Campbell Outlines Key Strategies for Growth

July 20, 2016

Revises Fiscal 2016 Full-year Sales Guidance and Outlines Factors Impacting Fiscal 2017

CAMDEN, N.J.--(BUSINESS WIRE)--Jul. 20, 2016-- Campbell Soup Company (NYSE: CPB) today outlined its strategies to unlock its purpose, potential and performance. Led by President and Chief Executive Officer Denise Morrison, executives detailed plans to strengthen Campbell's business through four strategic imperatives:

This Smart News Release features multimedia. View the full release here: http://www.businesswire.com/news/home/20160720006289/en/

At its annual Investor Meeting, Campbell outlined plans to elevate trust through real food, transparency and sustainability; build its digital and e-commerce capabilities; continue to diversify its portfolio in health and well-being; and expand its presence in developing markets. (Photo: Business Wire)

1. Elevate trust through real food, transparency and sustainability;
2. Build digital and e-commerce capabilities;
3. Continue to diversify Campbell's portfolio in health and well-being with fresh, organic and healthful foods; and
4. Expand Campbell's presence in developing markets.

Morrison said, "Over the last five years, we've taken a number of bold steps to reposition the company for not just profitable, but sustainable growth. Our progress has been methodical. We've improved our company and shifted our center of gravity. But we have higher aspirations for the food we make, the role we play in people's lives and improving our growth trajectory. That's why it's necessary to continue to relentlessly improve ourselves, our food, our business and our culture to further differentiate Campbell and to forge a meaningful and lasting place in the lives of new generations of consumers."

Defining the Future of Real Food, Elevating Transparency

Campbell outlined how its real food philosophy is changing how it thinks and acts about its food, helping to restore consumers' connection to food and supporting the company's goal to set the standard for transparency in the food industry. "We believe real food should be made with recognizable, desirable ingredients from plants or animals. It should be responsibly crafted using ethical sourcing and sustainable practices that safeguard natural resources. Lastly, it should always be delicious, safe and available at a fair price—all three without compromise," said Morrison.

Mark Alexander, President - Americas Simple Meals and Beverages, discussed a fundamental shift in how the company thinks about its food and the way it operates. Campbell has developed a scorecard called Campbell's Real Food Index to track progress against its ingredient commitments, such as plans to remove artificial colors and flavors from its North American products by the end of 2018. The Index can be found on www.whatsinmyfood.com.

Campbell also said it will use only antibiotic-free chicken in its products, a shift that will be implemented over the next few years.

Alexander said, "We have defined our real food philosophy and laid out a plan to evolve our portfolio over time. This will not be a straightforward journey, or an easy one, but we are resolutely committed to it."

Health and Well-being

The company discussed expanding its offerings in the faster-growing health and well-being space with a focus on key growth areas such as packaged fresh innovation and expanding organic and clean label offerings in center store.

Jeff Dunn, President - Campbell Fresh, outlined plans to drive growth in the division's core businesses in produce and deli with juices, dressings, soups and salsas, as well as expand into new parts of the store. Campbell is investing in a rapid innovation process to develop new Campbell Fresh products with the speed and flexibility of a startup. The first product from this effort, Bolthouse Farms Plant Protein Milk, is a non dairy milk. Developed in a few short months, it is designed to tap into the alternative milks that have transformed the dairy category over the past few years. Bolthouse Farms Plant Protein Milk is made with 100 percent pea protein and will launch in mid-fiscal 2017 in the dairy section of the grocery store.

Expand Presence in Developing Markets

Luca Mignini, President - Global Biscuits and Snacks, highlighted Campbell's strategy to capture a bigger piece of the growing snacks market by expanding its brand footprint across faster-growing channels and geographies, particularly in Asia. The Global Biscuits and Snacks division will aim to increase the frequency and penetration of its iconic brands in their home markets - Goldfish in the U.S., Kjeldsens in China and Tim Tam in Australia -
while introducing and expanding into new geographies.

In China, Campbell intends to increase marketing efforts behind its *Kjeldsens* brand in its key markets of Shanghai and Guangdong province while expanding its distribution in key regions in the East, and adding distributors in the South. The company plans to build its e-commerce capabilities in China to extend the *Kjeldsens* brand of butter cookies as well as to launch *Tim Tam* biscuits and *Goldfish* snack crackers.

Mignini also outlined efforts in the U.S. to support the momentum of the *Goldfish* cracker business by building on the launch of *Goldfish Made with Organic Wheat* crackers, and to extend the national roll out of *Tim Tam* biscuits nationwide. The company plans to expand its *Pepperidge Farm* premium breads and rolls into additional West Coast markets, following the first Western U.S. launch of its bakery products in the Phoenix, Arizona, market earlier this year.

**Increasing Digital**

Morrison highlighted how the company has shifted advertising spend to digital and mobile platforms. In fiscal 2016, nearly 40 percent of Campbell's advertising dollars were spent on digital compared to 19 percent in fiscal 2015.

**Financial Update**

Senior Vice President and Chief Financial Officer Anthony DiSilvestro discussed progress on cost savings initiatives, key drivers for fiscal 2017 performance, long-term growth targets and fiscal 2016 guidance.

**Revised Fiscal 2016 Sales Guidance**

Campbell lowered its outlook for net sales while maintaining its previous guidance ranges for adjusted Earnings Before Interest and Taxes (EBIT) and adjusted Earnings Per Share (EPS). Campbell now expects net sales to decline by -2 percent to -1 percent compared to the previous range of -1 percent to 0 percent. The revised net sales guidance reflects the impact of the recent recall of *Bolthouse Farms* protein drinks and the related production outage, as well as the impact of a major carrot customer moving to a dual source arrangement. This net sales guidance includes a 1-point benefit from the acquisition of *Garden Fresh Gourmet* and a 2-point negative impact from currency translation.

The company continues to expect adjusted EBIT to grow 11 to 13 percent and adjusted EPS to grow 11 to 13 percent, or $2.93 to $3.00 per share.

A reconciliation of the adjusted 2015 financial information to the reported information is included at the end of this news release.

**Cost Savings Initiatives and Cash Flow**

Campbell continues to expect its current cost savings initiatives to deliver $300 million in annual savings by fiscal 2018. This cost savings goal is incremental to the company's ongoing supply chain productivity program. Campbell expects to generate approximately $1.3 billion in cash flow from operations in fiscal 2016.

**Key Drivers for Fiscal 2017**

Looking ahead to fiscal 2017, with cost savings and productivity gains exceeding inflation, Campbell expects its adjusted gross margin percentage to increase slightly. While inflation in core ingredient and packaging inputs has moderated, the company is forecasting a total cost of products sold (COPS) inflation of approximately 2 percent including higher wage and benefit costs and the adverse impact of a stronger dollar on the input costs of its international businesses. Campbell will continue to target supply chain productivity gains equal to 3 percent of COPS. Under its cost savings initiatives, Campbell expects to deliver incremental savings of approximately $50 million in fiscal 2017. The company also anticipates increased strategic share repurchases, unless cash is needed to help fund future external development.

Campbell plans to provide fiscal 2017 guidance when it reports fourth-quarter and full-year fiscal 2016 results on Sept. 1, 2016.

**Long-Term Growth Targets**

Campbell reiterated its long-term targets for organic sales and earnings. The company is targeting long-term organic sales growth of 1 to 3 percent. Excluding currency translation, the company is targeting adjusted EBIT growth of 4 to 6 percent and adjusted EPS growth of 5 to 7 percent.

A replay of the presentations, along with accompanying slides, will be available at investor.campbellsoupcompany.com after the completion of the event.

**About Campbell Soup Company**

Campbell (NYSE:CPB) is driven and inspired by our Purpose: “Real food that matters for life’s moments.”? We make a range of high-quality soups and simple meals, beverages, snacks and packaged fresh foods. For generations, people have trusted Campbell to provide authentic, flavorful and readily available foods and beverages that connect them to each other, to warm memories and to what’s important today. Led by our iconic *Campbell's* brand, our portfolio includes *Pepperidge Farm*, *Bolthouse Farms*, *Amott's*, *V8*, *Swanson*, *Pace*, *Prego*, *Plum*, *Royal Dansk*, *Kjeldsens* and *Garden Fresh Gourmet*. Founded in 1869, Campbell has a heritage of giving back and acting as a good steward of the planet's natural resources. The company is a member of the Standard & Poor's 500 and the Dow Jones Sustainability Indexes. For more information, visit www.campbellsoupcompany.com or follow company news on Twitter via @CampbellSoupCo. To learn more about how we make our food and the choices behind the ingredients we use, visit www.whatsinmyfood.com.

**Forward-Looking Statements**

This release contains “forward-looking statements”; that reflect the company's current expectations about the impact of its future plans and performance on the company's business or financial results. These forward-looking statements, including statements made regarding product and marketing strategies, fiscal 2016 guidance, fiscal 2017 key drivers, and the company's long-term growth targets, rely on a number of assumptions and estimates that could be inaccurate and which are subject to risks and uncertainties. The factors that could cause the company's actual results to vary materially from those anticipated or expressed in any forward-looking statement include (1) the company's ability to manage changes to its organizational structure and/or business processes; (2) the company's ability to realize projected cost savings and benefits from its efficiency
programs; (3) the impact of strong competitive responses to the company’s efforts to leverage its brand power in the market; (4) the impact of changes in consumer demand for the company’s products; (5) the risks associated with trade and consumer acceptance of the company’s initiatives, including its trade and promotional programs; (6) the practices, including changes to inventory practices, and increased significance of certain of the company’s key trade customers; (7) the impact of fluctuations in the supply or costs of energy and raw and packaging materials; (8) the impact of business portfolio changes; (9) the uncertainties of litigation and regulatory actions against the company; (10) the impact of changes in currency exchange rates, tax rates, interest rates, debt and equity markets, inflation rates, economic conditions, law, regulation and other external factors; (11) the impact of unforeseen business disruptions in one or more of the company’s markets due to political instability, civil disobedience, terrorism, armed hostilities, natural disasters or other calamities; and (12) other factors described in the company’s most recent Form 10-K and subsequent Securities and Exchange Commission filings. The company disclaims any obligation or intent to update the forward-looking statements in order to reflect events or circumstances after the date of this release.

Reconciliation of GAAP and Non-GAAP Financial Measures Fiscal Year Ended August 2, 2015

Campbell Soup Company uses certain non-GAAP financial measures as defined by the Securities and Exchange Commission in certain communications. These non-GAAP financial measures are measures of performance not defined by accounting principles generally accepted in the United States and should be considered in addition to, not in lieu of, GAAP reported measures.

The company believes that financial information excluding certain items not considered to be part of the ongoing business improves the comparability of year-to-year results. Consequently, the company believes that investors may be able to better understand its earnings results if these items are excluded from the results. The following tables reconcile financial information, presented in accordance with GAAP, to financial information excluding certain items.

<table>
<thead>
<tr>
<th>Year Ended August 2, 2015</th>
<th>Net Earnings Attributable to Campbell Soup Company</th>
<th>Diluted Earnings Per Share - Net Earnings Attributable to Campbell Soup Company*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015, As reported</td>
<td>$1,054</td>
<td>$666</td>
</tr>
<tr>
<td>Add: Pension and postretirement benefit mark-to-market adjustments (1)</td>
<td>138</td>
<td>87</td>
</tr>
<tr>
<td>Add: Restructuring charges and implementation costs (2)</td>
<td>124</td>
<td>78</td>
</tr>
<tr>
<td>Adjusted 2015</td>
<td>$1,316</td>
<td>$831</td>
</tr>
</tbody>
</table>

*The sum of the individual per share amounts may not add due to rounding.

(1) In fiscal 2016, the company changed the method of accounting for the recognition of actuarial gains and losses for defined benefit pension and postretirement plans and the calculation of expected return on pension plan assets. Historically, actuarial gains and losses associated with benefit obligations were recognized in Accumulated other comprehensive loss in the Consolidated Balance Sheets and were amortized into earnings over the remaining service life of participants to the extent that the amounts were in excess of a corridor. Under the new policy, actuarial gains and losses will be recognized immediately in the Consolidated Statements of Earnings as of the measurement date, which is typically the end of the fiscal year, or more frequently if an interim remeasurement is required. In addition, the company will no longer use a market-related value of plan assets, which is an average value, to determine the expected return on assets but rather will use the fair value of plan assets. The company excludes the impact of the mark-to-market adjustments resulting from these accounting changes in evaluating performance. In fiscal 2015, the company incurred losses of $138 million in Costs and expenses ($87 million after tax, or $.28 per share) due to mark-to-market adjustments.

(2) In fiscal 2015, the company implemented a new enterprise design and initiatives to reduce costs and to streamline its organizational structure. In fiscal 2015, the company recorded Restructuring charges of $102 million and implementation costs of $22 million in Administrative expenses related to these initiatives (aggregate impact of $.78 million after tax, or $.25 per share).


Source: Campbell Soup Company

Campbell Soup Company

INVESTOR CONTACT:
Ken Gosnell, 856-342-6081
[ken_gosnell@campbellsoup.com](mailto:ken_gosnell@campbellsoup.com)

or

MEDIA CONTACT:
Carla Burigatto, 856-342-3737
[carla_burigatto@campbellsoup.com](mailto:carla_burigatto@campbellsoup.com)