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# Campbell Soup Co. (CPB)

Q3 2021 Earnings Call

## CORPORATE PARTICIPANTS

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**Mick J. Beekhuizen**

*Chief Financial Officer & Executive Vice President, Campbell Soup Co.*

**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

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**Andrew Lazar**

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**Christopher R. Growe**

*Analyst, Stifel, Nicolaus & Co., Inc.*

**Bryan D. Spillane**

*Analyst, Bank of America Securities*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning. My name is Myra and I'll be your conference operator today. At this time, I would like to welcome everyone to the Campbell Soup Third Quarter Fiscal 2021 Earnings Conference Call. Today's call is being recorded. All participants will be in a listen-only mode until the formal question-and-answer portion of the call. [Operator Instructions] Thank you.

With that, I would now like to hand the conference over to your host, Ms. Rebecca Gardy. Ms. Gardy, you may begin your conference.

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**Rebecca Gardy**

*Vice President-Investor Relations, Campbell Soup Co.*

Good morning and welcome to Campbell's third quarter fiscal 2021 earnings presentation. I'm Rebecca Gardy, Vice President of Investor Relations. Following the completion of this call, a copy of this presentation and a replay of the webcast will be available at [investor.campbellsoupcompany.com](http://investor.campbellsoupcompany.com). A transcript of this earnings conference call will be available within 24 hours at [investor.campbellsoupcompany.com](http://investor.campbellsoupcompany.com).

On our call today we will make forward-looking statements which reflect our current expectations. These statements rely on assumptions and estimates, which could be inaccurate and are subject to risk. Please refer to slide 3, or our SEC filings for a list of factors that could cause our actual results to vary materially from those anticipated in forward-looking statements. Because we use non-GAAP measures, we have provided a reconciliation of each measure to the most directly comparable GAAP measure, which is included in the appendix of this presentation.

On slide 4, you will see today's agenda. With us on the call today are Mark Clouse, Campbell's President and CEO, and Chief Financial Officer, Mick Beekhuizen. Mark will share his overall thoughts on our third quarter performance and our in-market performance by division. Mick will discuss the financial results of the quarter in more detail and review our guidance for the full year fiscal 2021. Mark will then make some closing remarks before moving to an analyst Q&A.

And with that, I'm pleased to turn the call over to Mark.

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## Mark A. Clouse

*President, Chief Executive Officer & Director, Campbell Soup Co.*

Thanks, Rebecca. Good morning, everyone, and thank you for joining us today. Throughout the last year, we rallied through the pandemic and made decisions focused on prioritizing the safety and well-being of our employees, while meeting the needs of our customers and consumers. This approach has served us well over the past 15 months, as we progressed our strategy in a volatile operating environment. Our team pulled together, we executed with excellence, and we delivered strong results.

As you saw on our press release this morning, our results this quarter reflected the challenging comparisons to the prior year, as we cycled the demand surge that accompanied the onset of the COVID-19 pandemic and navigated several current headwinds. However, you will also have seen the continued strength in-market on market shares, underpinned by healthy retention of new and younger households, and the full recovery of distribution levels.

We did face a significant inflationary environment in the quarter, as well as shorter-term increases in supply chain costs. We anticipated the vast majority of these drivers, but in certain areas the pressures intensified, especially around inflation and some of the transitional costs moving out of the COVID-19 environment.

We are confident that we can address these issues and we have plans and pricing already in place as we exit the fiscal year and enter fiscal 2022. Our confidence is further strengthened by our continued in-market momentum and the structural health of our business and brands.

I will first review our results, and then share the context and actions we are taking to address these challenges, and the improving trajectory we expect for the rest of the year as we head into fiscal 2022. As we outlined during our second quarter earnings call, we expected this would be a challenging quarter, and we recognize that there would be headwinds as we lap the peak of COVID-19 demand, manage the volatility of current market dynamics and continue to navigate our own transformation agenda.

We delivered sales of \$1.98 billion, in line with our expectations, as we cycled a 17% organic growth comparison to a year ago. Our sales results benefited from the continued momentum of our Snacks power brands and our US retail products in our Meals & Beverage division, as well as the early signs of recovery from our foodservice business. Importantly, our brands remain strong with nearly three-quarters of our portfolio gaining or holding share in the quarter.

In our core categories, most of our brands grew at higher rates than pre-pandemic levels, and our brand consumption on a two-year comparison grew 9%. These results were driven by our decision to invest in supply and service, while preserving brand investments with advertising and consumer promotion expense as a percentage of net sales comparable to last year.

Looking ahead, we expect organic sales in the fourth quarter to decline versus last year, as the COVID-19 lull continues. We do expect a sequential improvement from the third quarter as the comparison to prior year eases a bit, and our foodservice business continues to recover.

From a margin perspective, our decline versus prior year, excluding the net benefit from mark-to-market adjustments on outstanding commodity hedges, stemmed from certain headwinds, which are grouped into three main buckets. First, external factors were larger than we had anticipated.

We, like others, faced pronounced inflation related primarily to steeply higher transportation costs, some of which was an outcome from the strain of the Texas winter storms on supply chain logistics and the closure of our Paris, Texas facility for two weeks. These factors partially offset by our productivity improvements reflect about a third of the gross margin erosion in the third quarter and will continue into fiscal 2022. We currently expect the benefit from pricing actions we have put in place across our portfolio and our strong productivity plans to mitigate this inflation pressure in fiscal 2022, while we remain vigilant monitoring the ongoing dynamic nature of the current environment.

The second bucket, I would characterize as transitional items that we are working our way through as we move out of the COVID-19 environment and fully recover on supply. This includes areas like lower fixed cost leverage as we lapped the year ago elevated levels of demand, sustained labor challenges and added investment in higher-cost co-manufacturers to recover fully on supply.

We had factored these pressures into our plans, but in some cases, they were more significant than anticipated, as either the time to recover or the magnitude of the impact were greater than expected. These transitional costs reflect about half of our gross margin erosion in the quarter. And while we expect the impact of these costs to moderate into the fourth quarter, they will continue to add pressure as we fully cycle the COVID-19 environment.

The third bucket is execution related to the high degree of transformation we have underway in our Snacks division. Throughout my time at Campbell, we have taken significant steps to improve our execution as we have steadily advanced our agenda.

However, this quarter, the convergence of multiple transformation efforts, including systems, logistics and capacity, all put additional executional pressure on the business in a tough third quarter environment. We have already taken decisive actions to allocate more resources and better phase projects to address these issues. We do not expect these elements will have a material impact on the fourth quarter. And more importantly, they do not alter our long-term expectations for the Snacks margin expansion opportunity we highlighted last quarter and will share in greater detail during our Investor Day later this year.

Although all these headwinds put pressure on our [ph] near-end (00:08:32) performance, they do not represent structural issues, and we remain confident in our strategic plans. As a result of the third quarter pressures on margin, adjusted earnings per share came in lower than we expected at \$0.57. As Mick will discuss in more depth, we're updating our guidance accordingly.

Turning to our division performance, let me begin with Meals & Beverages. Our net sales decline of 14% and in-market performance of minus 24% in the third quarter reflect lapping the historically high consumption levels that we experienced during the onset of the pandemic last year.

On a two-year basis, we had net sales momentum in key categories with share gains over prior year in condensed soup, ready-to-serve soup, Swanson broth, Prego, and Pacific Foods. Compared to the third quarter

of fiscal 2019, we delivered strong consumption growth of 9% against organic net sales growth of 3%, with the gap driven by our foodservice business, which continued to recover as governments gradually eased on-site dining restrictions in some markets.

Overall, as we have invested in our service levels, they are stabilizing, and we are now in a better position on supply across the division. We have restored the shelf in the majority of our categories and our share of total points of distribution is consistent with pre-COVID-19 levels across US soup, Prego and V8 beverages.

In-market consumption for soup was strong versus two years ago, growing at 9% and gaining dollar share. We delivered record share growth in US soup of nearly 2 points, driven by condensed soups, Swanson broth, Chunky and Pacific Foods. We also made significant progress on the retention of new households since the onset of the pandemic.

Soup gained dollar share in all three categories, with millennials driving strong growth in condensed cooking, broth and ready-to-serve soup. We are confident that the brand investments made are working, as buyers and buy rate remain elevated compared to pre-COVID-19 levels. We continue to be encouraged by the sustainment of quick-scratch cooking behaviors and in-home eating occasions even as COVID-19 restrictions are lifted.

In fact, condensed delivered its ninth consecutive quarter of dollar share gains, growing share nearly 3 points. Notably, with millennial consumers, condensed grew share by nearly 4 points. Within ready-to-serve, Chunky delivered double-digit in-market consumption growth on a two-year basis. Pacific Foods continued to be a powerful growth engine within our soup portfolio, with in-market consumption growth of nearly 30% on a two-year basis and continued share gains versus prior year, marking its sixth consecutive quarter of share improvement.

On Swanson broth, as we invested to restore distribution and service, we increased share by nearly 2 points versus prior year. On a two-year basis, we grew household penetration by more than a point and saw higher repeat rates on our brand. Prego delivered its 24th consecutive month with the number one share position in the Italian sauce category and achieved its strongest share gain in over three years.

Compared to pre-pandemic levels, we are seeing strong repeat rates and buyer retention on this brand, as well as strong resonance with millennial consumers. Overall, the Meals & Beverage division delivered a strong in-market quarter against difficult comparisons, with share gains in key categories, especially among younger consumers, [ph] TPD (00:12:16) gains and improved service levels continuing to support our confidence that it will emerge from the pandemic in a stronger position.

Let's now turn to Snacks where our power brands continued to fuel performance, with in-market consumption growth of 14% on a two-year basis, despite being down 5% year-over-year. On a two-year basis, total Snacks consumption grew 10% against organic net sales growth of 3%, with the gap driven by the decline in our partner brands and continued pressure in the convenience channels.

We grew share on many of our power brands over prior year, and repeat rates on seven of nine power brands are ahead of pre-COVID-19 levels. We delivered our fifth consecutive quarter of share growth on Late July snacks, Kettle Brand potato chips, Snack Factory Pretzel Crisps, and Lance sandwich crackers.

On a two-year comparison within the power brands, our salty snack brands grew in-market consumption nearly 20% and increased household penetration across the majority of these brands. Our Pepperidge Farm Farmhouse products also continued to deliver exceptional results, with in-market consumption growth of 9% on top of the prior year increase.

Turning to Goldfish, we returned to share growth, increasing by more than 1 point compared to prior year. This was in part due to an improved performance on multipacks, continued momentum on Flavor Blasted Goldfish, and new broadened digital activation. We also exited the quarter with early momentum from the launch of limited-edition Frank's RedHot Goldfish.

With that, let me turn it over to Mick to discuss our third quarter results in more detail and our guidance for the full year.

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## Mick J. Beekhuizen

*Chief Financial Officer & Executive Vice President, Campbell Soup Co.*

Thanks, Mark. Good morning, everyone. Turning to slide 12, as Mark just shared, our third quarter results were impacted by last year's demand surge related to the start of the COVID-19 pandemic as well as the gross margin impact due to pronounced inflation, our transition out of the COVID-19 environment, and some executional pressure as we continued to advance our transformation agenda, primarily in our Snacks division.

During the quarter, organic net sales declined 12% and adjusted EBIT decreased 27%, driven by lower sales volume and a lower adjusted gross margin, partially offset by lower marketing and selling expenses. Adjusted EPS from continuing operations decreased 31% to \$0.57 per share, primarily reflecting the decrease in adjusted EBIT.

Year-to-date, our organic net sales increased 1%, driven by lower promotional spending in both divisions. Meals & Beverages increased 1%, mainly driven by growth in US soup and V8 beverages, partially offset by declines in foodservice. In Snacks, organic net sales were flat, as declines in Lance sandwich crackers and in partner brands within the Snyder's-Lance portfolio were offset by gains in our salty snacks portfolio and our fresh bakery product.

Year-to-date adjusted EBIT of \$1.14 billion was comparable to prior year, as a lower adjusted gross margin and increased adjusted administrative expenses were offset by lower adjusted marketing and selling expenses, higher adjusted other income and sales volume gains. Within marketing and selling expenses, lower selling and other marketing costs were partially offset by a 3% increase in advertising and consumer promotion expense or A&C. Year-to-date our adjusted EBIT margin was 17.2% compared to 17.3% in the prior year. Adjusted EPS from continuing operations increased 4% to \$2.43 per share, primarily reflecting lower adjusted net interest expense.

I'll review in the next couple of slides our third quarter results in more detail and provide revised guidance for the remainder of fiscal 2021, reflecting these results and our expectation for sustained inflationary pressures through the remainder of the year. Our organic net sales decreased 12% during the quarter, lapping the prior year organic net sales increase of 17%, when the demand for at-home consumption surged at the onset of the COVID-19 pandemic. Compared to the third quarter of fiscal 2019, organic net sales grew 3%.

Our adjusted gross margin decreased by 290 basis points in the third quarter from 34.7% to 31.8%. On the slide, you'll see the various items bridging the year-over-year change in our overall gross margin. Now, let me tie it back to Mark's earlier comments, which excludes the 250 basis points net benefit from mark-to-market adjustments on outstanding commodity hedges, included in Inflation and Other in the bridge.

First, external factors led to about one-third of the year-over-year decrease in margin. These external factors included approximately 290 basis points of inflation and some temporary disruption from the Texas storm back in February, both reflected in Inflation and Other in the bridge.

Cost inflation was approximately 4% on a rate basis, which was higher than anticipated, largely driven by freight rates. Partially offsetting these headwinds was our ongoing supply chain productivity program, which contributed 150 basis points to gross margin and included initiatives, among others, within procurement and logistics optimization.

Second, headwinds related to our transition into the post COVID-19 operating environment represented about half of the gross margin decline, as we transitioned from last year's demand surge, mix and operating leverage, each had an approximate 110 basis point negative impact on gross margin in the third quarter.

Net pricing drove a positive 30 basis point improvement. The remainder were incremental other supply chain costs within Inflation and Other, such as increased costs associated with co-manufacturing to support supply and distribution recovery.

Third, executional challenges, which represented the remainder of the decline, were mostly incremental other supply chain costs within Inflation and Other. These costs were mainly related to the transformation of our Snacks division and were partially offset by a cost savings program which added 60 basis points to our gross margin.

Moving on to other operating items, marketing and selling expenses decreased \$37 million or 15% in the quarter. This decrease was driven by lower A&C, lower incentive compensation, lower selling expenses, and the benefits of cost savings initiatives. Overall, our marketing and selling expenses represented 10.2% of net sales during the quarter compared to 10.7% last year.

As a percentage of net sales, total A&C was comparable to the prior year quarter. Adjusted administrative expenses decreased \$2 million or 1%, driven primarily by lower incentive compensation, partially offset by higher benefit-related costs. Adjusted administrative expenses represented 7.2% of net sales during the quarter, an 80 basis point increase compared to last year.

Moving to the next slide, we have continued to successfully deliver against our multiyear enterprise cost savings initiatives. This quarter, we achieved \$20 million in incremental year-over-year savings, resulting in year-to-date savings of \$55 million. We expect an additional \$20 million in the fourth quarter to deliver an aggregate \$75 million of cost savings for the fiscal year, with the majority of the savings from the Snyder's-Lance integration. We remain on track to deliver our cumulative savings target of \$850 million by the end of fiscal 2022.

On slide 17, we are providing a total company adjusted EBIT bridge to summarize the key drivers of performance this quarter. As previously mentioned, adjusted EBIT declined by 27%. The previously mentioned net sales decline resulted in a \$88 million EBIT headwind, while the 290 basis point gross margin decline resulted in a \$58 million EBIT headwind. Both were partially offset by lower marketing and selling expenses. Overall, our adjusted EBIT margin decreased year-over-year by 290 basis points to 14.3%.

The following chart breaks down our adjusted EPS growth between our operating performance and below-the-line items. Adjusted EPS decreased \$0.26 from \$0.83 in the prior year quarter to \$0.57 per share due to the negative \$0.26 impact of adjusted EBIT, as slightly lower interest expense was offset by slightly higher adjusted taxes.

In Meals & Beverages, organic net sales decreased 15% to \$1 billion, primarily due to declines across US retail products, including US soup and Prego pasta sauces, as well as declines in Canada and foodservice. Sales of US soup decreased 21% due to volume declines in condensed soup, ready-to-serve soups and broth, lapping a 35% increase in the prior year quarter.

For Meals & Beverages, volume decreased in US retail, driven by lapping increased demand of food purchases for at-home consumption at the onset of the COVID-19 pandemic in the prior year quarter, when organic net sales increased 21%. Compared to the third quarter of fiscal 2019, organic net sales in Meals & Beverages grew 3%.

Operating earnings for Meals & Beverages decreased 35% to \$179 million. The decrease was primarily due to sales volume declines and a lower gross margin, partially offset by lower marketing and selling expenses. The lower gross margin resulted from higher cost inflation, including higher freight costs, other supply chain costs, such as external sourcing and the weather-related disruption at the beginning of the quarter, reduced operating leverage and unfavorable product mix, partially offset by the benefits of supply chain productivity improvements. Overall, within our Meals & Beverage division, the operating margin decreased year-over-year by 550 basis points to 17.2%.

Within Snacks, organic net sales decreased 8%, driven by volume declines within our salty snacks portfolio, including Pop Secret popcorn, Cape Cod potato chips and Snyder's of Hanover pretzels, as well as in Lance sandwich crackers, partner brands and fresh bakery. Volume declines were partially driven by lapping increased demand of food purchases for at-home consumption at the onset of the COVID-19 pandemic in the prior year quarter, when organic net sales increased 12%. Compared to the third quarter of fiscal 2019, Snacks organic net sales grew 3%.

Operating earnings for Snacks decreased 29% for the quarter, driven by a lower gross margin and sales volume declines, partially offset by lower marketing and selling expenses and lower administrative expenses. The lower gross margin resulted from higher cost inflation and other supply chain costs, reduced operating leverage and unfavorable product mix, partially offset by the benefits of supply chain productivity improvements. Overall, within our Snacks division, the operating margin decreased year-over-year by 350 basis points to 11.5%.

I'll now turn to our cash flow and liquidity. Fiscal year-to-date cash flow from operations decreased from \$1.1 billion in the prior year to \$881 million, primarily due to changes in working capital, principally from lower accrued liabilities and lapping significant benefits in accounts payable in the prior year. Our year-to-date cash for investing activities were largely reflective of the cash outlay from capital expenditures of \$190 million, which was \$30 million lower than the prior year, primarily driven by discontinued operations.

Our year-to-date cash outflows for financing activities were \$1.4 billion, reflecting cash outlays due to dividends paid of \$327 million. Additionally, we reduced our debt by \$1 billion. We ended the quarter with cash and cash equivalents of \$209 million.

As you saw in our press release, given the continued strong cash flow generation and progress regarding the reduction of our leverage, in addition to the increase of our dividend announced in December, the board of directors authorized a new anti-dilutive share repurchase program of up to \$250 million to offset the impact of dilution from shares issued under our stock compensation programs. The company's March 2017 strategic share repurchase program remains suspended.

Turning to slide 22, as covered in our press release, we are updating guidance to reflect our third quarter results and the impact of the sale of the Plum baby food and snacks business, which was completed on May 3, 2021. In the fourth quarter, we expect more pronounced inflationary pressures to negatively impact margins, while pricing actions take hold in the beginning of fiscal 2022.

In addition, although we expect to make progress on the transition into the post-COVID-19 environment, it will remain a headwind from a margin perspective. While we expect gross margin headwinds to persist through the



fourth quarter, we expect a sequential improvement of our EBIT margin relative to prior year, due to easier comparables, improved execution, and normalizing marketing investments.

We expect net sales for fiscal 2021 to decline 3.5% to 3%. Excluding the impact from the 53rd week in fiscal 2020 and the impact of the European chips and Plum divestitures, we expect organic net sales to decline 1.2% to minus 0.7%. To put our fiscal 2021 organic net sales guidance into perspective, at the midpoint of our guidance range, we expect fiscal 2021 to be 6% above fiscal 2019. We expect adjusted EBIT of minus 5% to minus 4%.

We expect net interest expense of [ph] \$210 million to \$215 million (00:28:40) and an adjusted effective tax rate of approximately 24%. As a result, we expect adjusted EPS of \$2.90 to \$2.93 per share, representing a year-over-year decline of minus 2% to minus 1% to the prior year.

The EPS impact of the 53rd week in fiscal 2020 was estimated to be \$0.04 per share. To put our fiscal 2021 EPS guidance into perspective, at the midpoint of our guidance range, we expect fiscal 2021 to be in line with fiscal 2020, considering the impact of the 53rd week, and 27% above fiscal 2019 adjusted EPS.

Regarding capital expenditures, we now expect to spend approximately \$300 million for the full year, which is below previous expectations, driven by the impact from COVID-19 on the operating environment. In closing, I want to reiterate Mark's conviction in the long-term performance of Campbell. We are working diligently to deliver the results we know we are capable of delivering. And I remain optimistic about our strategy, our team and the underlying strength of our brands.

And with that, let me turn it back to Mark.

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## Mark A. Clouse

*President, Chief Executive Officer & Director, Campbell Soup Co.*

Thanks, Mick. In closing, we expected this to be a challenging quarter for the company, but it was made even tougher by several additional factors. However, we do not see these challenges as structural, nor do they temper in any way our confidence in the transformation we are implementing at Campbell. We knew this would not be simple, and we remain confident in how we are responding and the actions already underway.

Finally, and most importantly, for the long-term health of our business, is the progress we are making on our categories and brands, and the overwhelmingly positive indicators that we are seeing from consumers and customers. We will address the inflation and execution. And as we continue to demonstrate sustainable growth, we will unlock Campbell's full potential.

With that, we'll now turn it over to the operator to take your questions. Thank you.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] We have our first question, comes from the line of Andrew Lazar from Barclays. Your line is open. Please go ahead.

**Andrew Lazar**

*Analyst, Barclays Capital, Inc.*

Q

Good morning, Mark and Mick.

**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

Hi, Andrew. Morning.

**Andrew Lazar**

*Analyst, Barclays Capital, Inc.*

Q

I guess to start off, thanks for going through the detail on some of the challenges in the quarter. Given how fiscal 3Q played out, I'm trying to get a sense of maybe what gives you the confidence that you now have, I guess, the appropriate visibility for fiscal 4Q. And then maybe more important, it sounds like you have comfort that these issues are addressable and largely not structural. And so, it's obviously early to be talking with any specificity about fiscal 2022, but some of these challenges, I think, you mentioned are likely to persist a bit and be margin headwinds next year.

So, I'm trying to get a sense of between the combination of pricing, productivity, some of the actions that you're taking in the Snacks segment and such, I mean do you anticipate you'll have sort of – and obviously elevated sales potentially as well. Do you anticipate you'll have the firepower, so to speak, to at least help address or mitigate some of those costs to sort of protect profitability in a better way in 2022? Or are those things that I mentioned maybe at this point not expected to be enough given some of the pressures [ph] you've gone into (00:32:38) next year?

**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

Yeah. Great question, Andrew. Let me start with Q4 and then, obviously, we'll stop short of kind of giving a lot of detail on 2022. But I'll give you a perspective on kind of how we see that and how we thought about the variables that we talked about for this quarter affecting the business going forward. But first on Q4, I do – again, I'm always – in the current environment we're in, certainly, we've had a couple – tough to predict a couple of the variables we've seen, but I do feel good that what we experienced in Q3 and how that translates into Q4, we've done a very good job of connecting those dots. And I do think you'll see sequential improvement for a variety of reasons.

First, I think we're not going to have the winter storm. And just as a perspective, closing the Paris facility for two weeks in Texas, that ended up being right around a \$10 million additional headwind in Q3 that we obviously have not anticipated is part of the reason that we were off our expectations. So, clearly, we're not going to have that circumstance as we go into Q4.

I think the second thing is the comparable numbers in Q4 are just an easier comp, right? So, you've got higher COVID costs in Q4 a year ago, you also have the opportunity to, as we've said all along in the back half, that we'd

moderate marketing spending to kind of equate to the percent of net sales. And so, that will give us a bit of a tailwind as well in the fourth quarter.

And as I talked about some of the transformational kind of execution issues on Snacks and, again, just as a little bit of deeper perspective on that, in the third quarter, it was really – I've been very proud of that team and done an amazing job through the integration from my perspective. I do think in the third quarter, the accumulation of initiatives, we cut over to SAP, we closed our Columbus, Georgia facility. We had three major capacity expansion projects going on in the backdrop of COVID and not in a way of an excuse, but certainly I think that put some added pressure on an already tough quarter for us as it related to Snacks.

But as we look forward, we've added the right resources, we've staged this the right way. We're through some of that work. And so, we expect that executional headwind that we saw in the third quarter to really kind of be behind us as we go through the fourth quarter. So, that's really the reason why we see the sequential improvement.

And even on operating leverage and some of the things that were a bit bigger in nature in third quarter, I think, for that that carries over, we've got good estimates now. So, we can kind of see how that operation works. We're now running all of the SKUs that we had simplified a year ago. I think that was a little bit of the dynamic as we added those back, introduced a little bit of new complexity back into the supply chain, continuing to push hard through some of the labor challenges that we've had.

So, I think you'll see that mitigate, but still be present. And so, I think when you think about 2022, obviously, the things I just described executionally, I think, will be behind us. As far as inflation goes, we feel very good about the progress we're making on pricing. The conversations that we're having with customers are very constructive. I'm really grateful that we've had this time to really build equity.

I mean, this is probably the healthiest the portfolio has ever been going into that conversation. So, that's a good thing. I would be remiss not to say, though, that inflation is a little bit of a moving target right now. And so, although I feel great about what we're doing, I think I kind of want to wait for the next quarter to see kind of where we're landing on a couple of the variables and a couple of the commodities.

And then as it relates to kind of this transitional headwind, I think it's a little bit of a mixed bag. Obviously, we're going to be working hard to address those areas, but we will cycle through the COVID environment, at least, into the first half of next year. So, we'll give you a lot more granularity on it, but I think it's a very balanced position. Certainly, I think Q3 very much is the outlier, but I do think some of these variables will continue, but we've got very good plans against them. So, hopefully, that helps to put it into a little bit of context.

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**Andrew Lazar**

*Analyst, Barclays Capital, Inc.*

Q

Yes. And then just a very quick follow-up, just I want to make sure I understand what we mean by sort of some of these transitional costs. I guess, is it just simply lapping some of the benefits around operating leverage and things of last year? Or are there other aspects involved in making this transition from a sort of COVID surge environment to a more normalized environment? I just want to make sure I'm clear on that. Thank you.

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**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

Yeah. So, yeah, let me break it down as, hopefully, a very simple answer. I think there are three distinct things that we're watching occur in that bucket. The first is really just lapping, right? That is the kind of cycling of a network that's fully loaded and that leverage from year to year. The second piece, I think, that we saw

transitionally in Q3 and, again, I think these become more mitigated cost going forward, but we have really continued to see labor as a bigger challenge than, I think, we had expected it to be.

And, of course, that has a bit of a knock-on effect that as that labor has not enabled us to kind of meet the full targets on production, we've had to go to some higher-cost co-mans that we consciously invested in to make sure that supply and inventory was where we needed it. But those three variables of kind of leverage, labor and the external investment in co-manufacturers of what we're describing as that transitional bucket. And so, I do think the lapping will continue. But the other two, we're going to get better and manage through that as we go into next year. Does that help, Andrew?

**Andrew Lazar**

*Analyst, Barclays Capital, Inc.*

Q

Yes. Thanks very much.

**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

Yeah.

**Operator:** We have our next question, comes from the line of Bryan Spillane from Bank of America. Your line is open. Please go ahead.

**Bryan D. Spillane**

*Analyst, Bank of America Securities*

Q

Hey. Good morning, everyone.

**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

Hey, Bryan.

**Bryan D. Spillane**

*Analyst, Bank of America Securities*

Q

So, I guess just wanted to follow up on the inflation question. And I guess just two quick ones. One is, as you're thinking about the sort of things that could move around for kind of the outlook for fiscal 2022, is it really like grains and cooking oils? It just seems like what's inflated most since the last earnings call have been more of the agricultural commodities. Like freight's already been inflationary, packaging to a certain degree. So, just want to make sure that we're kind of thinking of – we're trying to monitor what's moving around. Are we really just talking about mostly the ag commodity?

**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

I think, certainly, that's where you've seen some of the rising costs more recently. I would also point to some of the volatility, though, on things like steel where we've seen some ups and downs. And again, I'm kind of cautious to kind of lock in on where we think that is. Obviously, one of the other areas that has emerged a little bit more recently is protein.

But I would just say that, as we've all been watching this, there have been ups and downs. And so, we continue to try to calibrate it. And as we kind of went forward with our pricing actions that will be in place the first quarter – as we start the first quarter of fiscal 2022, I feel very good about how that was informed and kind of how we saw the environment.

But I think kind of the name of the game for 2022 is going to be to remain pretty agile and nimble. And even as we're talking to customers, we're having that conversation where things may go up or down, we need to have that ability to have the dialogue as we go forward. So, I don't know, Mick, if you've got any other detail.

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**Mick J. Beekhuizen**

*Chief Financial Officer & Executive Vice President, Campbell Soup Co.*

A

Yeah, so I think it's a good question. I think if I look at it sequentially between the quarters as well between Q2, Q3, you continue to see, to Mark's point, a steady increase in ingredients and pack, and those are the items that you also highlighted. And, of course, some of it we expect to continue, particularly as we start to look further out, hence also some of the dialogue that we're having around pricing.

One of the other aspects in inflation is obviously freight costs, and we've seen that increase kind of from a year-over-year perspective to continue in Q3. We obviously saw already some of that in Q2. And although we're anticipating that we might see a little bit of relief there, we continue to see freight currently at an elevated level.

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**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

Yeah. And while that's going on, as you would expect, Bryan, we're looking for a lot of other elements or levers that we can utilize to manage a little bit of that volatility, obviously, through productivity, but also how we contingency plan and set up the year. So, I feel very good about how that plan has come together. Like I said, I also feel very good about how the conversations on pricing are going. Never easy, but I think generally understood what the inflation looks like. And I certainly feel like we've been having very strategic and collaborative conversations about it.

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**Mick J. Beekhuizen**

*Chief Financial Officer & Executive Vice President, Campbell Soup Co.*

A

Yeah. And to put it in perspective, maybe if you look at Q2, you saw inflation on a rate basis up 3%, and you see inflation on a rate basis up in Q3 4%.

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**Bryan D. Spillane**

*Analyst, Bank of America Securities*

Q

Okay. And then just maybe just one – a quick thought on just how you're modeling elasticities. It seems like most companies now are anticipating or have already put through price increases. And I guess, especially maybe in simple meals, just how you're approaching modeling elasticities, just given how much inflation the consumer is going to see. Thanks.

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**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

Yeah. And we're being very, very thoughtful and strategic on how we're reflecting critical price thresholds. We've got a very good plan that, I think, enables us to feel like – well, first and foremost, that will remain competitive, but also that in some of these categories where we are a significant leader that we're also going to be able to sustain momentum where we've built it.

I mean, the last thing we want to do is shut down growth and share that we've worked fairly hard to have in place. So, we're going to be thoughtful about it, but it also enables us, I think, to model, if you will, based on historical elasticity. We're able to model a pretty good understanding of where those key thresholds are. We understand kind of how to balance this, what do you do in list price versus what you do in trade.

Obviously, there's a full range of leverage that we're going to be using across revenue management to get that right. But I think for right now, we feel like given the historical significance, given our ability to protect certain price points, overall, as far as the health of the business going into it, we feel very good.

**Bryan D. Spillane**

*Analyst, Bank of America Securities*

Q

All right. Thank you.

**Operator:** Our next question comes from the line of Ken Goldman from JPMorgan. Your line is open. Please go ahead.

**Ken Goldman**

*Analyst, JPMorgan Securities LLC*

Q

Hi, good morning. One for Mark and one for Mick, if I may. Mark, I think, in general, list pricing in the sector takes maybe two to three months to go into effect once announced. If this is accurate and given that you have some other, I guess, arrows in your quiver besides just list pricing, why won't pricing be a tailwind until the first quarter? I might have expected some of the conversations you're having with customers, to be honest, to be started a bit earlier. And for net pricing, you have started offsetting your cost a bit sooner. So, I'm just trying to get a little into the weeds there.

**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

Yeah. I think, Ken, the honest answer is you will see it as a bit of a tailwind in Q4 to help mitigate. But the effective date, right? So, relative to how we think about when are we targeting pricing really to fully be in place, that is essentially the first day of fiscal 2022. And so, although I do think there are circumstances as we're going through this for people where we are making some moves a little quicker, the reality is that I'd rather kind of point to when I think the concentration of that will occur. But I do think, as you look into Q4, you'll see some help from it, but probably not to the point that it's able to mitigate it until we get into Q4 or into Q1.

**Ken Goldman**

*Analyst, JPMorgan Securities LLC*

Q

Okay, that's helpful. And then, Mick, can you give us a sense – I didn't – maybe you talked about this and I missed it, but how to think about the gross margin in 4Q? And I guess on the positive side, you won't have the same headwind from the Texas storm impact. I think it's also fair to maybe assume mark-to-market will be a tailwind again, but you'll have worse inflation, you said, you have a harder comparison. So, just any color on this line, I think, would be helpful.

**Mick J. Beekhuizen**

*Chief Financial Officer & Executive Vice President, Campbell Soup Co.*

A

Yeah. Yeah. No, it's a very good question. And kind of maybe just stepping back, if you look at the overall midpoint of our Q4 guidance, you see that we're at about 13.5% EBIT. That implies approximately 110 basis points decline from an EBIT margin perspective year-over-year. That's obviously better than what we have experienced this past quarter.

If you kind of break that down to Mark's earlier comments, on the one hand, you obviously have an easier comparison versus F 2020. But it also, at the same time, we're obviously lapping a significant marketing investment in last year. So, as a result, we expect it to normalize more in Q4 for F 2020. Now then to your question, what's happening with regard to gross margin, we expect gross margin from a sequential perspective to be largely similar. However, to your point, we obviously will have a negative mark-to-market.

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**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

Yeah. And that's a little different than you said. You're going to get a little bit anticipated reversal of the benefit that we saw in Q3 flip a little bit in Q4.

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**Ken Goldman**

*Analyst, JPMorgan Securities LLC*

Q

Got it. Okay.

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**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

So, it will be a bit of a headwind.

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**Ken Goldman**

*Analyst, JPMorgan Securities LLC*

Q

So, it becomes a little bit of a headwind...

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**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

Yeah. And even if you go to a year ago, as a reminder, in the fourth quarter last year, we had a benefit. So, you're actually lapping a benefit as well as a little bit of a reversal of the Q3 benefit. So, that will moderate a little bit what you'll see, but that's consistent with what Mick's numbers are and what he's walking through. Sorry, Mick.

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**Mick J. Beekhuizen**

*Chief Financial Officer & Executive Vice President, Campbell Soup Co.*

A

Yeah. Yeah. No, we're good. So, I think overall, similar gross margin. However, of course, we had the benefit in Q3, to Mark's point, from a mark-to-market perspective, however, headwind from a year-over-year comparison in Q4.

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**Ken Goldman**

*Analyst, JPMorgan Securities LLC*

Q

That's helpful. Thanks so much.

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**Mick J. Beekhuizen**

*Chief Financial Officer & Executive Vice President, Campbell Soup Co.*

A

Sure.

**Operator:** Our next question comes from the line of Chris Growe from Stifel. Your line is open. Please go ahead.

**Christopher R. Growe**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Yeah. I have two questions for you. The first one is in relation to the pricing you've announced so far, I realize we can't talk about prospective pricing. And I guess if you can give a general number or perhaps even a little bit by division, how much pricing do you have in place? And then just to reiterate, you expect that to overcome inflation in fiscal 2022, just want to make sure that's accurate.

**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

Yeah. I think, Chris, what we feel good about is when we went out with our pricing action, as you might imagine, it's been a while ago as we kind of kicked that off, we felt very good about the combination of pricing, our productivity, some of the other actions we're taking as well as the benefit that we'll get, especially as we get to the back half of next year and lapping the period we're in right now. We felt very good about it. I think what you sense from us is a little bit of caution, because of the volatility that we're watching on commodities.

And so, obviously, as we move forward through the fourth quarter, we start to set up 2022 guidance and get another couple months of coverage behind us as well as understanding where commodities are coming in, we'll have a better sense. I know what everyone is trying to get at, which is, do you feel like you can fully cover inflation next year with the tools you've got? I can tell you, we feel good, but we're going to have to really watch what happens over these next couple of months to kind of solidify our position.

As far as magnitude of pricing, as you might imagine, it's a little bit of a – depending on which business it is, where the commodities are impacting it more, we've been very clear and transparent on kind of the translation of inflation to where that pricing resides. Obviously, as I said before, we're also overlaying a very detailed kind of strategic lens to it to make sure that we're not doing anything that we're going to regret as far as the health of the business. So, it's a pretty broad range. I mean, kind of, mid-single-digits is probably a good assumption if you were trying to cost average it across all of our businesses, if that helps a little bit.

**Christopher R. Growe**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

That does. Thank you. Just as an editorial point, I mean [ph] there's companies that have had to go (00:51:38) back for – took a price increase earlier in the year and had to go back again. So, it's that kind of volatile environment, I get it, so. I had just one other...

**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

Yeah. Yeah. I just was going to say, Chris, and we're kind of having conversations with our customers that say, you know what, we've got to probably compare to historical approaches to pricing where you kind of publish and then kind of see in 12 months. This is much more of a collaboration and dialogue around what's inflation doing.

And again, our pricing is, I think, going to need to be a bit dynamic. Now, of course, one of the variables we have that helps a lot with that is trade spending and the ability for us to use that a bit as a way to kind of manage a little bit of the ups and downs. But I'm not surprised to hear that, so.



**Christopher R. Growe**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Yeah. And just one other quick follow-on, which is in relation to your A&C spending, up strongly in the prior year, down less so this year. So, your overall spending still is higher. I guess, I want to understand what you think you need to spend to retain all these households. Should your spending overall, I guess, on a two-year basis, still be up a lot to try to retain these households? I'm just trying to understand how you can right-size that in the fourth quarter still, but yet retain these households and consumers.

**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

Yeah. Well, I think a couple of things. One is, as Chris, as you'll remember, in the fourth quarter last year, we really invested into the opportunity that we had given the elevated demand and profitability that we were experiencing, and we did that for a variety of reasons, one of which was to solidify the equity of the businesses, continue to really work on building equity with those households, especially younger households. We also learned a lot during that time. So, we used it as a bit of an opportunity to really fine-tune where the best ROIs were.

And as an example, you would have seen in the third quarter, our digital spend went up almost 20 points. We're now – over 60% of our spend is in digital, which I love for a variety of different reasons, but one of which is that it's a very high ROI and a very efficient spend. And so, although I do think there are some key thresholds that we want to manage to and, as we've said, kind of the percent of net sales is a good proxy. When I look at that relative to where we've been, I feel like that's a good level. And we've been able to kind of manage to that through the last couple of quarters into this quarter. And certainly, we're going to try to apply that kind of standard of philosophy as we go into 2022.

**Christopher R. Growe**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Okay. Thanks [indiscernible] (00:54:43).

**Operator:** Our next question comes from the line of Robert Moskow from Credit Suisse. Your line is open. Please go ahead.

**Robert Moskow**

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Hi. Thanks. A couple of questions. One is, Mark, I thought that I heard you last quarter talk about kind of a broader or more extensive rollout of the transformation plan in Snacks and capturing more savings and more actions to do it. Regarding what happened in this quarter, does that change at all what you're planning to do there? Or do you need to rethink how you go about it at all?

And then secondly, on steel costs, maybe I'm unfamiliar with how your contracts work with your suppliers. But I thought that they tend to lock in a price pretty early like in midyear and then you go forward with that price for your fiscal year. Is it just that it's not possible to lock in a price right now because the underlying commodity is jumping around so much? Or has something changed regarding the normal timing for locking in your [ph] input cost (00:55:52)...

**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

Yeah. No, you're right, Rob, in the sense that we will eventually lock in a 2022 price. It's been a little bit moving around, I would say, from quarter to quarter. So, as we kind of lay that down for 2022, it's a little bit of what we're reacting to. So, we know it's elevated, right? We know what kind of the inflations peg that, but it is a little bit of a pass-through based on a certain time, as you said. So, we're kind of working through that right now. And as again, I think when we get to the fourth quarter earnings and set the 2022 guidance, we'll be in a much better position to kind of give a bit more comprehensive view of our coverage and where exactly we are.

**Robert Moskow**

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Okay. And regarding Snacks, is...

**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

Oh, yeah. So, let's talk about Snacks. So, no, nothing changes. I mean I think, as I said before, I have been really impressed with what we've been able to accomplish in the integration. I continue to see tremendous potential as we look ahead. We are a bit behind, as you would expect, given the headwinds I just described for Q3 and Q4 on an absolute basis.

But the underlying initiatives, the value capture, all of the foundational work that although may have created some strain on us in the quarter as far as execution and costs overall, as we normalize that over really the months ahead, I expect us to be back on that trajectory. And again, I think as we said before, we'll kind of lay that out with a lot more granularity in Investor Day.

But it doesn't change in any way structurally what I think we should be capable of doing. I think we are – the ambition for the quarter in executing all of those initiatives at the same time, probably in hindsight, staging them a little differently would have been a better idea. But we've kind of played through that now and are feeling very good about how that looks going forward.

**Robert Moskow**

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Got it. All right. Thanks.

**Operator:** Our next question comes from the line of David Palmer from Evercore ISI. Your line is open. Please go ahead.

**David Palmer**

*Analyst, Evercore ISI*

Q

Thanks, and thanks for the discussion on gross margins earlier in the presentation. The inflation part, you said maybe that might be 100 basis points based on the third comment. And then the transitional items, maybe somewhat more than that. I guess my question is about those transitional items. Clearly, you matched up pricing against the input side. But how much of those transitional items are really fair game for pricing offset? The mirror side of that is how much is Campbell specific. I would imagine labor and logistics is fair game for that. And how much do you think these transitional items can be offset by pricing into fiscal 2022?

**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

Yeah. I think we're not – I mean, some of these are – I would describe them very much as – well, at least to my knowledge, some of them are Campbell specific. I think you're right about labor and logistics. But the need for us to kind of invest in the supplement of co-manufacturers to kind of recover on supply, honestly, that feels like kind of a unique item to us that was very much a kind of headwind that we'll navigate through. I expect that to be better in Q4 and, obviously, much better as we go forward.

I think on the operating leverage, a little bit of it was us needing to understand exactly how much benefit we had gained a year ago when we were at our peak, how much the value of the simplicity of the portfolio versus adding those [ph] TDPs (01:00:02) back in place, we're going to take. And so, I think what I would tell you is we've now calibrated that. I do think it will remain throughout the cycle of COVID-19, but some of these other elements, ones that are capable of being priced and the others that are more kind of unique to us, I think we'll work through those. We've got good plans in place and I do see those as we describe them transitional in nature. And I think on balance, we'll be able to address a great deal of those and just kind of be dealing with the leverage lap as we go into 2022. Mick, anything to add...

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**Mick J. Beekhuizen**

*Chief Financial Officer & Executive Vice President, Campbell Soup Co.*

A

Yeah. No, that's exactly how I would describe it.

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**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

Yeah.

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**Mick J. Beekhuizen**

*Chief Financial Officer & Executive Vice President, Campbell Soup Co.*

A

It's really the lapping of the leverage where you saw last year some of the benefits around the operating leverage and you see kind of – some of that coming out right now. And I mean net-net is relatively neutral.

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**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

I will say that we have been – and again, I don't know how this is affecting other companies, but I will say labor has been a challenge. And I think – I feel very good about what we've done to address it. But even as you're kind of replacing labor, getting to kind of full efficiency, training new individuals and kind of getting back squarely at the levels we were earlier in the year, it's taking a little bit of time. And so, I think that, like I said, although I see the steady progress, I think we're being pragmatic as we make assumptions, so that we don't underestimate what that transition or time looks like.

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**David Palmer**

*Analyst, Evercore ISI*

Q

And I just wanted to – and this is more of a heavy topic and maybe one for the Analyst Day and maybe one for just later, in general. But we're going to be getting past COVID here and there was a pre-COVID year fiscal 2019, by the end of 2022 you might have \$250 million of productivity. The Street's modeling sort of a [ph] mid-1%, so \$160 million (01:02:11) or so of gross profit growth from 2019 to 2022. And I know – I mean what you're kind of noting here is that 2022 or part of it feels like also sort of an exit transition period out of COVID that might hamper profitability.

But big picture, we would think that you should be bridging to much significantly higher gross profit dollars versus pre-COVID, particularly with the multiyear stacked organic revenue growth that you will have had from trial and repeat coming out of COVID. So, I do wonder about some of the offsets that you're thinking about internally, the reinvestments that you've made and other friction costs that would have offset those theoretical step-ups.

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**Mark A. Clouse**

*President, Chief Executive Officer & Director, Campbell Soup Co.*

A

Yeah. No, it's a great question. And I do think – I think, there's a couple of different important variables within that dialogue that we will spend time talking about when we're in our Investor Day. Obviously, one of those pieces is kind of bridging for folks the Snacks margin that we already talked about, how did the value capture work, where were the investments versus the upside, how did headwinds we're experiencing on inflation affect that. But maybe this is a way to kind of give you a little bit of context, and Mick had mentioned this earlier, but I think it's a really important aspect. And, obviously, we are disappointed with the quarter.

I mean, our standard is that we do what we say and, in this particular quarter, we didn't do that. But I continue to see the challenges that were in the quarter as being very transitional in nature and the underpinning of the great in-market results and being ahead of expectations as it relates to share and the retention of these households all bode well for us for the future.

And maybe to give a little context to your question, specifically, if you take the midpoint of our 2021 guidance and, again, I'm going to repeat a little bit of what Mick said, but I think it's important. At the midpoint of our guidance, it represents, versus that 2019 base, a top line growth of 6%, so a CAGR of about 3%.

Obviously, we know that there's some foodservice in there and a little bit of partner brands, but in general, a 6% versus 2019. Our EBIT during that same period, with the midpoint of the range, so even with the adjustment in our guidance, is up 9% versus 2019 or at about a 5% CAGR for the two years.

And as Mick had said earlier, EPS is up 27% since 2019 with consumption up 9% during the same period. So, if you look at that, all of those – and again, I think people would expect this, but all of those are well above or well within our strategic plan targets. And I think that as we navigate into 2022, we would expect to see, yes, some challenges as we continue to lap a few of these areas.

I do want to kind of nail down a good number for inflation next year. But I feel very good about where we are on the journey. Don't love the quarter, but I love the progress that we're making and, in particular, what I think will be the longest lasting, which is the strength of the brands and the businesses. So, I don't know if that helps with perspective. I know what you're looking for, for 2022 and we will do a good job of providing you that bridge when we get together at the end of the year. But I think not a bad perspective to kind of close out a little bit of the discussion with.

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**David Palmer**

*Analyst, Evercore ISI*

Q

Thanks. Helpful.

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**Operator:** It looks like that's all the questions that we have at this time. I'd like to turn the call back over to Ms. Gardy.

## Rebecca Gardy

*Vice President-Investor Relations, Campbell Soup Co.*

Thank you, Myra. That concludes our call. Thank you all for participating and we'll speak later in September.

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**Operator:** This concludes today's conference call. You may now disconnect.

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