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CPB - Q4 2013 Campbell Soup Company Earnings Conference Call

EVENT DATE/TIME: AUGUST 29, 2013 / 2:00PM GMT

OVERVIEW:

Co. announced 4Q13 sales from continuing operations of $1.7b, resulting in adjusted EPS from continuing operations of $0.43. Guidance was given for FY14 sales growth from continuing operations of 5-6%, and adjusted EPS of $2.55-2.60.

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Campbell Soup Company fourth-quarter 2013 earnings conference call. At this time all participants are in a listen-only mode. Later we will have a question-and-answer session and instructions will follow at that time. (Operator Instructions). As a reminder today's conference is being recorded for replay purposes.

I would now like to turn the conference over to your host for today Ms. Jennifer Driscoll. Ma'am, you may begin.

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

Thanks, Mary. Good morning, everyone. Welcome to the fourth-quarter earnings call and webcast for Campbell Soup Company. With me here in New Jersey today are Denise Morrison, President and CEO; Craig Owens, Senior Vice President, CFO and Chief Administrative Officer; Anthony DiSilvestro, Senior Vice President of Finance; and Anna Choi, Senior Manager of Investor Relations.

Denise will kick us off today in a couple of minutes with her perspective on the full-year as we continue to pursue our dual mandate. Craig will then give you the financial and segment results for the fourth quarter, our full-year highlights and expectations for fiscal 2014. After that we will take your questions.

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

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

This morning we showed for the first time the results of our European Simple Meals business as discontinued operations. Its assets and liabilities are classified as held for sale. We also completed our annual testing of goodwill and intangibles for impairment resulting in a significant non-cash charge related to certain European goodwill and brands.

In addition, we recognized an incremental tax charge and earnings from discontinued operations. Let me elaborate just a bit on each of those items before we move forward.

First, given the potential sale of the European business we are presenting its fiscal 2013 results as discontinued operations and restating fiscal 2012 results accordingly. This business previously had been included in the international Simple Meals and Beverages segment.

Discontinued operations had $532 million in sales last year, adjusted EBIT of $65 million, and $0.16 of contribution to adjusted EPS. We plan to provide you with discontinued operations historical results by quarter for fiscal 2013 and 2012 on our website in September.

It may help to see how our adjusted results translate to reported EPS shown here on slide 5. I already covered accretion from discontinued ops shown in the middle column. Per my second point, lower in the middle column, you see that our annual testing of goodwill and intangibles resulted in a non-cash impairment charge in the fourth quarter of $0.83 per share related to intangible assets in the European business. We also recorded a tax charge of $0.06 per share on earnings from discontinued operations related to the potential sale.

Turning now to matters impacting continuing operations, looking at the far left column, in fiscal 2013, the Company reported pretax restructuring charges and restructuring related costs in cost of products sold associated with initiatives to improve our US supply chain cost structure and increase asset utilization across our US thermal plant network, to expand access to manufacturing and distribution capabilities in Mexico, to improve our Pepperidge Farm Bakery supply chain cost structure and reduce overhead cost in North America, the latter two being in the fourth quarter. The aggregate impact of the restructuring initiatives was $0.28 per share on earnings from continuing operations.

Campbell also completed the acquisition of Bolthouse Farms one week into fiscal 2013. The acquisition created not only large year-over-year changes in sales and EBIT but it also resulted in $0.02 of acquisition transaction costs shown in the far left column.

The majority of our remarks on our call today will focus on results from continuing operations on an adjusted basis including Bolthouse Farms operating results for 51 of the 52 weeks but excluding transaction costs and restructuring charges. We appreciate your patience in parsing out all of these different items this morning.

Since our presentation includes several non-GAAP measures as defined by SEC rules, we have provided a reconciliation of the measures to the most directly comparable GAAP measures as an appendix to the slides accompanying our presentation. These slides along with our earnings release and selected quarterly financials also can be found on our website accessible online of course or on your mobile device with the Campbell IR app.

I have got one more thing to plug. We would like to cordially invite you to hear our webcast presentation by Denise Morrison, Anthony DiSilvestro and me on September 4 at the Barclays back-to-school conference in Boston. Campbell's presentation will begin at 1.30 PM. Like this earnings call, it will be available live on the web and then later as an archived audio cast. You can find it at investor.campbellsoupcompany.com under news and events, then just click on recent webcasts and presentations.

And with that long intro, let me turn it over to Denise.

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

Thank you, Jennifer, and good morning, everyone. Thanks for joining Campbell's fourth-quarter earnings call.

Before we begin let me lay out our agenda for the call this morning. I will begin with my perspective on our 2013 full-year results and the plethora of actions we have taken to reshape our portfolio for a stronger growth trajectory. This will provide context for our 2014 guidance ranges and the path we are pursuing to return Campbell to sustainable profitable net sales growth.

Craig Owens will follow with a more detailed review of our fourth-quarter and full-year results and our guidance and then we will take your questions.

I am pleased with the results that we are reporting this morning. Full-year sales and EBIT were in line with our revised guidance and EPS exceeded the high end of our guidance. As Craig will explain in greater detail, those numbers reflect the combined results of continuing and discontinued operations and exclude special items.

Although I am encouraged by these results there is much more work ahead of us and challenges that we must address to build an even stronger foundation for sustainable growth.

We have talked many times over the last two years about our three growth strategies -- profitably grow North America Soup and Simple Meals, expand our international presence and continue to drive growth in snacks and healthy beverages. We have also outlined the significant investments that we are making in brand building, innovation and external development. And we said that our strategic framework translates into a dual mandate to strengthen our core business and expand into higher growth spaces.

Today I think it is fair to say that Campbell has made progress. As we have executed our dual mandate, we are doing what we said we would do with a resolute focus on the future of our Company.

The centerpiece of our progress in strengthening our core business was the performance of US Soup which delivered 5% sales growth this year by optimizing the drivers of demand and accelerating consumer focused innovation. Sales of ready-to-serve soups grew 9%, condensed soups were up 2% and broth grew 4% led by the strong performance of Campbell's Chunky Soup. Chunky's exceptional momentum was driven by the launch of new varieties and our decision to return the brand's marketing focus to its core consumer, males with a big appetite for NFL football and satisfying soup.

We grew our iconic Campbell's condensed soup, a $1.1 billion business, with a wide array of offerings that appeal to a broad range of consumers particularly children, families and baby boomers. We enhanced the taste of our soups, positioned them more distinctively in the marketplace and improved in-store execution. We rebalanced and optimized advertising and consumer promotion behind our core brands. We accelerated innovation, launching 38 new soups during the year and yes, we had some help from the weather.

To drive the continued growth of this important core business you will see many great new products in the new fiscal year including Campbell's Homestyle Soup, a new ready-to-serve range. We are also launching new pub inspired varieties of Chunky and Clay Matthews of the Green Bay Packers is our newest Chunky's mama's boy.

In Global Baking and Snacking, sales grew 4% for the year, reflecting strong growth of our Pepperidge Farm business where sales of Goldfish crackers rose 6%. Goldfish is a powerful brand that continues to expand after more than half a century.

We strengthened growth in our Pepperidge Farm cookie business by launching stronger marketing behind our Milano brand and introducing delicious new products like our soft Pepperidge Farm dessert shop cookies.

We grew share in fresh bakery with good performance in our Pepperidge Farm Swirl Breads and as we effectively leveraged expanded shelf space in the wake of the Hostess bankruptcy. We are determined to retain most of that space in the new fiscal year.

You will see many exciting new products to support the continued growth of Pepperidge Farm including Goldfish Puffs which are in store now and new varieties of cookies.

We are taking steps to strengthen our Arnott's business in Australia with a focus on improving its capabilities and lowering costs. Arnott's, our third-largest brand, delivered strong sales growth in Indonesia.

I mentioned earlier that we must address our challenges in order to drive sustainable growth. Quite frankly I was disappointed with the performance of our US Beverages and North America Foodservice businesses. But we have a clear understanding of the issues impacting these businesses and what we need to do to get them back on track starting with our decision earlier this month to strengthen their leadership and management.

Sales in US Beverages were down 4% for the year reflecting declines in our V8 vegetable juice and V8 V-Fusion juice and juice beverages. Shelf-stable juices have faced intensified competition from the proliferation of specialty beverages including the dynamic growth of packaged fresh juices. We are focused on improving our shelf-stable 100% juice business anchored by V8 which has unmatched credentials in vegetable nutrition. We will reinvigorate our V8 business through a disciplined focus on the drivers of demand, continued expansion in the growth segments of the category, and relentless attention to cost management.

To reinvigorate growth, we are introducing new products like V8 V-Fusion Refreshers, a lighter fruit and vegetable beverage and we will continue to expand V8 V-Fusion +Energy and V8 Splash which delivered its seventh consecutive year of growth.

As we said at Analyst Day, we are focusing on three key objectives for North America Foodservice -- stabilizing our traditional food service business, accelerating the growth of the packaged fresh business in the retail perimeter, and innovating to change the game with national account customers. We believe that we have a solid plan for improving our performance in Foodservice in the short-term while laying the foundation for longer-term growth.

As we took action to strengthen our core business, we also made tangible progress on the second part of our dual mandate to expand into higher growth spaces. We did this by driving breakthrough innovation and accelerating external development. In fiscal 2013, our focus on breakthrough innovation contributed to our growth in new categories and segments.

To pursue growth in the nearly $200 billion dinner segment, we introduced Campbell Skillet Sauces and we are building on that platform with the launch of new Campbell's Slow Cooker sauces. To reach new consumers like millennials, we continue to expand in the faster growing premium soup segment where we are driving innovation with Campbell's Slow Kettle, Campbell's Bisques and new Campbell's Go Soups.

Fiscal 2013 was a banner year for acquisitions and strategic alliances that we believe will accelerate our future growth and change our direction in new and exciting ways. We added a trio of growth engines through our acquisition of Bolthouse Farms, Plum Organics and the Kelsen Group. These acquisitions have combined sales of approximately $1 billion and they give us exciting new brand platforms to create value and attract new consumers.

With net sales of $756 million for the year, Bolthouse Farms delivered strong results that met our expectations. It is a leader in the fast-growing $12 billion packaged fresh foods category with its superpremium fresh beverages, baby carrots and refrigerated salad dressings in the grocery store perimeter. Bolthouse Farms has expanded our access to consumers who have a strong interest in fresh foods and health and wellness.

The combination of Bolthouse Farms and our iconic V8 franchise has given Campbell a $1.2 billion beverage platform that spans the full range from shelf-stable value offerings and mainstream products in the center of the store to packaged fresh superpremium beverages in the retail perimeter. We have the opportunity now to leverage the scalable platform in entirely new ways.

For example, we are leveraging the capabilities of Bolthouse Farms to introduce V8 Harvest, our first entry in packaged fresh juices with the V8 brand. In the new fiscal year, we will make advertising and consumer promotion investments behind Bolthouse Farms to drive brand awareness and build its differentiated positioning. We will continue to launch new Bolthouse Farms products to fuel this robust innovation pipeline.

We also have a clear opportunity to expand this brand to new channels and immediate consumption outlets like convenience stores.

In June, we acquired Plum Organics, an innovative brand of premium organic simple meals and snacks for infants, toddlers and young children. Plum Organics gives us a growth platform in the premium organic segment of the $2 billion US baby food category, a segment that grew at an average annual rate of 43% from 2010 to 2012.

With the number two share in the organic baby food category, Plum Organics also gives us access to millennial parents for whom organic nutrition is a high priority and it's a strategic fit with our $1 billion kid's platform. We plan to expand distribution of Plum Organics products to drive growth in fiscal 2014.

The acquisition of Kelsen, which we completed earlier this month, gives us a leading producer of premium cookies with annual net sales of $180 million and popular brands that are sold in 85 countries. It expands our position in new geographies because approximately one-third of its sales are in China and Hong Kong where it is the market leader in the fast-growing assortment segment of the sweet biscuits category.

Kelsen also gives us a broader net distribution network in Asia, South America, the Middle East and Africa that will provide many potential routes to reach new consumers in the growing $60 billion global sweet biscuit market. We see longer-term opportunities to leverage Kelsen's distribution network to expand our Arnott's and Pepperidge Farm brands in China and around the world.

We expect the acquisitions of Plum Organics and Kelsen to contribute approximately $300 million to our sales growth in fiscal 2014.

During the year, we also entered into strategic alliances in Mexico to expand our access to manufacturing and distribution capabilities in this key market. We expect these commercial agreements with Grupo Jumex, the largest producer of fruit juices and nectars in Mexico, and Conservas La Constena to enhance our growth in beverages, soups, broth and sauce.

Since we are committed to expanding internationally, I think it is important to share my perspective on why we have made a strategic choice involving the potential sale of our European Simple Meals business. As we announced previously, Campbell is in final and exclusive negotiations for the potential sale of its European Simple Meals business.

This potential transaction includes brands such as Liebig in France, Erasco in Germany, Bla Band in Sweden, and Devos Lemmons and Royco in Belgium. The proposal also includes the sale of four plants in those countries.

We will continue to export Pepperidge Farm and Arnott's products throughout Europe and Campbell's products to the United Kingdom. Kelsen, which is based in Denmark, will continue to sell its products in Europe. In the short-term, the impairment charge for the European Simple Meals business was the reason our Company posted a fourth-quarter net earnings loss on a reported basis. But we are committed to making strategic choices that are right for Campbell in the long run and this is the right choice.

Across our Company, we are focusing our brand-building investments, resources and talent on iconic brands that we believe we can grow around the world. Our strategy is to build brand equity which will create value for our shareholders.

Consistent with our strategy, we are investing in core brands like Campbell's, Pepperidge Farm, Goldfish, Arnott's, Prego, Swanson, and V8 and new businesses in faster growing spaces like Bolthouse Farms, Plum Organics and Kelsen. All of the actions that we have taken to strengthen our core business and expand into faster growing spaces are reshaping our brand portfolio and shifting our center of gravity for a greater growth trajectory in the long term.

You can see that the direction of Campbell is changing a step at a time. We are reshaping our portfolio which now features 10 powerful brands with sales of more than $100 million each led by our $2.1 billion Campbell brand. We are building a more diversified portfolio with more growth engines. Excluding Europe and including our three acquisitions, we expect soup to account for about one-third of our sales this year versus more than 40% in fiscal 2012.

We are focusing on our three core categories but we have broadened our scope within each category to pursue faster growing segments and adjacencies. We are building new connections with multiple demographic groups and new generations of consumers. We are seeking productivity opportunities to fund our growth and we are creating a high performance culture leveraging our high engagement.

Looking ahead to our plans for fiscal 2014, we are focused on increasing sales from US Soup and Simple Meals, Global Baking and Snacking and Bolthouse Farms; fixing our US beverage business and North America Foodservice; accelerating innovation with the launch of more than 200 new products; expanding our availability in club, dollar, e-commerce and immediate consumption channels; increasing our packaged fresh offerings in the retail perimeter; driving international growth in new and existing markets with a strategic focus on Asia and Latin America; and pursuing smart external development.

In closing, I am excited about our direction and our progress as we focus forward with a strategic plan that is building momentum and delivering results. We remain committed to achieving our long-term growth targets and we acknowledge that we have more work to do as we continue to reshape Campbell in a changing consumer and economic environment. We are confident in our 2014 plan and committed to delivering it.

Thank you for the opportunity to share my perspective on Campbell's solid performance and our progress this year as we continue to execute our dual mandate. I look forward to answering your questions following Craig's detailed review of our financial results and our guidance.

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

Thanks, Denise. Good morning, everyone. Thanks for being with us today. I am going to begin by discussing our fourth-quarter results and segment highlights and I will follow that with a review of our full-year results and wrap up with a look at fiscal 2014 sales and earnings guidance.

As Jennifer mentioned, my discussion will exclude the impact of all restructuring programs and acquisition transaction costs for the current and prior year as well as the impairment charges and tax adjustment related to our European business.

In August, the Company announced the potential sale of its European Simple Meals business. This business was previously included in our International Simple Meals and Beverages segment which is now reported as a discontinued operation. We will begin the review of the fourth quarter and fiscal year results with a look at the combined, continued and discontinued operations and then focus on the results of the continuing operations.

So in the fourth quarter, combined continuing and discontinued operations net sales increased by 13% to $1.8 billion reflecting the Bolthouse Farms and Plum acquisitions which contributed 11 and 1 point of growth respectively. Adjusted EBIT increased 4% to $217 million and adjusted earnings per share were $0.45, a 10% increase from the fourth quarter of 2012 benefiting from EBIT growth and a favorable tax rate.

Moving now to our fourth-quarter results from continuing operations, we reported net sales of $1.7 billion, a 13% increase reflecting the impact of Bolthouse Farms and Plum which added 13 points together. Excluding the acquisitions and currency, organic net sales increased by 1% with gains in global Baking and Snacking and US Simple Meals partly offset by declines in International Simple Meals and Beverages and US Beverages.

Adjusted EBIT was comparable to a year ago at $208 million. Excluding the impact of acquisitions, EBIT declined by 7% due to higher incentive compensation expenses. Adjusted earnings per share were $0.43, an 8% increase from the fourth quarter of 2012 benefiting from a lower tax rate.

As you can see on slide 32, after the contribution from Bolthouse and Plum, the 1% growth in organic sales reflected 1 point of volume mix growth and 1 point of pricing offset by a point of promotional spending. Currency had a negative 1 point impact due to the Australian dollar weakening against the US dollar.

The favorable volume mix reflects gains in our two largest segments, US Simple Meals and Global Baking and Snacking. The pricing gains were primarily due to our list price increases on Arnott's biscuits and US condensed soup as well as increases in Pepperidge Farm. These increases were partially offset by pricing declines in Mexico based on our new distribution business model.

The promotional spending variance is primarily due to the higher rates of spending in US Simple Meals and Global Baking and Snacking.

Our adjusted gross margin percentage declined by 230 basis points to 36.7%. The decline is primarily attributable to the impact of the acquisition of Bolthouse Farms which operates at a lower gross margin structure. Excluding the acquisition, the impact of cost inflation was mostly offset by productivity improvement. The inflation rate and cost of goods sold was approximately 3% in the quarter.

Marketing and selling expenses were comparable to a year ago at $191 million. Lower advertising and consumer promotion expenses were offset by the impact of the addition of Bolthouse. Advertising and consumer promotion expense declined by 14% including decreases in US Soup and US Beverages. Administrative expense increased $32 million to $195 million primarily due to higher incentive compensation costs compared to below target levels in the year ago quarter and to the addition of Bolthouse Farms.

Net interest expense increased by $5 million to $30 million. The increase was due to the higher level of debt incurred to fund the Bolthouse acquisition which was added at lower average interest rates than the total debt portfolio.

The adjusted tax rate decreased by 590 basis points in the quarter to 24.7%. The decline in the tax rate was primarily due to lower state taxes and an increase in the US manufacturing deduction.

Adjusted net earnings from continuing operations increased 5% to $136 million benefiting from this lower tax rate. Adjusted earnings per share from continuing operations increased to $0.43 for the quarter. Percent change on the chart was impacted by rounding.

Fourth quarter segment sales results and the corresponding organic growth rates are shown on slide 35. Our Global Baking and Snacking segment achieved strong organic sales gains, up 5% driven by growth in Pepperidge Farms in Indonesia partly offset by declines in Arnott's Australia. The strong sales gains in Pepperidge Farm reflected growth across fresh bakery, crackers and cookies. In the Bakery business, we continued to benefit from the market absence of Hostess with double-digit volume gains across sandwich bread and rolls.

The Snacks business had another strong quarter including solid growth in Goldfish snack crackers and a strong sales performance in cookies. Sales at Arnott's decreased primarily due to sales declines in Australia across sweet cookie and chocolate varieties partly offset by strong growth in Indonesia.

Our US Simple Meals segment delivered $493 million in sales including a $14 million contribution from the acquisition of Plum Organics. US Simple Meals achieved strong organic sales growth of 4%. Within the segment, US Soup sales rose by 4% driven by gains in ready-to-serve soup and broth. And US sauce sales increased 4% also compared to the prior year driven by gains in Prego pasta sauce including new items in white sauces and red distinctive sauces. Sales also benefited from Campbell's Skillet Sauce which was introduced in the first quarter.

Sales of the Bolthouse Farms in North America Foodservice segment were $300 million with Bolthouse contributing $185 million. Organic sales excluding the acquisition declined 5% compared with the year ago. This sales decline in North America Foodservice reflects the loss of a major restaurant customer and continued higher levels of promotional spending in our core Foodservice business.

Organic sales for the International Simple Meals and Beverage segment decreased by 5% compared to the prior year. Sales declines in Latin America and the Asia-Pacific region were partly offset by higher sales in Canada. The Latin America decline is part of the new distribution -- is due to the new distribution arrangement in Mexico as we phase-in ahead of the full change to the business model there.

In Asia-Pacific, sales declines in Australia were partially offset by gains in Malaysia. US Beverage sales decreased 4% in the quarter primarily due to a decline in V8 vegetable juice. Sales of V8 V-Fusion and V8 Splash also declined in the quarter.

Operating earnings for US Simple Meals increased by 6% to $110 million this quarter. The increase reflected strong earnings gains in US Soup partly offset by a decline in US Sauce. Within the segment, the growth in operating earnings was primarily driven by productivity improvements and high-volume -- at higher volume sorry -- partly offset by increased promotional spending and higher administrative expenses.

Earnings in Global Baking and Snacking increased 1% to $84 million. Strong earnings gains in Pepperidge Farm were partially offset by a decline in Arnott's and the unfavorable impact of currency. For the segment, higher sales were mostly offset by lower gross margin percentage and increased administrative costs.

Operating earnings within Bolthouse and Foodservice increased by $15 million including a $17 million contribution from Bolthouse Farms and a decrease in earnings from North American Foodservice. Bolthouse delivered results consistent with our acquisition plan.

Operating earnings for US Beverages decreased by 20% primarily due to cost inflation and sales declines partly offset by productivity improvements.

Within International Simple Meals and Beverages, earnings decreased by 22% to $14 million. The decrease was primarily due to lower earnings in the Asia-Pacific region and Mexico.

On slide 38, you can see that US Soup sales for the quarter rose 4% driven by strong gains in ready-to-serve soup and broth. Sales of condensed soup were comparable with a strong prior year quarter which had experienced 14% growth. For the current quarter, increases in cooking varieties were offset by decreases in eating varieties. Ready-to-serve soup rose 9% primarily driven by volume gains in 100% Natural as we increased promotional activity in conjunction with the transition to Campbell's Homestyle Soups.

Sales also benefited from the first year sales of Campbell's Go Soups. Broth sales increased by 13% primarily driven by double-digit gains in aseptic broth. Campbell's measured consumer takeaway and wet soup for the quarter was up 3% ahead of category growth.

For the fiscal year, US Soup sales increased 5% with gains across all three categories. Condensed sales increased 2% for the year, ready-to-serve sales rose by 9% driven by volume gains, and Chunky canned soup which benefited from new varieties increased promotional activity and the return to NFL advertising. Broth increased 4% for the year. US Soup consumer takeaway for the fiscal year rose about 4%.

On the next slide, we take a look at our marketshare and US wet soup category performance in the past 52 weeks. The category as a whole rose by 3.5%. Our sales in measured channels rose 3.7% with gains driven by ready-to-serve soup, condensed soup and broth. Campbell had a 59% marketshare, an increase of 10 basis points, a better performance than prior year. All other branded players collectively had a share of 28% with private label having a share of 13%. These figures were sourced from Symphony IRI Multi-Outlet reports and were based on dollar sales.

On the next slide, you see the fiscal year results for continuing and discontinuing operations combined. Net sales increased 11% to $8.6 billion reflecting our acquisitions of Bolthouse Farms and Plum. Adjusted EBIT increased 6% to $1.3 billion. Fiscal year adjusted earnings per share were $2.64, an 8% increase versus the prior year. The increase reflected EBIT growth, the benefit of lower tax rate, and fewer shares outstanding partially offset by higher interest expense.

For the fiscal year in continuing operations, we reported net sales of $8.1 billion, a 12% increase from the prior year primarily driven by the acquisition of Bolthouse and Plum. Organic net sales increased by 2%. The organic sales gain was primarily driven by growth in US Simple Meals and Global Baking and Snacking partly offset by declines in North American Foodservice and US Beverages.

Adjusted EBIT increased 6% to $1.2 billion primarily due to the acquisition of Bolthouse which contributed $63 million of EBIT this year. Excluding the acquisition, EBIT was comparable to prior year reflecting sales growth and lower marketing expense offset by higher administrative expenses, higher selling expenses, a lower gross margin percentage, and higher research and development expense.

Fiscal year adjusted earnings per share were $2.48, a 7% increase versus the prior year. The increase reflected EBIT growth, the benefit of a lower tax rate and fewer shares outstanding partially offset by higher interest expense.

For the fiscal year, our reported net sales for continuing operations increased by 12% with acquisitions primarily Bolthouse contributing 11 points of growth. Organic sales excluding acquisitions increased 2% reflecting 1 point of volume mix growth and 2 points of pricing partially offset by the negative impact of increased promotional spending of 1 point. You will note that the detail does not add to the total due to rounding.

On a segment basis, organic sales growth in global Baking and Snacking and US Simple Meals was partially offset by declines in North America Foodservice and US Beverage. Our adjusted gross margin percentage declined 190 basis points to 37.3%. The decline was primarily attributable to the acquisition of Bolthouse Farms. Excluding that, the impact of cost inflation and increased promotional spending were mostly offset by productivity improvements and the benefit of higher selling price. The inflation rate in cost of goods sold was approximately 3% as expected.

Marketing and selling expense increased by $6 million to $947 million. The increase was driven by the addition of Bolthouse expenses and higher selling expense, mostly offset by lower marketing spend, principally reductions in advertising and consumer promotion expenses. A&C expense for fiscal 2013 declined 12% to $419 million compared with the prior year. Administrative expense increased $97 million to $677 million primarily due to acquisitions and higher incentive compensation cost.

Net interest expense increased by $19 million for the year due to the higher level of debt to fund the Bolthouse acquisition. The adjusted tax rate declined by 130 basis points to 29.8% primarily due to lower state taxes including the favorable resolution of certain matters and an increase in US manufacturing -- in the US manufacturing deduction.

Adjusted net earnings from the continuing operations increased 6% to $786 million driven by EBIT growth and a favorable tax rate partly offset by higher interest expense. Adjusted EPS was $2.48, a 7% increase versus the prior year. EPS benefited from 2 million fewer shares outstanding.

Fiscal year segment sales results and the corresponding organic growth rates are shown on slide 45. Sales of US Simple Meals increased by 4% with gains in both US Soup and US Sauce. As mentioned earlier, US Soup sales rose 5% driven by gains in ready-to-serve, condensed and broth. US Sauce sales grew by 3% primarily driven by growth in Prego pasta sauce and Pace Mexican sauces and the launch of Campbell's Skillet Sauce partially offset by lower sales in other Simple Meal products.

Global Baking and Snacking sales increased by 4%, fueled by gains in Pepperidge Farm and Arnott's. Pepperidge Farm sales increased on the strength of solid growth in fresh bakery and Goldfish snack crackers and sales gains in cookies. Sales at Arnott's increased primarily due to gains in Indonesia.

Sales for the Bolthouse and Foodservice segment were $1.3 billion with Bolthouse contributing $756 million. Organic sales excluding the acquisition declined 8% compared with a year ago. The sales decline in Foodservice was primarily due to the loss of the major restaurant customer and higher levels of promotional spending.

International Simple Meals and Beverage sales were comparable to the prior year as gains in China, Canada and Latin America were offset by sales declines in export and Asia-Pacific. Sales of US Beverages decreased 4% with sales declines in V8 vegetable juice and V8 V-Fusion which were partially offset by sales growth in V8 Splash.

Fiscal year operating earnings for US Simple Meals increased by 11% to $731 million. The increase reflected strong earnings gains in US Soup partly offset by a decline in US Sauce which included investments in new products. Within the segment, the increase was primarily driven by higher selling price and productivity savings partly offset by cost inflation. Earnings of Global Baking and Snacking increased $1 million to $316 million reflecting growth in Pepperidge Farms, mostly offset by lower earnings at Arnott's.

Operating earnings for US Beverages decreased by 10% versus prior year primarily driven by lower sales and lower gross margin percentage partially offset by reduced advertising expense. Operating earnings within the Bolthouse and Foodservice segment increased 36%, or $31 million. The increase included $63 million from the addition of Bolthouse Farms and a decrease in earnings from North American Foodservice driven by lower volumes and an increased promotional spend.

Within International Simple Meals and Beverages, earnings increased 2% compared to the prior year. The rise in operating earnings is primarily due to China reflecting lower marketing expense partially offset by lower gross margin percentage.

Cash flow from operations was $1 billion for the fiscal year compared to $1.1 billion in the prior year. The decline was primarily due to increased working capital requirements partially offset by higher cash earnings. Capital expenditures of $336 million rose from $323 million a year ago. As we previously announced, we suspended the strategic share repurchase program at the end of fiscal 2012 in order to reduce the debt incurred to finance the Bolthouse acquisition. However, we continue to repurchase sufficient shares to offset dilution from equity compensation programs.

Net debt rose to $4.1 billion, an increase of $1.7 billion primarily due to the acquisitions. For the fiscal year, the Company paid dividends of $367 million.

Turning to slide 48 in fiscal 2014 we expect continuing operations to grow sales by 5% to 6%, adjusted EBIT by 5% to 7%, and adjusted EPS by 3% to 5% or $2.55 to $2.60 from a base of $2.48.

Fiscal 2014 comprises 53 weeks, one additional week compared to 2013, the benefit of which is expected to be largely offset by the anticipated impact of currency translation.

We expect acquisitions to contribute approximately $300 million to sales growth, 1 percentage point of EBIT growth, and $0.02 of EPS.

In connection with the accounting for the new business model in Mexico, we expect a decrease in both sales and cost of sales of approximately $40 million in the International segment with no impact on EBIT. Thus our organic sales growth expectation is 2% to 3% with an additional 3 points of sales growth expected to come from acquisitions net of the impact in Mexico.

We continue to expect inflation in cost of products sold at 2% to 3% and productivity gains of approximately 3%. Net interest expense is expected to be comparable with the prior year. EPS growth reflects the impact of a significant increase in the tax rate which is estimated to return to a more typical range of 31% to 32% in fiscal 2014.

This guidance range assumes no share repurchase under our strategic share repurchase program in fiscal 2014. We anticipate capital expenditures of approximately $350 million.

As we look ahead, we expect the current retailer inventory levels and holiday timing may constrain sales growth in the first quarter. In addition, our significant new product launches and an associated increase in marketing spending are projected to put pressure on the first quarter's profit growth.

And with that, I will turn it back to Jennifer.

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

Thank you, Craig. At this time, Mary, we are going to conduct our Q&A session. We would like to request that our callers limit themselves to a single question and stay on the line in case clarifications are needed. This way we hope to respond to more callers. We also may go a little bit past the hour. We will see how the queue goes. Thanks. Mary?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Andrew Lazar, Barclays.

Andrew Lazar - *Barclays Capital - Analyst*

Good morning everyone. Craig, I am wondering I guess why for both the fourth quarter and the full year, even when you exclude the negative mix impact on gross margin from the addition of Bolthouse, maybe why we haven't seen more significant gross margin expansion just because some of the high margin businesses obviously did quite well over the course of this past year and in the fourth quarter meaning Simple Meals, Pepperidge Farm and such. So a little more color on that would be helpful. Thank you.

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

Sure, Andrew. Certainly the success of soup this year has been a positive influence on gross margin. A more negative influence would have been somewhat higher promotional spend for the year and it brings us back to about flat at gross margin excluding the impact of rolling in the acquisition.

Andrew Lazar - *Barclays Capital - Analyst*

And any thoughts on just how that might look as we think forward for the year coming into 2014 around gross margin?

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

You know, as we look at gross margin, I think maybe we have said this at Analyst Day, we see slightly mitigated inflationary pressure and we continue to forecast pretty good results from our enabler program and productivity savings. Those should largely be offsetting. We have got a price increase that we talked about in our condensed soup line that will not have quite as much positive impact as last year's increase because we have not moved up promotional price points.

So you have got some positives and some negatives. I guess it would be slightly positive to gross profit as we look -- to gross margin as we look forward.

Andrew Lazar - *Barclays Capital - Analyst*

Thank you very much.

Operator

Jason English, Goldman Sachs.

Jason English - *Goldman Sachs - Analyst*

Hey, good morning folks. Thanks for the question.

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

Hi, Jason.

Jason English - *Goldman Sachs - Analyst*

I wanted to circle back on Europe. I guess I was surprised by the profitability there and the impact on earnings. It seems like you have given us all the bad but none of the potential good on this.

So can you talk a little bit about the magnitude of stranded costs, the path to potentially working those down, anticipated proceeds, potential tax leakage and then use of that cash?

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

So with respect to stranded costs, there is about $10 million of overhead that has previously been associated with Europe. So that is not included in the discounted ops line; it moves back into corporate as we change the accounting there.

Since the deal has not been completed, we are not disclosing at this point the sale price. And as we look forward, we expect, assuming everything goes well with the consultation with works councils and government approvals, that we would probably close the deal in the first quarter. And then we would have all the details out on the sale proceeds and the tax impact there.

Jason English - *Goldman Sachs - Analyst*

Okay. I look forward to those details. The $10 million of overhead, just staying on overhead, I notice admin expenses for the firm overall as a percentage of sales are at a decade high. You are talking a lot about productivity. Why aren't you going more aggressively after attacking some of these costs?

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

Well, so inside of the administrative costs, particularly as you look at the quarter, we are cycling last year below target incentive cost payments with higher payment levels this year. We also have for the year, as we look back, higher pension expense and higher health benefit costs. If you start to strip out some of those impacts, we have what we would call good results in our SG&A cost, particularly at the corporate level. And we continue to look at that.

If you think about productivity overall, we had a great year in our enabler program inside of cost of sales. We were right at 3%, maybe slightly over 3%, and would expect to be there again next year.

Jason English - *Goldman Sachs - Analyst*

Okay, thanks a lot guys.

Operator

Rob Dickerson, Consumer Edge Research.

Rob Dickerson - *Consumer Edge Research - Analyst*

Okay, thank you. I guess the first question was did you give an interest expense guidance number for 2014?

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

I think we did not give an interest guidance number for 2014. It should be about flat to 2013.

Rob Dickerson - *Consumer Edge Research - Analyst*

Okay, perfect. And then I guess you know kind of a larger strategic question is just -- I know over time we have been pointing to kind of the weakness of soup and 2013 was an anomaly frankly on the sales side. And Andrew just asked a question on the margin side. But you know when Denise kind of points to the soup going from 40% to a third of total sales, how do you think about that over the next three years or so on a margin basis just considering that is the highest margin area of the business.

So as you -- I don't know -- act upon the dual mandate and move into these higher growth areas, is the expectation that growth kind of post 2013 both on a sales and a profitability basis could be a little bit lower in soup? I am just trying to get a little color on how you think about the potential negative margin mix as you move forward within the dual mandate? Thank you.

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

Yes, so I think it would be a mistake to focus on margin in exactly the way that you suggest there. I mean we look at getting -- trying to optimize topline and bottom line growth. The change in mix first of all, the soup brands that we will potentially divest in Europe are at considerably lower margin than the soup brands that we have and continue to hold in the US business. I think Europe's overall EBIT margin is around 12%.

And the businesses that we are adding while they are somewhat dilutive to margin, the question is really whether they are adding topline and bottom line growth at returns that are good for the capital that we are investing in them. Really nothing that we have invested in is in any way cannibalistic against any of our core business.

So we are focused on growth topline, bottom line and we are very focused on return and then margins are of course an important metric and something that we look at constantly on an operational basis, but I think to think about those sort of segment by segment is probably the better way to think about it.

Rob Dickerson - *Consumer Edge Research - Analyst*

Okay, great. And then just a quick follow-up, you know what you said about the 12% Europe margin and I believe we got an email about that this morning as well, you know it looked like the actual segment, the full segment came in at like 11.9% it seemed like for the year plus or minus. So is it fair to say that the margin in Europe for the segment could have actually been a little bit higher than the actual segment so there could be some potential margin -- there can be a positive margin mix shift for soup globally but for the actual segment, there could be a little bit of pressure in 2014? Thank you.

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

I think it is very close. The divested businesses are pretty much right on top of the margin for the total segment.

Rob Dickerson - *Consumer Edge Research - Analyst*

Okay, great. I will pass it on. Thanks.

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

Sure. Thank you.

Operator

Eric Katzman, Deutsche Bank.

Eric Katzman - *Deutsche Bank - Analyst*

Hi, good morning everybody. I guess my question one quick one on the follow-up to I think it was Jason's question. So this $2.55 to $2.60 range, that basically at this point doesn't assume any use of proceeds -- I assume that would be to pay down debt post the sale of Europe, any tax benefit associated with that, who knows or I guess whatever positive. Would that lean you towards the high-end of the range once those -- once the sale goes through?

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

So, Eric, in there, there is about a penny of assumption on debt reduction.

Eric Katzman - *Deutsche Bank - Analyst*

Okay. So you have assumed some benefit or some of the divestiture proceeds, etc. but maybe not the stranded overhead exit?

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

Yes, I think we have taken -- in effect, I think we have taken sort of the most conservative stance there as we have looked forward both with respect to the proceeds and their use as well as to the stranded overhead. So the stranded overhead is still in there. We intend to take some action to try to identify offsetting savings.

As you might imagine, it is not so easy to directly find that stranded overhead in the corporate headquarters mix and take it out. Europe was not that big a business for us. There aren't many people at corporate that are directly associated with Europe. So it is more a matter of finding offsetting savings than it is targeting Europe related cost.

Anthony DiSilvestro - *Campbell Soup Company - SVP of Finance*

The other point to make is although we have assumed debt reduction in fiscal 2014, all things the same, it will accelerate the data which we return to share repurchase in the future.

Eric Katzman - *Deutsche Bank - Analyst*

Okay. And then too, Denise, I guess just broader picture, it seems as if a bunch of the food companies have recorded of late -- have kind of indicated a somewhat more sluggish consumer than maybe a lot of the management teams had seen in the spring. I guess -- I know you can't necessarily comment on Walmart specifically but our retail analyst was out there the other day and they were kind of suggesting a little bit more price aggressiveness to drive volume along with coordination on new products.

You are calling out today some excess inventory levels which will crimp the fiscal first-quarter results. So can you just kind of talk a little bit about kind of what you are seeing from the consumer as we move through the summer? Is the trade de-loading issue kind of a reaction to the slower growth and kind of how the portfolio then sets up for what seems like a somewhat tougher environment all of a sudden?

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

Eric, I think for us the last couple of years have been looked at as a very challenging consumer and retail environment and we continue to accept that as a given and run our play despite that. And I do think that your observation is correct that particularly in the recent quarter, it has been a little bit less robust.

But that said, I think that is the operating environment we are in in the food business and people still have to eat. So we are going at it pretty aggressively.

In terms of the inventory, I think I am going to let Craig handle that one coming out of the fourth quarter.

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

Yes, so I mean just the facts are that as we came out of the third quarter -- in the third quarter, so a big soup quarter, we had sales about 4 points ahead of consumption. I think our sales were about 14, consumption about 10. We had a much smaller delta in the fourth quarter but again oversold by maybe 30 basis points or so what the consumption data said.

So we are just recognizing the fact that as we come into the first quarter this year and retailers start to go into their build mode, inventories will go up in total but there may be a little bit of a drag on sales versus consumption as they come back to more normal levels.

The other thing in the quarter that is sort of mechanical is that because of the calendar, Thanksgiving's load in is -- pre-Thanksgiving sales are largely going to be a second-quarter event this year instead of a first-quarter event. So that also weighs on the quarter a little bit.

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

And this is Jennifer. That is mostly stuffings and condensed soup and broth, things like that.

Eric Katzman - *Deutsche Bank - Analyst*

Great, great. And then -- I'm sorry, just last follow-up to Denise, you have obviously made a lot of portfolio changes and that is challenging for an organization but necessary and I think what you have done is logical so far. Are you at a point now where you we kind of feel that you have made three acquisitions, one big divestiture, is this kind of what we have to work with for the moment or if more deals come along you are ready, willing and able?

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

Well I think it is fair to say that we are continuing to look for smart external development if it makes sense in our categories. The year we have had this year has been unusually busy and look at the fact that over the last two years we have identified targets and a lot of them hit this year. We will have years that are active and years that are a little bit dryer. But we are going to be very, very disciplined about external development and make sure that we really believe that anything we bring into Campbell's will add extra value for our shareholders.

Eric Katzman - *Deutsche Bank - Analyst*

I will pass it on. Thank you.

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

Thanks, Eric.

Operator

Thilo Wrede, Jefferies.

Thilo Wrede - *Jefferies & Co. - Analyst*

Good morning, everybody. Denise, in your press release, you talked about having optimized the drivers of demand for US Soup. Combined with the fact that the innovation this year is maybe a little bit less breakthrough than you had last year, does that imply that the organic growth rates that you have had in soup in fiscal 2013 that is as good as it gets and will be hard to get back to that kind of level?

And kind of related to that, is there ever going to be a point where you shift the focus of your dual mandate more towards the growth part of it rather than maintaining the strength of the core?

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

I really think that the dual mandate with a focus on both strengthening the core and expanding into new growth spaces is the right way to think about it. END AUDIT * AUDIO AT 1 HOUR We really do believe that the best source of value creation is really by having a robust core business especially because our core is so profitable. And so we do have our resources actually focused against driving growth there and also expanding into the faster growing spaces.

I was pretty happy with the growth of soup this year and expect that to continue. While we drive more growth in those faster growing spaces, I think that is a formula that gets us to our long-term growth targets and beyond.

Thilo Wrede - *Jefferies & Co. - Analyst*

If you got support from weather and you got support from a lot of new innovation and you got support from as you put it optimizing the drivers of demand, what is going to be the incremental benefit that you get in fiscal 2014 to maintain the growth rate? Why wouldn't it slow down again in your soup?

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

Well, I mean the drivers of demand are really all about improvements in execution. So when you think about what we are doing in 2014 I mean we have improved the taste and quality of many of our flavors and recipes. We have a whole new line of ready-to-serve soup coming to market with Homestyle that capitalizes on a consumer need that is really well researched. We do have continued emphasis on the faster growing premium segment which we continue to bring new users into the category.

So we are pretty -- Chunky has a very strong program. Condensed has new advertising so we continue to work on the programs, the advertising, the consumer promotion, the innovation and making sure that we get the right shelf configurations. All of those basics are really important in this category. So we are pretty positive about US Soup.

Thilo Wrede - *Jefferies & Co. - Analyst*

Okay, thank you.

Operator

Chris Growe, Stifel.

Chris Growe - *Stifel Nicolaus - Analyst*

Hi, good morning. I just had a quick question for you and it is a bit of a follow-on to an earlier question. But I know you had like a little benefit in the quarter from 100% Natural in trying to work that product off the shelf. It looked to me like the Homestyle product got on the shelf pretty quickly. And I guess I am just curious how that benefited US Soup in the fourth quarter? I think you indicated certainly Q1 was a little bit of a lapping issue from the inventory.

And then also could you talk about the new product benefit in the soup business for the year like roughly what that contributed to revenue?

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

Well, so you are right, Chris, we did have some promotional push to just try to accelerate that switch out of 100% Natural to Homestyle. In the quarter though, the sales were only ahead of consumption by 30 basis points. So it [wasn't] a dramatic inventory push. Again, we are mostly looking back to the third quarter and just recognizing that we built some inventories that haven't come out completely yet -- some disparity between sales and consumption.

So the 100% Natural product moved through the shelf, moved out to retailers and then moved through the shelf and off as you recognized in your comment about the trade. We are pretty happy with where we are in terms of merchandising and shelf presence with 100% -- sorry with Homestyle as we come into the year.

Anthony DiSilvestro - *Campbell Soup Company - SVP of Finance*

Yes, most of the RTF sales gains in the quarter comes from 100% Natural.

Chris Growe - *Stifel Nicolaus - Analyst*

Okay. And so like the Go Soups or the Slow Kettle, all the new varieties, do you have like a rough contribution of what that added to sales maybe for the year or even for the quarter?

Anthony DiSilvestro - *Campbell Soup Company - SVP of Finance*

Yes, for the year it is about a point.

Chris Growe - *Stifel Nicolaus - Analyst*

Okay. Thank you for the time.

Operator

John Baumgartner, Wells Fargo.

Dennis Geiger - *Wells Fargo - Analyst*

Good morning, this is Dennis Geiger filling in for John. Could you discuss what you are seeing in shelf-stable juices as it relates to the pricing environment and what your expectations are for the discounting environment going forward?

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

Shelf-stable juices have been as a category under pressure from competition in fresh and really the proliferation of specialty beverages. There is a bifurcation going on where the value part of the category is performing very well and we are seeing that in our sales of V8 Splash as well as the super premium beverages in the fresh perimeter. And we are experiencing that in our Bolthouse Farms business.

Where we have been under pressure has been really in the V8 100% vegetable juice and the V-Fusion line. And we have plans in 2014 to introduce a new V8 V-Fusion refreshers product which has a light and refreshing taste which we believe will add some new news to that part of the category and stimulate some sales. We continue to push our V8 V-Fusion +Energy which is also a hot trend in the category. And then the expansion of our kid's juice boxes as well.

So we do have plans to reinvigorate the growth of that business but I was pretty disappointed with it this year.

Dennis Geiger - *Wells Fargo - Analyst*

Okay, thank you.

Operator

David Driscoll, Citi Research.

David Driscoll - *Citigroup - Analyst*

Great, thanks a lot and good morning. I wanted to follow up on some of the big picture food question. I think Eric got into that a little bit but I want to be specific on something. The food stamp program is expected to see some declines in what is being issued I think in November. Number one on food stamps, do you have any kind of number for us about what you think your exposure is to food stamps?

And then number two, specifically to the November cuts, do you think that that has any effect on your business?

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

David, we are not expecting the reduction of the supplemental nutrition assistance program to have a material impact to Campbell.

David Driscoll - *Citigroup - Analyst*

All right. Well that is clear. Then just one quick follow-up on the debt, Craig. I think you said interest expense is expected to be flat year on year. I believe you have got --

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Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

I said interest expense yes -- right.

David Driscoll - *Citigroup - Analyst*

Yes, I think you have two bonds coming due though, two $300 million bonds. What is your expectation here and maybe with those things coming due and being retired, why wouldn't interest expense be down?

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

I think one of them expires right at the very end of the period so it won't have much impact. And Kelsen coming on is sort of the offset, right, the Kelsen debt coming in which wasn't in last year's number.

David Driscoll - *Citigroup - Analyst*

Okay, thank you.

Operator

Ken Goldman, JPMorgan.

Ken Goldman - *JPMorgan - Analyst*

Hey, good morning, everyone. Denise, I just wanted to focus a bit on your comments because you talked a little bit about building brand equities and clearly you have taken some strong steps towards this end and deserve a lot of credit for that. But I guess one part I am curious about is promotions. I mentioned this at the Analyst Day. It is the seventh straight year you had higher promo spending that cut into your gross sales. And I think a general perception is that promo spending can impair equity growth -- brand equity growth, not help it.

So I am just curious how you think about kind of balancing the decision to raise promo spending with building brand equities and whether those too can kind of coexist or whether that is not even the right way to think about it?

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

Yes, I think our higher promotion spending has been linked largely to the battles we are fighting and beverages and also in the Arnott's business in Australia as that market has changed and also in the highly competitive Foodservice business where we have experienced some structural changes with the advent of group purchasing organizations.

That said, Ken, and I really do believe this, getting the right marketing mix between the advertising and consumer promotion and the customer and shopper marketing that is going on is more complex today than it has been in the past. And we are wrestling with things like TV versus digital which may show up as a lower expense but reaching a targeted audience that we need to get to.

So I think that on a by business basis, the approach we are taking is to go business by business looking at competition and then figuring out what is the best marketing mix for each business that gives us the best growth at the best profit. And so that is how we are approaching it.

Ken Goldman - *JPMorgan - Analyst*

One really quick literal follow-up. You mentioned that the promo spending was sort of focused on a couple of areas but as I look down your promo spending for each of your five segments, it was a headwind to every single segment. So how do I think about that in correspondence with what you said it was sort of focused on one or two areas?

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

Well again, I think that we go business by business and look at competition, what it takes to win against the drivers of demand in each of those businesses. And for example in the soup business, when we looked at our advertising, we were way above the spending level of competitive Simple Meals. And so we have adjusted that and we are channeling our advertising and consumer promotion against new product innovation and new news in the category.

But all of these brands are well supported from an advertising and consumer promotions standpoint.

Ken Goldman - *JPMorgan - Analyst*

Great. Thanks very much.

Operator

Matthew Grainger, Morgan Stanley.

Matthew Grainger - *Morgan Stanley - Analyst*

Good morning, everyone. Thanks for the question. Craig, just one more speculative I guess question on the European business divestiture. Given the eventual closing of that transaction and the proceeds you expect to receive there, do you think that increases over the course of the next year your flexibility to or the likelihood of considering dividend increases or reinstatement of share buybacks at some point?

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

Well I guess the literal answer to that question is yes but I don't think it changes anything in the way that we think about our priorities. We haven't -- while we have done a lot -- while we have had a lot of activity over the course of the last year, we still feel like we have got some balance sheet capacity. We have said on dividends that we would expect to grow roughly with earnings but also keeping an eye on where the total food group is in terms of payout ratio.

We have said that we will continue to look for acquisition targets that we think of value adding over time. So none of that changes but yes, it brings some cash in and gives us a little bit more firepower.

Matthew Grainger - *Morgan Stanley - Analyst*

Okay. And then just with respect to the share repurchases, should we consider that still an open issue over the course of the year or is that more likely to be a fiscal 2015 dynamic?

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

So the guidance we gave assumed that we do not restart. Clearly if we get the European deal closed and that creates some proceeds, you could think about that as moving forward. But I am not sure it would move it into 2014.

Matthew Grainger - *Morgan Stanley - Analyst*

Okay, thanks, Craig.

Operator

Bryan Spillane, Bank of America.

Bryan Spillane - *BofA Merrill Lynch - Analyst*

Hi, good morning. Hey Craig, just a quick question. I want to make sure I understood -- I was a little surprised that the 53rd week is fully offset by foreign exchange. Could you just -- how much are you estimating the 53rd week is worth?

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

It is a little bit less than 2%. It is a smaller quarter for us than average. The week is in the fourth quarter, right? It is a summer week so it is a little bit less than average.

Bryan Spillane - *BofA Merrill Lynch - Analyst*

Okay. And then the translation is -- I guess most of it is really the Australian dollar/US dollar exchange?

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

Yes.

Bryan Spillane - *BofA Merrill Lynch - Analyst*

And is there anything -- you are just assuming current exchange rates today, there is nothing unusual about that calculation?

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

I mean typically unless we see something really peculiar, we are not forecasting movement, we are just taking current spot and assuming that that is where we are for the year and that is the case in this guidance.

Bryan Spillane - *BofA Merrill Lynch - Analyst*

Okay, great. Thanks.

Operator

Priya Ohri-Gupta, Barclays.

Casey Oberlander - *Barclays Capital - Analyst*

Hi, this is [Casey Oberlander] on for Priya. Thanks for taking the question. Could you elaborate on your plans for the upcoming October maturity and also any additional color on the debt reduction plans going forward? Thank you.

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

Yes, Casey, thanks for the question. I think for the October maturity our expectation would be that we would pay that off, would not issue another long-term instrument and that would be part of our cash use for the year, right.

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

I think she hung up.

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

Okay.

Casey Oberlander - *Barclays Capital - Analyst*

Okay, thank you.

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

There she is.

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

Okay. It sounds like we answered it anyway. Okay. One last question.

Operator

Akshay Jagdale, KeyBanc.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Good morning. Thanks for taking the question. Just can you give a little bit more color on Bolthouse and perhaps a little bit on Plum just in terms of what you have seen from the business from a positive standpoint and perhaps you can comment on anything that perhaps hasn't gone as well as you planned and how you are dealing with that. Thank you.

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

This is Denise. I will start with Bolthouse. First of all, we were really pleased with the performance and the integration of Bolthouse Farms in their first year as part of Campbell's. They continue to have a very robust innovation pipeline. Going forward, they are naturally going to launch a baby carrot snack product called ShakeDowns which we are pretty enthused about in addition to continuing the momentum on their super premium fresh beverage business and salad dressings in the refrigerated produce section.

As I said in my opening comments as well, we are very excited about the potential for V8 Harvest which is the first V8 entry into fresh juice. So all in all, we think that from a business standpoint, that has gone really well. Culturally we have been able to keep their entrepreneurial spirit and provide them with some of the resources and the scale that Campbell has to offer.

In terms of Plum, it is still early days and Plum is in the process of being integrated into our North America platform while retaining a team of very talented entrepreneurs that have joined the Campbell family. And we have got nice expectations for the expanded distribution of that business to get us more access in the super premium -- I'm sorry the premium organic baby food business. And that is a nice addition to our kid's business which is about $1 billion right now.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Okay, thank you. I will pass it on.

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

Thank you.

Craig Owens - *Campbell Soup Company - SVP, CAO and COO*

Thanks, Akshay.

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

Thanks, Akshay. And thank you, everybody. We appreciate you joining us for our fourth-quarter earnings call and webcast. As I mentioned before, our 10-K hopefully we will file historical information for continuing ops and discontinued operations as well as international segment and corporate segment implications of the way we are recasting our numbers. If you missed any of our call, the replay will be available about two hours after our call concludes by dialing 1-703-925-2533. The replay passcode is 1620135. That is 1620135.

You have until September 12 at midnight at which point we will move our earnings call to the website, investor.campbellsoupcompany.com under news events then click on recent webcasts and presentations.

If you are a reporter and have questions, please call Carla Burigatto, Director of External Communications at 856-342-3737. Investors and analysts should call me, Jennifer Driscoll, at 856-342-6081. Thank you for staying with us on this slightly prolonged call.

That concludes today's program. You may now disconnect and have a happy Labor Day weekend.
