this space based on the percentage of sales from health and wellbeing products. We have more than $1 billion in annual net sales from fresh products. Our food provides more than 15 billion servings of vegetables and more than 4 billion servings annually of whole grains to consumers, and our organic portfolio is in the top 10 in the industry.

As I've said before, health and wellbeing means different things to different people. That's not just my opinion. That's based on what consumers are actually saying. They have a far-reaching view of health and wellbeing, one that extends well beyond the traditional government description, and no amount of advertising or government definition will convince them otherwise. Today's consumers view fresh and clean-labeled foods as the main drivers of health and wellbeing. 64% of primary shoppers consider clean eating synonymous with healthy eating. And fresh items topped the list of foods deemed as both highly clean and highly healthy.

The fastest-growing segment of the market is the organic non-GMO category, which increased nearly 7% last year. This fact bodes well for many of our brands, including Bolthouse Farms, Pacific and Plum, among others. 44% of Campbell's annual net sales are generated from brands that meet consumer-defined health and wellbeing attributes, placing us in the top 1/3 of all food companies.

Given where we stand, I firmly believe that Campbell is strongly positioned to achieve our goal of being the leading health and wellbeing food company, particularly when you consider our key acquisitions in this space: Bolthouse Farms; Plum Organics; Garden Fresh Gourmet; Pacific Foods; and most recently, our plans to acquire Snyder's-Lance, which will expand our capabilities in better-for-you snacks with many gluten-free, organic and non-GMO offerings.

Bolthouse Farms and Garden Fresh Gourmet form the core of our Packaged Fresh platform and are at the center of our Campbell Fresh business. We firmly believe that the Packaged Fresh category continues to offer strong growth potential. Consumers' desire for fresh food is not a fad. It's a way of life, and we don't expect that to change. The addition of Plum Organics diversified our portfolio and has provided us with an important window into the lives of millennial parents and their children. And finally, Pacific Foods' natural and organic offerings are a perfect complement to our core soup and broth business, which will continue to play a crucial role for Campbell.

We continue to drive innovation in the health and wellbeing space across the company. Despite recent challenges, we remain focused on returning the Campbell Fresh CPG business to profitable growth, with an emphasis on innovating our Bolthouse Farms beverage portfolio.

Our first step in fiscal 2017 was entering plant-based nutrition with the launch of Bolthouse Farms plant protein milk. It's off to a solid start and can be found in the dairy aisles of more than 7,000 stores across the country.

Our next step is rejuvenating the super premium juice segment. We recently started shipping 2 unique lines that focus on consumer-driven functional benefits. The new Bolthouse Farms B Line delivers great taste with reduced sugar, an ingredient consumers are increasingly trying to avoid in their diets. B Strong delivers 16 grams of protein with 70% lower sugar than the leading refrigerated protein drink. And B Balanced offers health benefits of fruit smoothies, but with 50% less sugar than other brands.

We continue to build innovation in Plum with organic infant formula; organic baby bowls, the first of its kind in the baby food jar segment; and an organic kids beverage with 70% less sugar than the leading kids' drinks.

With V8, we're investing to reinvigorate the brand. We're extending the reach of our V8 original beverages to new consumers and expanding V8 +Energy, which provides better-for-you energy through green tea. And we're adding new innovations to fill a consumer need within the category at an accessible price point. Our new V8 Hydrate provides superior hydration with natural electrolytes. They contain no artificial flavors, preservatives or sweeteners, and they taste delicious.

Now let me spend some time on Pacific Foods and share with you the important role our core soup business continues to play for Campbell. On December 12, 2017, we closed on our acquisition of Pacific, a business that generates approximately $225 million in annual sales. Pacific is a natural foods pioneer with strong health and wellbeing and organic credentials, particularly with the younger millennial consumers I spoke of earlier. The addition of Pacific Foods advances our real food capabilities, builds on our sustainability imperatives and supports our goal to be the leading health and wellbeing food company. Learning from our previous acquisitions, we're moving quickly to integrate the finance, supply chain and quality functions at Pacific while nurturing the culture and customer-centricity that have made the brand so successful. We'll invest in Pacific by expanding distribution, boosting marketing and increasing R&D, all while executing with excellence with an eye towards driving growth. We believe the addition of Pacific complements and strengthens our position in U.S. soup. While strengthening the offerings in traditional grocery and mass channels, it will expand our presence in the natural and specialty channels.

Let me be crystal clear. Soup remains an important business for Campbell and will continue to play a critical portfolio role for our company as we optimize its value and expand our portfolio in both center store and perimeter. As I stated last week on our second quarter earnings call, we expect soup trends to improve. And while we continue to expect soup sales to decline in fiscal 2018, the declines will moderate in the second half.

We're excited about the upcoming innovation in our core soup business as we continue to meet the changing needs of consumers. Let me share with you some introductions that we're planning. First, we'll launch a premium broth, which we're calling Swanson Crafted, that brings bold roasted flavors and homemade quality to the broth category. Another example of soup innovation is snackable soups, connected to the way people eat today. In June of this year, we'll build on the success of our Well Yes! clean label soups with 5 varieties of Well Yes! sipping soups that satisfy those mini-meal cravings. This convenient offering is perfect for the on-the-go lifestyle.

Snacking is a big deal. It's a tipping point in the way and how consumers eat. It's a highly attractive consumer space with growth rates that outpace many center-store categories. Several years ago, we identified snacking as a strategic imperative to expand into faster-growing spaces. Snacking is growing rapidly and covers a wide range of occasions. 90% of consumers snack multiple times a day. And in the U.S., more than 50% of all eating occasions are snacks. And nearly half of U.S. consumers replace meals with snacks at least 3 to 4 times a week. This macro snacking trend is quite literally becoming the way we eat, reflecting eating on the go and in between busy moments of our lives. That's why snacking is an $89 billion market in the U.S., with a 3-year compound annual growth rate of approximately 3%.

At the highest level, we've identified 2 types of snacks: encouraged snacks and regulated snacks. Encouraged snacks are rooted in health and wellbeing and tend to deliver functional benefits. Think of an Arnott's Vita-Weat, cracker made with ancient grains. Regulated snacks, on the other hand, deliver strong emotional benefits. Think of a Milano moment. This is why snacking is a growth platform for Campbell. It's no longer a little deal. It's a big deal. We've made 2 acquisitions that build on the strengths and capabilities of our Global Biscuits and Snacks. This has been a deliberate move to accelerate a part of our business that has performed well over the last several years. We added the Kelsen Group in 2013, which provides us with a critical foothold in China. And talking of big deals, we recently announced plans to acquire Snyder's-Lance, an excellent fit, particularly with our North American Pepperidge Farm business. We expect to close on this transaction around the end of the first calendar quarter.

Tipping point may not be an adequate phrase to describe adding $2.2 billion in snacking revenue to the Campbell portfolio. The transformational Snyder's-Lance acquisition will significantly expand both our snacking business and our capabilities. It will dramatically shift Campbell's center of gravity.

The combination of Campbell's iconic brands of Pepperidge Farm, Arnott's and Kelsen with Snyder's-Lance's complementary portfolio of powerful brands will make Campbell a diversified snacking leader that will help us meet the changing eating patterns we're seeing in the market. It will also give our portfolio an even greater variety of better-for-you snacks. We're confident that the combination of brand portfolios will create significant shareholder value.

As many of you know, Campbell enjoys a strong snacking business today, which includes iconic brands such as Goldfish, Milano, Tim Tam, Shapes and Kelsen's. These brands are loved and enjoyed by consumers around the world. Through this acquisition, we'll add more leading brands to our portfolio. As you can see here, Snyder's-Lance has a powerful stable of differentiated brands that hold leading positions in the categories where they compete. We believe that combining Snyder's-Lance strengths in innovation, distribution and R&D with Campbell's capabilities and consumer insights, marketing and supply chain will help drive improved performance.

The acquisition is compelling for many reasons. First, it strengthens Campbell's core business and provides us with new capabilities. It accelerates our expansion into the faster-growing better-for-you snack market and nearly doubles the size of our global snacks business. Second, snacking is a business we know very well, and I'm confident in our ability to execute in this space. Snyder's-Lance will become part of our Global Biscuits and Snacks, one of our best-performing businesses over the long term. As some of you know, in the second quarter of 2018, Campbell's Global Biscuits and Snacks division continued to deliver solid performance, with sales growth of up 4%. The acquisition also helps us accelerate our efforts to expand into faster-growing distribution channels. The addition of Snyder's-Lance will expand our offerings in traditional grocery and mass channels and increase our exposure to convenience, drug and natural channels. It will also provide products that naturally lend themselves to e-commerce. Have you ever seen a vending machine without a Snyder's-Lance product? Think about the ubiquity. This gives Campbell's a whole new opportunity.

Finally, we expect to deliver significant cost synergies, which Anthony will expand upon in a few minutes. We're convinced that the combination of these snacking portfolios will deliver margin improvement driven by ongoing cost savings.

Clearly, once the transaction is completed, we'll have a lot of work to do to integrate Snyder's-Lance and capture both revenue and cost synergies. We're taking a very disciplined and methodical approach to the integration to ensure its success. Naturally, there'll be some heavy lifting, particularly in the supply chain, but I'm confident in Campbell's knowledge of the category and our ability to execute.

The combination of these 2 companies brings Campbell to its own tipping point, with a diversified portfolio of on-trend brands across attractive, faster-growing categories. We'll have an unrivaled selection of real food snacks and convenient mini-meals, a growing portfolio of organic and functional foods and beverages and an on-trend Packaged Fresh range. Our combined portfolio will truly offer real food that matters for all of life's moments and meet the needs of the on-the-go lifestyle of new generations of consumers. The combination of Campbell's and Snyder's-Lance decisively and definitively shifts the mix towards the faster-growing snacking category. Our new snacks portfolio will represent nearly half of Campbell's annual net sales while soup will become 1/4 of our annual net sales.

As I said earlier, soup remains a large and important business for Campbell and will continue to play a critical role for our company, but we're evolving to embrace a more diverse, faster-growing portfolio, one that remains true to our heritage, retains our loyal consumers and supports our traditional customers while responding to the industry's dynamic changes. This is truly a remarkable transformation for Campbell. I'm confident it will lead to an improved growth profile. With the changes we've made and the growth opportunities we've outlined today, we remain committed to achieving and sustaining our long-term growth targets over time.

You may have come here this morning with one view of Campbell. I believe you'll leave with a different one. From a company that has been largely reliant on soup to a more diversified and dynamic company that anticipates changing consumer behaviors and is making the bold moves necessary to meet them. We are not complacent. We have not abandoned our past. Indeed, we have widened our grasp to embrace our future.

Thank you, and now it's my pleasure to turn it over to Anthony DiSilvestro.

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

Thanks, Denise. Good morning. It's a pleasure to be back at the CAGNY conference and have the opportunity to share with you our plans at Campbell's. I'll cover a few topics today. First, our fiscal 2018 guidance, our cost-savings program and investments in the business. Next, I'll provide a financial update on our recently completed Pacific Foods acquisition and the pending acquisition of Snyder's-Lance, which we're very excited about. Finally, I'll review our plans for achieving our long-term growth targets and then wrap up.

Consistent with our earnings call last week, we updated our fiscal 2018 guidance to reflect the current outlook for the business, the impact of the Pacific Foods acquisition and U.S. tax reform. At the top line, we expect sales to change by minus 1% to plus 1%, including a 1 point benefit from the acquisition. While we expect solid growth in our Global Biscuits and Snacks division, our sales performance had been negatively impacted by U.S. soup, reflecting lower promotional support with a key customer and declines on our V8 shelf-stable juice business.

We expect adjusted EBIT to decline by minus 7% to minus 5%, including a 1 point decline from Pacific Foods. Our EBIT performance has been negatively impacted by the sales decline in U.S. soup, cost inflation, significantly higher transportation and logistics costs and increased carrot and manufacturing costs in Campbell Fresh.

On the adjusted EPS line, we expect that the Pacific Foods acquisition will be dilutive by approximately $0.05 per share, including the impact of purchase accounting and the incremental interest costs. In addition, U.S. tax reform legislation will result in a benefit of approximately $0.25 per share in fiscal 2018 as we now expect a full year rate of approximately 26%. This brings us to our 2018 adjusted EPS guidance of plus 2% to plus 4%. As we look ahead to 2019, we expect to utilize a significant portion, potentially a majority, of this tax benefit to accelerate investments in the business in several areas which I will discuss.

Now I'll take a minute to review our business and division structure. In total, for fiscal 2017, Campbell had annual sales of just under $8 billion and generated $1.5 billion in adjusted EBIT. Our largest division, Americas Simple Meals and Beverages, includes our soup, simple meals and beverage businesses in the U.S. and Canada. The division includes many iconic brands, including Campbell's, Swanson, Prego, Pace, V8, Plum and our recently acquired Pacific brand. In fiscal 2017, the division generated 54% of our sales. And with above-average margins, it generated about 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 biscuit brand in Australia and New Zealand; and the Kelsen business, which extends our geographic reach into China. This division contributed over 1/3 of company sales, with margins slightly below the company average.

The Campbell Fresh division gives us a presence in the growing Packaged Fresh category and includes Bolthouse Farms, Garden Fresh Gourmet and our fresh soup business. In fiscal 2017, the division generated about 12% of our sales and an operating loss of $9 million. Our fiscal 2017 operating margins were adversely impacted by higher carrot cost as well as the cost impact of lower beverage operating efficiencies and enhanced quality processes.

Importantly, each of our 3 divisions has a clear portfolio role. In Americas Simple Meals and beverages, we're targeting performance consistent with the categories in which we compete. We are also targeting margin expansion as we benefit from our cost-savings program and supply chain productivity improvements. While sales have declined in the first half of 2018, reflecting the promotional issue on soup, longer term, we expect to stabilize our U.S. soup business. The addition of Pacific Foods to our portfolio will help as it provides increased access to new channels and a growing natural and organic brand.

In Global Biscuits and Snacks, we will invest to grow our business in our existing markets, principally in the U.S. and Australia. Building on the long-term success of our Pepperidge Farm business, the pending acquisition of Snyder's-Lance is a major step forward as snacks will increase to 46% of portfolio sales on a pro forma basis. And leveraging the brands in our portfolio with broader geographic potential, namely Goldfish, Tim Tam and Kelsen, we plan to expand those brands in developing markets like China and Indonesia.

In our C-Fresh division, our immediate priority is to return the business to profitability. Looking further ahead, our strategy is to build scale in Packaged Fresh and expand into adjacencies, the recent launch of plant protein milk being a good example. While each division has a unique portfolio role in common, they have strong brand equities and market positions in their respective categories.

Turning to our cost-savings program. We are very pleased with the progress we've made on this program, which we launched in 2015, and gives us confidence in our ability to deliver cost savings on the Snyder's-Lance transaction as we've strengthened our organizational capabilities in identifying, executing and delivering against cost-savings initiatives.

As we announced last week, we are raising our cost-savings target to $500 million, about 6% of sales, which we expect to achieve by the end of fiscal 2020. We have generated savings by streamlining our organization, centralizing support functions and implementing zero-based budgeting. Looking ahead, we see additional opportunities to optimize our supply chain network, evolve our operating model and extract cost synergies from our recent acquisitions.

In connection with our supply chain network optimization, last month we announced the closing of our manufacturing operations in Toronto, with most of the production moving to our U.S. thermal plants. We plan to move our Canadian headquarters and commercial operations to a new location in the Greater Toronto area, and we'll continue to make soup and broth products tailored to Canadian consumers. Importantly, savings from this program will provide investment funding for growth and contribute to margin performance.

As I mentioned, our strategy is to reinvest a portion of our cost savings back in the business to drive growth. We are increasing marketing support behind our key brands, including Goldfish, Swanson, Prego, Chunky and V8. We're funding our real food investments as we remove artificial colors and ingredients from our food and BPA from our can liners and increase the use of chicken with no antibiotics. We're expanding geographically as we extend the distribution reach of Kelsen in China and support new product launches such as Well Yes!, Chunky Maxx, Goldfish with organic wheat and Bolthouse Farms Plant Protein Milk. We're also making investments in longer-term innovation as we invest in early-stage start-ups and inhabit a personalized nutrition venture. We're also building capabilities in areas like digital and e-commerce as we now have a dedicated e-commerce organization and are building digital capabilities that will benefit us across the enterprise. We also have a strategic relationship with Chef'd, as we test and learn in the faster-growing meal marketplace. With the benefit of U.S. tax reform, these are the areas in which we will accelerate investments.

Now I'd like to provide an update on our recent acquisition activity. As Denise mentioned, we completed the acquisition of Pacific Foods in December. The purchase price was $689 million. In calendar 2017, Pacific Foods generated approximately $225 million in sales. Pacific, the #1 organic soup brand, resonates with the millennial consumers and provides access to natural and organic customers and channels in the faster-growing organic food space. While the acquisition is dilutive to EPS in fiscal 2018, we expect the acquisition will be slightly accretive in our fiscal 2019. We expect to generate attractive returns on this investment through continued strong top line growth and the benefit of cost savings as we leverage our supply chain capabilities in these categories that we know well.

In December, we announced our agreement to acquire Snyder's-Lance, the largest and most transformational acquisition in Campbell's history. For the 12 months ended September 30, 2017, Snyder's-Lance generated $2.2 billion in sales and adjusted EBIT of $193 million. The strategic rationale for this acquisition is highly compelling. First, it significantly expands our snacking business and accelerates our expansion into better-for-you snacks. Second, snacking is a business we know well, and Snyder's-Lance is highly complementary with Pepperidge Farm, our best long-term performing business. Third, the acquisition will diversify our portfolio and move us decisively into the faster-growing snacking category while enhancing our distribution capabilities. And lastly, through a combination of revenue growth and significant cost savings, we expect significant value creation.

We've agreed to acquire Snyder's-Lance for $50 per share, representing an enterprise value of $6.1 billion, 19.9x our estimate of adjusted EBITDA for calendar year 2017. When you factor in our expected cost synergies, the adjusted EBITDA multiple equates to 12.8x. Snyder's-Lance recently launched its cost-transformation program, targeting $175 million in annual savings. We reviewed this program in detail and expect to achieve a majority, approximately $125 million of those targeted cost savings. In addition, we have identified a cost synergy opportunity of $170 million of run rate savings, which we expect to achieve by our fiscal year 2022. Based on our current estimate of interest cost, which are slightly higher than our original assumption reflecting the recent rise in rates and the estimated depreciation and amortization related to purchase accounting, the transaction is expected to be modestly accretive in our fiscal year 2019. As we expand margins through synergies and achieve cost savings, the level of EPS accretion increases to an expected range of $0.40 to $0.55 per share by fiscal 2021.

Prior to closing, we expect to issue $6.2 billion of incremental debt to finance the purchase and related costs, the majority of which will be fixed rate. Going forward, we will maintain our dividend policy, targeting a competitive payout ratio. With the transaction, Campbell's pro forma leverage, measured as net debt to adjusted EBITDA, would increase to 4.8x. Going forward, we are committed to deleveraging and are targeting a reduction in our leverage ratio to 3x by 2022. As part of the deleveraging, we have suspended our share repurchase program. Importantly, we expect to maintain an investment-grade rating. S&P has assigned a preliminary rating of BBB, and Moody's indicated a rating that is unlikely to be less than Baa2. Completion of the transaction is subject to approval by the Snyder's-Lance shareholders, and we expect a close of transaction by the end of the first calendar quarter.

As I mentioned earlier, there is an opportunity to add significant shareholder value through cost synergies. The $170 million cost synergy target equates to 7.5% of Snyder's-Lance sales. And I'd like to provide a bit more color on the sources of synergies.

First, both our Pepperidge Farm business and Snyder's-Lance operate warehouses and depots to distribute products, and there is opportunity to improve the overall efficiency of the combined company. Second, we have identified opportunities in manufacturing to optimize the combined plant network. Third, given the overlap in our cost basket, we anticipate the ability to achieve procurement savings in several ingredient and packaging categories. Finally, in the areas of sales and marketing and administration, we will optimize the scale of the combined entity and leverage the shared services opportunity. And while we're not counting it as a synergy, we believe there are incremental revenue opportunities. We have complementary distribution in immediate consumption and grocery and mass channels which can be leveraged. There are also opportunities to extend certain brands into kids snacking, and the scale of the combined entity can accelerate the capture of the e-commerce opportunity. In summary, we have a detailed cost synergy plan and are confident in our ability to achieve our target.

While our recent capital allocation decisions are consistent with our previously discussed priorities for the uses of cash, the amount dedicated to external development has increased significantly. Our first priority is to make capital investment to support and grow our existing businesses. We will maintain our assets and invest to add capacity, reduce costs and build capability. Second, we will continue to target a competitive dividend payout ratio and increase the dividend over time with earnings. Third, we have focused our M&A efforts in health and wellbeing and snacking and funded acquisitions that are strategically compelling, improve our growth profile and will create shareholder value. The acquisitions of Pacific Foods and Snyder's-Lance meet these criteria. Lastly, we've utilized share repurchases in the past as a flexible and efficient way to return excess funds to shareholders. As I mentioned earlier, we have suspended our share repurchase program due to our pending acquisition of Snyder's-Lance to maximize cash flow as we are committed to deleveraging in the near term.

While our long-term targets have not changed, our confidence level in achieving them has increased. As we stabilize our U.S. soup business, return Campbell Fresh to profitable growth, achieve our cost savings target, add Pacific Foods and Snyder's-Lance to the portfolio and capture synergies, we expect to achieve these long-term targets. We are targeting organic sales growth of 1% to 3%. We will continue our efforts to drive growth on our base business through innovation, leveraging organic growth opportunities in existing and new markets. In addition, we have improved our growth opportunity with the acquisition of Pacific Foods and the pending acquisition of Snyder's-Lance, which significantly increases our presence in the faster-growing snacking category. Our long-term earnings growth targets have adjusted EBIT growing 4% to 6% and adjusted EPS growing by 5% to 7%. These bottom line growth targets imply margin expansion, which we expect to achieve through our cost savings program and cost synergies associated with the Snyder's-Lance acquisition.

In terms of timing, 2019 will be a transition year for us. As I mentioned earlier, we expect to utilize a portion of the tax reform benefit to accelerate investments in the business to improve our future growth profile, and we'll be adding Snyder's-Lance to the portfolio. From there, we believe we are well positioned to achieve these top and bottom line targets.

Let me finish by summarizing my thoughts on our journey to transform the company. As we reported last week, our first half results were disappointing, driven by challenges in U.S. soup and Campbell Fresh. Looking ahead, we are focused on stabilizing U.S. soup and returning C-Fresh to profitable growth. We are accelerating investments in our business to drive long-term growth, notably building e-commerce and digital capabilities and improving our real food credentials, and in long-term innovation. We are very excited about the recent Pacific Foods and pending Snyder's-Lance acquisitions. Through these acquisitions, we are adding leading brands in faster-growing spaces to complement our existing portfolio.

We will continue to execute against our cost savings program, having raised the target to $500 million by 2020. And in addition, we are confident in our ability to achieve our acquisition synergy targets. These actions give us confidence in our ability to achieve our long-term sales and earnings targets and create value for our shareholders.

Thank you for your time today. I just have a couple of other items to mention. In our presentation today, we made forward-looking statements that are based on assumptions and estimates. This slide lists a set of factors that could cause our actual results to vary significantly from those anticipated in these forward-looking statements. We have also used non-GAAP measures in this presentation. For reconciliations, please refer to the appendix.

Thank you, and I look forward to seeing many of you at the luncheon.