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CAMPBELL REPORTS FIRST-QUARTER RESULTS

- Campbell Reaffirms Fiscal 2019 Guidance
- Net Sales Increased 25 Percent Reflecting Impact of Recently Completed Acquisitions; Organic Sales Decreased 3 Percent
- Earnings Per Share (EPS) of \$0.64; Adjusted EPS of \$0.79

CAMDEN, N.J., Nov. 20, 2018—Campbell Soup Company (NYSE:CPB) today reported its first-quarter results for fiscal 2019.

Three Months Ended

(\$ in millions, except per share)

	<u>Oct. 28, 2018</u>	<u>Oct. 29, 2017</u>	<u>% Change</u>
Net Sales			
As Reported (GAAP)	\$2,694	\$2,161	25%
Organic			(3)%
Earnings Before Interest and Taxes (EBIT)			
As Reported (GAAP)	\$350	\$412	(15)%
Adjusted	\$410	\$417	(2)%
Diluted Earnings Per Share			
As Reported (GAAP)	\$0.64	\$0.91	(30)%
Adjusted	\$0.79	\$0.92	(14)%

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

Keith McLoughlin, Campbell's interim President and CEO stated, "We are on track with our plans and are encouraged by the progress we are making against the significant actions we announced on August 30th to simplify, focus and optimize our portfolio. Through considerable cross-functional efforts in October, we were able to overcome the supply chain challenges that we faced early in the quarter and deliver results that enabled us to reaffirm our fiscal 2019 guidance.

“As we focus Campbell on our Snacks and Meals and Beverages businesses in our core North American market, we are driving increased operating discipline across the company. During the quarter we started to see improved trends in U.S. soup, a return to sales growth in our V8 business, and continued solid performance in Campbell Snacks. Additionally, we are delivering targeted cost savings and synergies, as well as driving higher cash flow through improvements in working capital. In line with the key priorities of our strategic review, we also launched the processes to divest Campbell International and Campbell Fresh, both of which have garnered strong interest from a range of potential buyers.

“We continue to expect fiscal 2019 to be a transition year as we fully operationalize our plans to turn around Campbell. We remain focused on executing our strategic initiatives and confident that our go-forward plan will drive long-term organic growth and profitability that maximizes value for all shareholders.”

Items Impacting Comparability

The table below presents a summary of items impacting comparability in each period. A detailed reconciliation of the reported (GAAP) financial information to the adjusted information is included at the end of this news release.

	Diluted Earnings per Share	
	Three Months Ended	
	Oct. 28, 2018	Oct. 29, 2017
As Reported (GAAP)	\$0.64	\$0.91
Impairment charge related to U.S. refrigerated soup plant assets	\$0.04	-
Restructuring charges, implementation costs and other related costs associated with cost savings initiatives	\$0.12	\$0.04
Pension and postretirement benefit mark-to-market adjustments	-	(\$0.03)
Adjusted	\$0.79*	\$0.92

*Numbers do not add due to rounding.

First-Quarter Results

Sales increased 25 percent to \$2.7 billion reflecting a 29-point benefit from the recent acquisitions of Snyder's-Lance and Pacific Foods. Organic sales declined 3 percent driven primarily by higher promotional spending, including a 1-point negative impact from the adoption of new accounting

guidance for revenue recognition, as well as lower volume. In the first quarter of fiscal 2019, Campbell adopted new accounting guidance for revenue recognition which impacts the timing of expense related to promotional programs. The impact from the adoption of this guidance is not expected to be material on an annual basis.

Gross margin decreased from 36.2 percent to 30.6 percent. Excluding items impacting comparability, adjusted gross margin decreased 4.9 percentage points to 31.6 percent, including a 190-basis-point negative impact from the recent acquisitions. The remaining decline in adjusted gross margin was driven primarily by cost inflation and higher supply chain costs, as well as higher promotional spending including the impact from the change in revenue recognition, offset partly by productivity improvements and the benefits from cost savings initiatives. The increase in supply chain costs was driven primarily by higher than expected distribution costs associated with the start-up of a new distribution facility in Findlay, Ohio, operated by a third-party logistics service provider.

Marketing and selling expenses increased 13 percent to \$248 million reflecting a 28-point increase from the inclusion of the recent acquisitions. Excluding items impacting comparability in the current year and the impact of the recent acquisitions, adjusted marketing and selling expenses decreased driven primarily by lower advertising and consumer promotion expenses within Meals and Beverages. Administrative expenses increased 18 percent to \$176 million reflecting a 15-point increase from the inclusion of the recent acquisitions. Excluding items impacting comparability and the impact of the recent acquisitions, adjusted administrative expenses increased slightly, reflecting costs associated with the proxy contest in the current year.

Other expenses were \$4 million in the current quarter as compared to other income of \$29 million in the prior-year quarter. Excluding items impacting comparability in the prior year, other expenses increased driven primarily by amortization of intangible assets associated with recent acquisitions.

As reported EBIT decreased 15 percent to \$350 million. Excluding items impacting comparability, adjusted EBIT of \$410 million decreased 2 percent inclusive of a negative 4-point impact from the change in revenue recognition. The remaining change in adjusted EBIT reflects incremental earnings from recent acquisitions, offset partly by declines in the base business.

Net interest expense was \$93 million compared to \$30 million in the prior year reflecting higher levels of debt associated with the recent acquisitions and higher average interest rates on the debt portfolio. The tax rate was 24.5 percent as compared to 28.0 percent in the prior year. Excluding items impacting comparability, the adjusted tax rate decreased 3.9 percentage points to 24.3 percent due primarily to the

lower U.S. federal tax rate, offset partly by the favorable settlement of certain U.S. state tax matters in the prior-year quarter.

The company reported EPS of \$0.64. Excluding items impacting comparability, adjusted EPS decreased 14 percent to \$0.79 per share reflecting adjusted EBIT declines on the base business, inclusive of a negative \$0.04 per share impact from the change in revenue recognition, offset partly by a lower adjusted tax rate. In aggregate, the acquisitions of Snyder's-Lance and Pacific Foods were neutral to adjusted EPS in the quarter.

Cash flow from operations increased to \$231 million from \$188 million a year ago primarily due to lower working capital requirements and lower payments on hedging activities, offset partly by lower cash earnings. In line with the company's commitment to returning value to shareholders, during the first quarter of fiscal 2019, the company paid \$107 million of cash dividends, or the equivalent of \$0.35 per share, to common stock shareholders.

Campbell Reaffirms Fiscal 2019 Guidance

Following first-quarter results, Campbell continues to expect full-year performance to be consistent with guidance provided on Aug. 30, 2018. As previously announced, given the strategy to pursue divestitures, the company has provided an outlook for fiscal 2019 based on the company's existing portfolio of businesses, as well as on a pro forma basis assuming the planned divestitures are completed as of the beginning of fiscal 2019. This fiscal 2019 guidance and pro forma, as shown in the table below, include the impact of the Snyder's-Lance and Pacific Foods acquisitions and assumes the impact from currency translation will be nominal.

(\$ in millions, except per share)

	<u>2018 Results</u>	<u>2019 Guidance Pre-Divestitures</u>	<u>2019 Pro Forma Assuming Divestitures</u>
Net Sales	\$8,685	\$9,975 to \$10,100	\$7,925 to \$8,050
Incremental Net Sales from Snyder's-Lance and Pacific Foods		\$1,500 to \$1,550	\$1,500 to \$1,550
Adjusted EBIT	\$1,408*	\$1,370 to \$1,410	\$1,230 to \$1,270
Adjusted EPS	\$2.87*	\$2.45 to \$2.53	\$2.40 to \$2.50

* Adjusted – refer to the detailed reconciliation of the reported (GAAP) financial information to the adjusted financial information at the end of this news release.

Note: A non-GAAP reconciliation is not provided for 2019 guidance or 2019 pro forma since certain items are not estimable, such as pension and postretirement mark-to-market adjustments, and these items are not considered to reflect the company's ongoing business results. The pro

forma scenario is provided for illustrative purposes to provide approximate impact of potential divestitures as if they occurred at the beginning of fiscal 2019 and is based on the use of estimated sales proceeds.

Cost Savings Program

In the first quarter of fiscal 2019, Campbell achieved \$45 million in savings under its multi-year cost savings program, inclusive of Snyder's-Lance synergies, bringing total program-to-date savings to \$500 million. As previously announced, the company expects to deliver cumulative annualized savings of \$945 million by the end of fiscal 2022.

Segment Operating Review

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

Three Months Ended Oct. 28, 2018

(\$ in millions)

	<u>Meals and Beverages*</u>	<u>Global Biscuits and Snacks*</u>	<u>Campbell Fresh</u>	<u>Total</u>
Net Sales, as Reported	\$1,244	\$1,218	\$232	\$2,694
Volume and Mix	(2)%	(1)%	(1)%	(1)%
Price and Sales Allowances	-%	1%	-%	-%
Promotional Spending	(3)%	(1)%	-%	(2)%
Organic Net Sales	(5)%	(1)%	(1)%	(3)%
Currency	-%	(2)%	-%	(1)%
Acquisitions	6%	81%	-%	29%
% Change vs. Prior Year	-%	77%	(1)%	25%
Segment Operating Earnings	\$294	\$154	(\$3)	
% Change vs. Prior Year	(11)%	32%	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.

Meals and Beverages

Sales of \$1.2 billion were comparable to the prior year. Organic sales decreased 5 percent driven primarily by declines in U.S. soup, *Prego* pasta sauces and Canada, offset partly by gains in beverages. Excluding the benefit from the acquisition of Pacific Foods and the impact from the change in revenue recognition, sales of U.S. soup decreased 6 percent driven by declines in ready-to-serve soups and condensed soups, offset partly by gains in broth. The sales decline in U.S. soup was driven primarily by continued competitive pressure across the market and increased promotional spending.

Segment operating earnings decreased 11 percent to \$294 million. The decrease was driven primarily by a lower gross margin percentage offset partly by lower advertising expenses. The lower gross margin

performance reflects the impact of higher levels of cost inflation, increased promotional spending including the change in revenue recognition, and higher distribution costs associated with the start-up of a new distribution facility in Findlay, Ohio, operated by a third-party logistics service provider.

Global Biscuits and Snacks

Sales in the quarter increased 77 percent to \$1.2 billion. Excluding the benefit from the acquisition of Snyder's-Lance and the negative impact of currency translation, organic sales decreased 1 percent driven primarily by declines in Kelsen cookies in the U.S. Sales of *Goldfish* crackers increased slightly. As expected, sales of *Goldfish* crackers were negatively impacted by the voluntary product recall in July 2018.

Segment operating earnings increased 32 percent to \$154 million, reflecting a 45-point benefit from the acquisition of Snyder's-Lance. Excluding the impact of the acquisition, segment operating earnings declined due primarily to a lower gross margin percentage reflecting higher levels of cost inflation.

Campbell Fresh

Sales in the quarter decreased 1 percent to \$232 million driven by declines in refrigerated soup, as well as declines in Garden Fresh Gourmet and *Bolthouse Farms* refrigerated beverages, offset partly by gains in carrots.

Segment operating loss was \$3 million compared to a loss of \$6 million in the prior year. The \$3 million year-over-year improvement reflects improved operational efficiency on beverages offset partly by the decline in refrigerated soup volume.

Corporate

Corporate in the first quarter of fiscal 2019 included charges related to cost savings initiatives of \$27 million and a non-cash impairment charge of \$14 million related to U.S. refrigerated soup plant assets. Corporate in the first quarter of fiscal 2018 included pension and postretirement mark-to-market gains of \$14 million and charges related to cost savings initiatives of \$17 million. The remaining increase in expenses primarily reflects lower pension and postretirement benefit income as well as costs associated with the proxy contest in the current year.

Conference Call and Webcast

Campbell will host a conference call to discuss these results today at 10:00 a.m. Eastern Time. To join, dial +1 (409) 350-3941. The access code is 9379198. 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. A recording of the call will also be available until midnight on Dec. 4, 2018, at +1 (404) 537-3406. The access code for the replay is 9379198.

Reportable Segments

Campbell Soup Company earnings results are reported as follows:

Meals and Beverages includes the retail and food service businesses in the U.S. and Canada. The segment includes the following products: *Campbell's* condensed and ready-to-serve soups; *Swanson* broth and stocks; *Pacific* broth, soups, non-dairy beverages and other simple meals; *Prego* pasta sauces; *Pace* Mexican sauces; *Campbell's* gravies, pasta, beans and dinner sauces; *Swanson* canned poultry; *Plum* food and snacks; *V8* juices and beverages; and, *Campbell's* tomato juice. Beginning in fiscal 2019, the segment also includes the simple meals and shelf-stable beverages business in Latin America. Prior to fiscal 2019, the business in Latin America was managed as part of the Global Biscuits and Snacks segment. Prior-period segment results have been adjusted retrospectively to reflect this change.

Global Biscuits and Snacks includes the U.S. snacks portfolio consisting of Pepperidge Farm cookies, crackers, bakery and frozen products in U.S. retail, and Snyder's-Lance pretzels, sandwich crackers, potato chips, tortilla chips and other snacking products. The segment also includes Arnott's biscuits in Australia and Asia Pacific, Kelsen cookies globally, and the simple meals and shelf-stable beverages business in Australia and Asia Pacific.

Campbell Fresh includes Bolthouse Farms fresh carrots, carrot ingredients, refrigerated beverages and refrigerated salad dressings; Garden Fresh Gourmet salsa, hummus, dips and tortilla chips; and, the U.S. refrigerated soup business.

About Campbell Soup Company

Campbell (NYSE:CPB) is driven and inspired by our Purpose, "Real food that matters for life's moments." For generations, people have trusted Campbell to provide authentic, flavorful and affordable snacks, soups and simple meals, and beverages. 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 and Poor's 500 and the Dow Jones Sustainability Indexes. For more information, visit 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.

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 any statements made regarding sales, EBIT and EPS guidance, 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 execute on and realize the expected benefits from the actions it intends to take as a result of its recent strategy and portfolio review, (2) the ability to differentiate its products and protect its category leading positions, especially in soup; (3) the ability to complete and to realize the projected benefits of planned divestitures and other business portfolio changes; (4) the ability to realize the projected benefits, including cost synergies, from the recent acquisitions of Snyder’s-Lance and Pacific Foods; (5) the ability to realize projected cost savings and benefits from its efficiency and/or restructuring initiatives; (6) the company’s indebtedness and ability to pay such indebtedness; (7) disruptions to the company’s supply chain, including fluctuations in the supply of and inflation in energy and raw and packaging materials cost; (8) the company’s ability to manage changes to its organizational structure and/or business processes, including selling, distribution, manufacturing and information management systems or processes; (9) the impact of strong competitive responses to the company’s efforts to leverage its brand power with product innovation, promotional programs and new advertising; (10) the risks associated with trade and consumer acceptance of product improvements, shelving initiatives, new products and pricing and promotional strategies; (11) changes in consumer demand for the company’s products and favorable perception of the company’s brands; (12) changing inventory management practices by certain of the company’s key customers; (13) a changing customer landscape, with value and e-commerce retailers expanding their market presence, while certain of the company’s key customers maintain significance to the company’s business; (14) product quality and safety issues, including recalls and product liabilities; (15) the costs, disruption and diversion of management’s attention associated with campaigns commenced by activist investors; (16) the uncertainties of litigation and regulatory actions against the company; (17) the possible disruption to the independent contractor distribution models used by certain of the company’s businesses, including as a result of litigation or regulatory actions affecting their independent contractor classification; (18) the impact of non-U.S. operations, including trade restrictions, public corruption and compliance with foreign laws and regulations; (19) impairment to goodwill or other intangible assets; (20) the company’s ability to protect its intellectual property rights; (21) increased liabilities and costs related to the company’s defined benefit pension plans; (22) a material failure in or breach of the company’s information technology systems; (23) the company’s ability to attract and retain key talent; (24) changes in currency exchange rates, tax rates, interest rates, debt and equity markets, inflation rates, economic conditions, law, regulation and other external factors; (25) unforeseen business disruptions in one or more of the company’s markets due to political instability, civil disobedience, terrorism, armed hostilities, extreme

weather conditions, natural disasters or other calamities; and (26) 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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