



**FOR IMMEDIATE RELEASE**

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**CAMPBELL REPORTS SECOND-QUARTER RESULTS**

- Net Sales Decreased 1 Percent, Organic Sales Decreased 2 Percent
- Campbell Records Pre-Tax Non-Cash Impairment Charges of \$212 Million, or \$0.58 Per Share, Related to Campbell Fresh Segment
- Earnings Before Interest and Taxes (EBIT) Decreased 50 Percent, Adjusted EBIT Decreased 1 Percent
- Earnings Per Share (EPS) Decreased 61 Percent to \$0.33, Adjusted EPS Increased 5 Percent to \$0.91 Reflecting Lower Adjusted Tax Rate
- Campbell Reaffirms Fiscal 2017 Guidance
- Campbell Increases Cost Savings Program Target from \$300 Million by Fiscal 2018 to \$450 Million by Fiscal 2020

**CAMDEN, N.J., Feb. 17, 2017—Campbell Soup Company (NYSE:CPB)** today reported its second-quarter results for fiscal 2017.

	<u>Three Months Ended</u>			<u>Six Months Ended</u>		
	<u>Jan. 29,</u> <u>2017</u>	<u>Jan. 31,</u> <u>2016</u>	<u>%</u> <u>Change</u>	<u>Jan. 29,</u> <u>2017</u>	<u>Jan. 31,</u> <u>2016</u>	<u>%</u> <u>Change</u>
(\$ in millions, except per share)						
<b>Net Sales</b>						
As Reported (GAAP)	\$2,171	\$2,201	(1)%	\$4,373	\$4,404	(1)%
Organic			(2)%			(1)%
<b>Earnings Before Interest and Taxes</b>						
As Reported (GAAP)	\$205	\$414	(50)%	\$662	\$729	(9)%
Adjusted	\$417	\$423	(1)%	\$905	\$902	-%
<b>Diluted Earnings Per Share</b>						
As Reported (GAAP)	\$0.33	\$0.85	(61)%	\$1.27	\$1.47	(14)%
Adjusted	\$0.91	\$0.87	5%	\$1.92	\$1.82	5%

Note: A detailed reconciliation of the reported (GAAP) financial information to the adjusted financial information is included at the end of this news release.

## CEO Comments

Denise Morrison, Campbell's President and Chief Executive Officer, said, "I am not satisfied with our sales performance this quarter. Declines were most prominent in Campbell Fresh driven by a market share decline and weather-related issues in carrots, capacity constraints from the *Bolthouse Farms Protein PLUS* recall last June, and Garden Fresh Gourmet. Although V8 shelf-stable beverages declined, I am encouraged by the positive momentum in our core U.S. soup, simple meals and Pepperidge Farm snacks businesses. U.S. soup sales increased in the quarter, driven by our ready-to-serve varieties, such as *Chunky* and new *Well Yes!*, which performed above expectations.

"C-Fresh performance was below our expectations. The new C-Fresh management team has conducted an extensive review of the business and has determined the recovery will take longer to execute than we originally planned. As a result, we no longer expect C-Fresh to grow this fiscal year. Despite these challenges, we remain confident in the growth potential of the packaged fresh category. C-Fresh continues to be an important strategic business for Campbell to meet growing consumer demand for fresh foods and interest in health and well-being.

"We continued to over-deliver on our cost savings initiative, and now expect to achieve our target a year ahead of schedule. We have increased our savings target from \$300 million by the end of fiscal 2018 to \$450 million by the end of fiscal 2020. Looking ahead, we expect to improve our sales performance in the back half and are maintaining our guidance for the fiscal year."

## Items Impacting Comparability

The company reported earnings of \$0.33 per share in the quarter. In the second quarter of fiscal 2017, the company performed an interim impairment assessment on the intangible assets of the Bolthouse Farms carrot and carrot ingredients reporting unit and the Garden Fresh reporting unit as operating performance was well below expectations and the new leadership team of the Campbell Fresh division initiated a strategic review. This performance and review led to a revised outlook for future sales, earnings and cash flow. The current quarter results reflect a pre-tax non-cash impairment charge of \$147 million, or \$0.45 per share, to reduce the carrying value of the intangible assets of the Bolthouse Farms carrot and carrot ingredients reporting unit. The current quarter results also reflect a pre-tax non-cash impairment charge of \$65 million, or \$0.13 per share, to reduce the carrying value of the intangible assets of the Garden Fresh reporting unit. The prior-year quarter included pre-tax charges related to cost savings initiatives of \$16 million, or \$0.03 per share, and a pre-tax gain related to a pension benefit mark-to-market adjustment of \$7 million, or \$0.01 per share. Excluding items impacting comparability in both periods, adjusted EPS increased 5 percent to \$0.91 per share, compared with \$0.87 per share in the year-ago quarter. A detailed reconciliation of

the reported (GAAP) financial information to the adjusted information is included at the end of this news release.

### **Second-Quarter Results**

Sales decreased 1 percent to \$2.171 billion driven by the decline in organic sales, partially offset by the favorable impact of currency translation. Organic sales decreased 2 percent driven by lower volume and higher promotional spending.

Gross margin increased from 37.2 percent to 38.0 percent. Excluding items impacting comparability in the prior year, adjusted gross margin improved 0.7 percentage points. The increase in adjusted gross margin was primarily driven by productivity improvements and the benefits from cost savings initiatives, partly offset by higher supply chain costs and inflation, as well as higher promotional spending. The adjusted gross margin increase reflects the continued gross margin expansion in Americas Simple Meals and Beverages. The increase in supply chain costs was primarily driven by higher carrot costs in the quarter due to the adverse impact on crop yields of heavy rains in December and January.

Marketing and selling expenses increased 6 percent to \$237 million. Excluding items impacting comparability in the prior year, adjusted marketing and selling expenses increased 5 percent primarily due to higher advertising and consumer promotion expenses. Administrative expenses decreased 5 percent to \$139 million. Excluding items impacting comparability in the prior year, adjusted administrative expenses decreased 3 percent primarily due to lower incentive compensation costs compared to the prior year, partly offset by higher benefit-related costs and investments in long-term innovation.

EBIT decreased 50 percent to \$205 million, principally driven by the impairment charges in the current-year quarter. Excluding items impacting comparability, adjusted EBIT decreased 1 percent to \$417 million reflecting lower sales and higher marketing and selling expenses, partly offset by a higher adjusted gross margin percentage.

Net interest expense increased 4 percent to \$28 million reflecting higher average interest rates on the debt portfolio, partly offset by lower levels of debt. The tax rate increased to 42.9 percent as compared with a tax rate of 31.5 percent in the prior year. Excluding items impacting comparability, the adjusted tax rate decreased 3.8 percentage points to 27.8 percent as the timing of tax expense on an adjusted basis was favorably impacted by the goodwill impairment. The outlook for the full-year adjusted tax rate remains unchanged and is expected to be approximately 32 percent.

**First-Half Results**

Sales decreased 1 percent to \$4.373 billion driven by a 1 percent decline in organic sales, partly offset by the favorable impact of currency translation.

EBIT decreased 9 percent to \$662 million. Excluding items impacting comparability, adjusted EBIT was comparable to the prior year at \$905 million reflecting a higher adjusted gross margin percentage and lower administrative expenses, offset by higher marketing and selling expenses and volume declines.

Net interest expense increased 2 percent to \$56 million reflecting higher average interest rates on the debt portfolio, partly offset by lower levels of debt. The tax rate increased 3.2 percentage points to 35.1 percent. Excluding items impacting comparability, the adjusted tax rate decreased 2.7 percentage points to 30.2 percent.

Cash flow from operations decreased to \$667 million from \$754 million a year ago primarily due to changes in accrued liabilities, principally accrued taxes and accrued incentive compensation.

**Cost Savings Program**

In fiscal 2015, Campbell launched a comprehensive reorganization and multi-year cost savings initiatives with targeted annualized cost savings of \$300 million by fiscal 2018. Campbell now expects to achieve \$300 million in cost savings by the end of fiscal 2017, a year earlier than anticipated. Based on the success of the program to date and the identification of additional savings opportunities, the savings target is being increased from \$300 million by the end of fiscal 2018 to \$450 million by the end of fiscal 2020.

**Fiscal 2017 Guidance**

Campbell continues to expect sales to increase by 0 to 1 percent, adjusted EBIT to increase by 1 to 4 percent, and adjusted EPS to increase by 2 to 5 percent, or \$3.00 to \$3.09 per share. This guidance assumes the impact from currency translation will be nominal. A non-GAAP reconciliation is not provided for 2017 guidance since certain items are not estimable, such as pension and postretirement mark-to-market adjustments, and these items are not considered to be part of the company's ongoing business results.

**Segment Operating Review**

An analysis of net sales and operating earnings by reportable segment follows:

**Three Months Ended Jan. 29, 2017**

(\$ in millions)

	<b>Americas Simple Meals and Beverages</b>	<b>Global Biscuits and Snacks</b>	<b>Campbell Fresh</b>	<b>Total</b>
Net Sales, as Reported	\$1,231	\$680	\$260	\$2,171
Volume and Mix	-%	-%	(8)%	(1)%
Promotional Spending	(1)%	(1)%	-%	(1)%
Organic Net Sales	(1)%	(1)%	(8)%	(2)%
Currency	-%	1%	-%	-%
% Change vs. Prior Year	-%*	-%	(8)%	(1)%*
Segment Operating Earnings	\$313	\$135	\$(3)	
% Change vs. Prior Year	8%	(4)%	n/m	

n/m – not meaningful

\* Numbers do not add due to rounding.

Note: A detailed reconciliation of the reported (GAAP) net sales to organic net sales is included at the end of this news release.

**Six Months Ended Jan. 29, 2017**

(\$ in millions)

	<b>Americas Simple Meals and Beverages</b>	<b>Global Biscuits and Snacks</b>	<b>Campbell Fresh</b>	<b>Total</b>
Net Sales, as Reported	\$2,528	\$1,351	\$494	\$4,373
Volume and Mix	-%	1%	(7)%	(1)%
Promotional Spending	(1)%	(1)%	-%	(1)%
Organic Net Sales	(1)%	-%	(7)%	(1)%*
Currency	-%	2%	-%	1%
% Change vs. Prior Year	-%*	1%*	(7)%	(1)%*
Segment Operating Earnings	\$696	\$247	\$(2)	
% Change vs. Prior Year	7%	(3)%	n/m	

n/m – not meaningful

\* Numbers do not add due to rounding.

Note: A detailed reconciliation of the reported (GAAP) net sales to organic net sales is included at the end of this news release.

**Americas Simple Meals and Beverages**

Sales in the quarter were comparable to the prior year at \$1.231 billion. Excluding the favorable impact of currency translation, segment sales decreased 1 percent driven by declines in V8 beverages, partly offset by gains in soup, *Prego* pasta sauces and *Plum* products. Sales of U.S. soup increased 1 percent driven by gains in ready-to-serve soups, mostly offset by declines in broth and condensed soups.

Segment operating earnings increased 8 percent to \$313 million. The increase was driven by a higher gross margin percentage, partly offset by increased advertising and consumer promotion expenses.

#### Global Biscuits and Snacks

Sales in the quarter were comparable to the prior year at \$680 million. Excluding the favorable impact of currency translation, segment sales decreased 1 percent primarily driven by declines in Kelsen, primarily in the U.S., and *Arnott's* biscuits, partly offset by gains in *Pepperidge Farm*. *Pepperidge Farm* sales increased due to gains in *Goldfish* crackers and *Pepperidge Farm* cookies, partly offset by declines in fresh bakery and frozen products.

Segment operating earnings decreased 4 percent to \$135 million. The decrease was primarily driven by a lower gross margin percentage.

#### Campbell Fresh

Sales in the quarter decreased 8 percent to \$260 million driven by lower sales of carrots, *Bolthouse Farms* refrigerated beverages, and Garden Fresh Gourmet, partly offset by gains in refrigerated soup.

Segment operating earnings decreased from \$21 million to a loss of \$3 million reflecting increased carrot costs due to the adverse impact on crop yields of heavy rains in December and January, as well as the cost impact of lower beverage operating efficiency and lower sales.

#### **Unallocated Corporate Expenses**

Unallocated corporate expenses for the quarter were \$241 million compared to \$29 million in the prior year. The current-year quarter included the pre-tax non-cash impairment charges of \$212 million related to the Campbell Fresh segment. The prior-year quarter included \$7 million of pre-tax charges associated with Campbell's initiatives to implement a new enterprise design, to reduce costs and to streamline its organizational structure. The prior-year quarter also included a \$7 million pre-tax gain related to a pension benefit mark-to-market adjustment.

#### **Conference Call**

Campbell will host a conference call to discuss these results today at 9:00 a.m. Eastern Time. To join, dial +1 (703) 639-1316. The conference ID is 40985838. Access to a live webcast of the call with accompanying slides, as well as a replay of the call, will be available at

[investor.campbellsoupcompany.com](http://investor.campbellsoupcompany.com). A recording of the call will also be available until midnight on March 3, 2017, at +1 (404) 537-3406. The access code for the replay is 40985838.

### **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*, *Arnott’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](http://www.campbellsoupcompany.com) or follow company news on Twitter via [@CampbellSoupCo](https://twitter.com/CampbellSoupCo). To learn more about how we make our food and the choices behind the ingredients we use, visit [www.whatsinmyfood.com](http://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 the statements made regarding sales, EBIT and EPS guidance for fiscal 2017, 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 and favorable perception of the company’s brands; (5) the impact of product quality and safety issues, including recalls and product liabilities; (6) the risks associated with trade and consumer acceptance of the company’s initiatives, including its trade and promotional programs; (7) the practices, including changes to inventory practices, and increased significance of certain of the company’s key trade customers; (8) the impact of disruptions to the company’s supply chain, including fluctuations in the supply or costs of energy and raw and packaging materials; (9) the impact of non-U.S. operations, including trade restrictions, public corruption and compliance with foreign laws and regulations; (10) the impact of business portfolio changes; (11) the uncertainties of

litigation and regulatory actions against the company; (12) disruption to the independent contractor distribution models used by certain of the company's businesses, including the results of litigation or regulatory actions that could affect their independent contractor classification; (13) the company's ability to protect its intellectual property rights; (14) the impact of an impairment to goodwill or other intangible assets; (15) the impact of increased liabilities and costs related to the company's defined benefit pension plans; (16) the impact of a material failure in or breach of the company's information technology systems; (17) the company's ability to attract and retain key talent; (18) 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; (19) 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 (20) 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.

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