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Campbell Soup Co. (CPB)

Investor Day

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MANAGEMENT DISCUSSION SECTION

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

Good morning, and welcome to Campbell Soup Company's Fiscal 2022 Investor Day, coming to you virtually from our headquarters in Camden, New Jersey. I'm Rebecca Gardy, Vice President of Investor Relations. While we certainly would prefer to be with you in-person today and share our food with you, we look forward to spending the next few hours together. On behalf of the entire Campbell's management team, and all of our employees, I would like to thank you for joining us this morning.

Before I provide an overview of the speaker lineup and our agenda, a reminder that today's presentation is subject to our disclosure on forward-looking statements. Please take a moment to review the slide shown here. To summarize, the information provided during this event will contain forward-looking statements. Forward-looking statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Actual results or outcomes may differ materially from those that may be expressed or implied. Some factors that could cause the results or outcomes to differ are noted on this slide, as well as in company SEC filings and press releases.

Additionally, during today's presentation, we will be using non-GAAP financial measures. We have provided a reconciliation of each of these measures to the most directly comparable GAAP measure in the appendix of the presentation, which is available on our Investor Relations website.

Now, one of our goals for today's event is to introduce you to more members of our talented leadership team. Presenters today will include two familiar faces; Mark Clouse, President and Chief Executive Officer; and Mick Beekhuizen, Executive Vice President and Chief Financial Officer. Also presenting today are our two division presidents; Valerie Oswalt, Executive Vice President and President of Snacks; and Chris Foley, Executive Vice President and President of Meals & Beverages.

We have an exciting agenda planned for you today. Today's presentation begins with Mark discussing our advantage portfolio of leading brands in growing categories. He will also share our strategy to unlock our full growth potential. Next, you'll hear from Val, who will share the ways the Snacks division is elevating Snacks growth and margins by executing its proven growth model with a powerful portfolio of well-positioned brands. She will also outline the significant progress we've made on value capture and outline a roadmap for further margin expansion.

Next up will be Chris, sharing how we are transforming the center of store for the next generation. Building upon a strong foundation in Soup resulting from our execution of the Win in Soup strategy we outlined at our 2019 Investor Day, Chris will share the next chapter of that journey. He will also lay out exciting plans on other key parts of the Meals & Beverages portfolio, and close with a roadmap for solidifying and sustaining margins in his division.

And finally, Mick will bring it all together and will lay out in detail our plan to create differentiated shareholder value. He will speak to our compelling long-term growth algorithm, our strong cash flow generation, our capital allocation priorities, and our disciplined approach to M&A.

Now, a few words on logistics. We will be hosting a question-and-answer session facilitated by me. Following Mick's presentation, we will have a short break. But don't step away, because you do not want to miss a special video we have created that shares the voice of our consumers.

Now, you may ask a question at any time during today's presentation by typing it in to the Q&A box located at the bottom of the media player. We'll get to as many questions as time allows today, and we will follow up with you as soon as we can if we cannot get to your question this morning. And as usual, questions are always welcome by sending an email directly to me or to ir@campbells.com.

And finally, I'd also like to remind you that we are broadcasting this event via our website, and it is available for playback along with the slides from today's presentation.

And with that, please enjoy this short video before Mark takes the stage.

[Video Presentation] (00:04:41-00:06:22)

Mark A. Clouse

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

That was fantastic, and I hope a great boost of energy as we get started today. Good morning, everyone. I'm Mark Clouse, President and Chief Executive Officer of Campbell's. It's great to be speaking to you from our R&D kitchens in our world headquarters in Camden, New Jersey, for Campbell's Investor Day. I can't think of a better place to tell the next chapter of the Campbell growth story.

Today, we're going to review the transformation we've made since our last Investor Day in 2019 and walk you through how our advantaged position is going to unlock the full growth potential of the company. Our goal today is fairly simple, and that's to leave you with clarity and confidence in our straightforward and exciting strategic plan for the future.

Let's start with the three things that really sum up the presentations you'll see today. First and foremost, we've reset Campbell's foundation through focus and execution and we are a much stronger company today than three years ago, evident by our over-delivery on top line and adjusted EPS commitments, all while navigating a tough environment. Two, Campbell is uniquely Advantaged for the Future with a focused portfolio that's well-positioned for growth, improving capabilities, and strong cash flow that enables optionality. And three, this all translates into a compelling and credible long-term growth algorithm for generating significant shareholder returns.

Before we share our plans to accelerate into the future, let's step back and review where we were in 2019 and what the key imperatives were to deliver our turnaround. I fully realize the world around us has changed quite a bit over the last three years, but in the end, did we do what we said we would? Let's take a look. First, simplify and

focus the company, check. We completed the divestitures of our Campbell Fresh and International businesses, and are now a North American business with two divisions and 13 categories.

Transform our team and culture, check. We're aligned to a common set of goals and driving accountability throughout the organization. We've refreshed our leadership team and have a deep bench of experienced talent across the enterprise, guided and supported by a diverse board with a wealth of relevant strategic experience.

Three, deliver growth in the Snacks division and stabilize Meals & Beverages, check and check, with each growing 5% consumption on a two-year compounded annual growth basis through fiscal 2021. We have strong, relevant brands with about 70% of our overall portfolio, growing our holdings share compared to fiscal 2019. And what makes this progress even more exciting is the contribution from our Win in Soup strategy, which was a big question back in 2019. Soup consumption is growing and share is expanding. In fact, we delivered 10 consecutive quarters of share gains in condensed soup with millions of new and younger consumers.

Four, fueling investments through our cost savings program, check. We are on track to deliver \$850 million of cost savings through fiscal 2022, and we increased advertising and consumer promotion by 15% to support our brand equity.

And finally, reduce debt, check. We achieved our target of 3 times leverage ahead of schedule, as we completed our divestitures and continued to generate strong cash flow.

We focused on shareholder value with \$1.3 billion returned to shareholders through dividends and reinstated share repurchases. The resulting flexibility from this effort can and will fuel multiple ways in which we can win going forward. Across the board, we delivered on all five elements of the Campbell turnaround plan and rebuilt the company's foundation. We feel great about these accomplishments, but more importantly, is the foundation that we've set for the future. A foundation that is very strong and laser focused with one geography; two strong divisions, Snacks and Meals & Beverages, while leading in 13 core categories.

This focused brand powerhouse is well-positioned for advantaged growth and value creation. We have iconic and differentiated brands that are important to customers and loved by consumers. Snacks account for nearly half of the company's annual sales with growth driven by our power brands. The portfolio role of this business is to accelerate growth, while improving margins.

Meals & Beverages account for the remainder of our annual sales, with a portfolio of fabric of the nation brands that play an important role in the lives of consumers. Its role is to deliver sustained, profitable growth. Although each of these divisions are powerful on their own, they also come together to create a winning portfolio with very compelling and complementary roles to provide significant growth to both our top and bottom line going forward. You will hear more from the talented and experienced leaders of each of these divisions later this morning.

Speaking of talented and experienced leaders, we have a world-class management team with both breadth and depth of knowledge with an average of 20 years of experience in CPG. It represents a healthy balance of fresh eyes and diverse relevant perspectives, combined with deep understanding of Campbell's history. It doesn't just stop with our leadership team. We've added top talent and high potential leaders across all of our functions, businesses and locations. This balance creates a high performance team, perfectly suited to lead the company into this next period of sustained growth.

Over the last several years, our Board of Directors has also evolved, and brings a wide range of relevant expertise and diversity that helps guide and shape our strategy. This one-two punch of strong management and a

highly engaged and experienced board has been a key ingredient to our recent progress and, more importantly, our future success.

As we enter this next chapter of growth, we took the opportunity to refresh our strategic assets that guide the company and align our purpose to our strategy. Our purpose, connecting people through food they love, represents our why, why we exist and why employees come to work at Campbell? Our values, the five Cs of Campbell are our how. The behaviors that will help deliver our results. Our mission is what we are trying to achieve in our business, and it's firmly rooted in growth across the portfolio. And our strategic pillars are our roadmap to deliver sustainable, profitable growth. This one page clearly defines the company in a simple and compelling way that is uniquely Campbell.

I spoke about this at our last Investor Day and frequently since, but it is important to reiterate that we have reoriented the company to a growth mindset. This includes increasing resources, capabilities, and most important, changing the culture. During this time, we increased A&C investment in both divisions and it has driven results. We've also increased the contribution from innovation to net sales, all of this leading to more than 70% of our portfolio gaining or holding share since fiscal 2019.

This included a dramatic turnaround in Soup. At our 2019 Investor Day, we highlighted our strategic priority to Win in Soup. As a reminder, at the time, I outlined three things that were necessary to grow Soup, based on the long history of the business. One, it needed to be a company priority. Two, it required a holistic, fully resourced approach. And three, it would take a multi-year plan. Since that time, we've had a relentless focus on all three, and it has clearly worked, while building even greater confidence for the future. We focused on quality enhancements, modernized the brand packaging and the marketing, established the right investment level, and improved our innovation.

The results speak for themselves; 10 straight quarters of share gains in condensed soup, driven by two-year share gains on cooking and eating varieties. 7% consumption growth on our ready-to-serve business over two years, driven by share gains on Chunky. Swanson increased its household penetration and repeat rates, compared to 2019 levels by a point. And Pacific Foods Soup grew an astonishing 26% and gained share over two years. This has been the strongest period of growth in well over a decade. Those kind of results need investment, so let's turn to cost savings.

We continued to deliver our cost savings program and the Snyder's-Lance value capture which fueled our investment back in the business. As I shared on our recent earnings call for the first quarter, we remain on track to deliver our goal of saving \$850 million through fiscal 2022. Being able to generate savings while growing at the same time is an important proof point as we look to the future.

Later this morning, you'll hear Mick share more about the next phase of this program. Since fiscal 2019, we've made significant progress to reduce debt to our leverage target of 3 times, driven by the proceeds from non-core divestitures and strong cash flow generation. Our cumulative operating cash flow from fiscal 2019 through fiscal 2021 was just under \$4 billion. This creates financial flexibility as we head into our next chapter of growth, and it opens a variety of ways the company and shareholders can win.

With our new leadership team executing a clear and focused strategy, we over-delivered on our top line and adjusted EPS compared to the long-term growth algorithm we introduced at our 2019 Investor Day. Adjusted EBIT came in slightly under the target, as it was impacted by the significant inflation, labor constraints, and COVID-19 challenges, while we maintain the vast majority of our investments at this critical time connect and retain millions of new Campbell's households.

Although the current cost environment is certainly presenting short-term challenges, we continue to see this period as generally transitional, where recovery and expanding profitability will be very much a part of our plans going forward. To build on that, I want to take a moment and focus on the pandemic and how it impacted our results.

First, I want to recognize our employees, especially our frontline teams and thank each and every one of them for all they've done during this difficult time. Our people are Campbell's greatest strength and competitive advantage, and we are deeply grateful for their dedication. It's not news to you that the pandemic has created many challenges industrywide; from supply chain disruptions and labor availability to delays and capital projects and innovation. While these issues have been extremely challenging and this has been an absolutely horrible situation across the world, this period has also accelerated several important areas of our strategic agenda, and has overall strengthened the position and relevance of our brands. The pandemic upended everyone's lives, especially those early months where millions of people found themselves eating every meal and snack at home.

For our business, it created broad increased trial for millions of new households and renewed interest in quality, convenience, versatility and taste, as well as a resurgence in quick scratch cooking. Consumers turn to trusted brands like ours. For some, it represented a rediscovery of old favorites, but it also introduced our brands to millions of new, and importantly, younger consumers. It was a once in a generation moment, especially for our soup business, and the work we've done prior to the pandemic better positioned us to meet this moment fully for consumers, customers, and the company.

We are hopeful that the worst days of the pandemic are behind us and look forward to a bright future. So, there are clearly puts and takes on the business. However, on balance, Campbell is in a far stronger position today than we were in 2019. And more importantly, our brands, our teams, and our business are ready and Advantaged for the Future. Now, let's talk about that future. We see three key advantages for the company going forward. First is our focused portfolio with leading and growing brands. Second, our capabilities and talent, including improved marketing, more relevant innovation, accelerated e-commerce, and a continued focus on ESG. And finally, our differentiated path to value creation. This includes strong cash flow generation and clear capital priorities.

Let's dive into the portfolio, where we have leading brands and advantaged categories across both divisions. Our Snacks division will continue to be the growth engine of the company. We compete in very attractive categories that are both large and growing. As you can see from the two- and four-year CAGRs, the Snacks categories have continued to grow and we hold leadership positions in all of them. As you've heard me talk about it before, we have a unique positioning within these categories with our power brands, whether it's crackers and snacking with Goldfish; the premium position we have in cookies or in the organic space with Late July chips, nearly all categories have accelerated growth in the more recent two-year period. And on cookies, we increased our position from number three to number two in the past two years. The great news is, there's still plenty of room for growth as more and more consumers are trading up to elevate their snacking experience.

And it's not only growth in Snacks. Turning to Meals & Beverages, these categories have also grown on a two- and four-year CAGR basis. And more importantly, we now approach this division with a growth mindset, which represents a significant shift in priority in the company. Our [ph] meals and beverage (00:22:13) brands are truly iconic, and we have and will continue to modernize them and increase their relevance as a way to drive growth in advantaged categories. As discussed, our Win in Soup strategy is working with a 4% category increase over the last two years and a 2% increase over the last four years. The idea of soup as a nutritionally dense and emotionally fulfilling platform for quick meals or cooking is powerful, and our leadership position in this category will enable us to continue to drive growth.

But it is about more than Soup. Our results in Italian sauce have been exceptional. Prego has sustained the number one share position for 30 straight months, bringing that successful leadership approach to Pace as another strong category leader with its sights on becoming number one. And our V8 brand, the original plant power drink, is well-positioned to drive and benefit from the macro category trends.

Now, let's dive a bit deeper into our brands. Both divisions have leading brands that consumers love, brands that are trusted and relevant. This is one of the most formidable brand portfolios in the food industry. These are brands that truly connect people across generations. In Snacks, our power brands generate approximately 80% of the total Snacks fiscal 2021 net sales. And over the last two years through first quarter of fiscal 2022, seven of eight power brands grew or held share.

In Meals & Beverages, approximately 75% of our total division net sales in fiscal 2021 come from these eight leading brands, fueling strong growth in their categories. Growth in Pacific Foods leads the way, followed by Prego, Chunky, V8, Campbell, Swanson and Pace. Even SpaghettiOs got in on the action, returning to growth. To build on the successes in both divisions, we have clear roadmaps in place to continue to drive sustainable, profitable growth. Val and Chris will provide more detail coming up, but I wanted to quickly review our plans.

In Snacks, our game plan continues to be accelerating growth, while improving our margins by providing consumers elevated experiences within arm's reach. We will accelerate top line growth by capitalizing on our proven brand growth model, accelerating our innovation efforts and expanding distribution and channel presence of our power brands. Additionally, we have a roadmap to improve margins over time. We expect to achieve 17% operating margin by fiscal 2025, which you'll hear more about shortly.

In Meals & Beverages, it is the relentless focus on sustaining growth and solidifying the very compelling historical margin structure of this business. As you've heard me say before, our categories are stronger and our brands are better positioned than many may think. And when we commit to support these businesses, we have and will drive growth. Additionally, as a center store has been transformed as it relates to relevance in traditional retail and online, we plan to sustain top line growth through modernization, innovation, and increased relevance on Soup. We have line of sight to turning our sauces brand into a billion dollar business and to continue to transform our plant-based beverage business. We also expect to return to our historical margins by improving network performance through driving operational excellence in our supply chain, as well as productivity and pricing.

Now, let's turn to our capabilities. To support our advantage portfolio, we have also made meaningful steps to improve the areas of marketing, innovation, e-commerce and ESG. We have transformed our marketing capabilities by first prioritizing the function, then training and infusing our team with new tools and talent. They, in turn, have developed strategies and tactics to modernize our brands and reach broader and younger consumers.

In addition, we continue to evolve the playbook by utilizing more dynamic plans for digital advertising to deliver the right message and being in the right place at the right time. And we're adding high impact partnerships to our already strong programs to break through the noise and connect with consumers in even more exciting and compelling ways. We all know the storied history of Campbell's brands, and that's a powerful asset which is made even more powerful when contemporizing these classics and reframing our core brands to be more relevant with a broader audience, especially younger consumers.

Let me share two examples. Thanks in part to innovative campaigns and partnerships, Goldfish reached 10% more households without kids through a range of activations, including limited time flavor mashups with Frank's

RedHot and Jalapeño Popper varieties, and our award-winning Go for the Handful campaign among others. On Soup, our classic red and white condensed soups gained 5 million new millennial households.

The team has done a remarkable job of reminding consumers what they love about our brands, but this also represents a reboot for the brand, including the redesign of our iconic red and white label, the reframing of classic ads like snowman, leveraging cultural moments around the movement to save the snow day when schools were remote, or pivoting off of our cachet in the art world to introduce a Campbell's NFT, proving once again, relevance is not limited by the age of a brand, even if that is more than a 150 years old.

One of those ways we're making it increasingly relevant to today's consumers is a focus on digital and new media or social platforms. 65% of all our advertising is now on digital or social platforms, and we expect that to continue to increase. One of the main benefits of the strategy is that we're engaging consumers where and when we can have the greatest impact. It has greatly enhanced the breakthrough of our brands.

An example of this is Go for the Handful campaign featuring NBA stars Boban and Tobias. The campaign included a TikTok challenge, which garnered billions of views, reaching a new adult and all-family audience. This campaign was awarded a Bronze Lion in the Social and Influencer Marketing category at the Lions (sic) [Cannes Lions] (00:29:12) International Festival of Creativity, and recently named one of TikTok's 14 top cultural drivers of 2021 by being one of the most innovative collaborations between brands and TikTok creators that broke the marketing mold on the platform. Lastly, we've had great success with driving performance through power partnerships.

Let's take Chunky's partnership with the NFL as an example. Chunky's relationship with the NFL started in 1997. Now, as we continue to modernize the brand, we've added the adjacent gaming space by extending this partnership to EA Sports Madden NFL, which helps drive relevance with younger consumers and introduces the brand to a new generation of Chunky fans. Partnerships are a way to extend our brand spending and create even stronger ROIs.

Turning to innovation, perhaps no bigger area of opportunity exists for future growth in our brands, as we've transformed our capabilities in this space through a combination of technology and culture. Through the Campbell's Insight Engine, we are leveraging technology to shape our innovation and activation. This includes analyzing culinary and cooking trends, looking at signals, watching for new and impactful innovations in the startup space, and continuing to have our eye on health and well-being, science policy, and early trends.

A great deal of this is automated using artificial intelligence and machine learning tools to scan billions of data points to fuel insights for our innovation plans. We are pairing technology with creating a culture of innovation in R&D; we call it, the Campbell's Maker, where we fuel an innovation culture that continuously feeds the funnel. It brings the idea of crafting or creation to life. It is built around truly knowing the equity of our brands, but not being bound by historical paradigms. We use the [ph] Insight Engine to align on dig sites (00:31:14), rapid prototyping to quickly iterate and moving the most promising concepts to development and market much more quickly.

This approach has meaningfully expanded and strengthened our innovation pipeline which has never been stronger and better aligned with consumer trends. In Snacks, we'll continue to introduce twists on the familiar with products like Goldfish Mega Bites and furthering permissible indulgence with Late July Mexican street corn, new flavors of Milano cookies and Snack Factory pretzel crisp bites.

On Meals & Beverages, we continue to enhance quality and increase the relevance of the core, while playing to our strength in the quick scratch cooking space by extending the Pacific brand to plant-based pasta sauces.

We're also excited about our Well Yes! power bowls, which launched this fall, addressing the need for quick and easy lunches, whether in the workplace or working from home. We are confident that our innovation will be a meaningful catalyst of growth for both divisions. With our improved capabilities and enhanced pipeline, we expect to reach best-in-class innovation targets by fiscal 2025.

E-commerce is another important growth vector for Campbell. Our enterprise e-commerce sales roughly doubled in size from fiscal 2019 to fiscal 2021. And this channel is not showing any signs of slowing down. We're gaining share across multiple key categories, driven by investments in core strategic areas, such as click and collect, third-party delivery services, and developing strategic partnerships to accelerate our e-commerce capabilities. Our focus on digital advertising is also key to our success in this area by integrating shoppable media to enable a seamless consumer journey. Lastly, on environmental, social and governance, ESG, this has always been fundamental to who we are as a company. It is truly part of Campbell's DNA. However, as the world demands more, we too will demand more.

We have a comprehensive program and high-impact ESG platform in place that builds on Campbell's legacy of positive impact, but reflects today's expectations and responsibilities. As this area continues to grow in importance for all constituents, we have prioritized four pillars that are important to our company and our stakeholders, and where we believe we can make a measurable impact; trusted food that people can rely on; helping create vibrant communities, especially where we have operations; creating a high-performing culture that will help our people thrive and reach their full growth potential; and fostering a healthy environment from field to factories to families.

Finally, I'd like to talk about our third advantage, our ability to deliver differentiated shareholder value creation. Now with a stronger balance sheet, our ability to generate a significant amount of cash creates multiple ways to increase shareholder value. Our advantaged financial position means we can create value through high-return investments in the business, as we have been doing, while maintaining a competitive dividend, pursuing smart, strategic tuck-in M&A opportunities, and executing strategic share repurchases. Mick will cover our capital priorities in more detail in his remarks.

So, going forward, we expect to deliver a compelling and credible long-term growth algorithm. We plan to execute our growth strategy, led by Snacks with Meals & Beverages providing steady contribution resulting in about a 2-point gain; enhancing margins through an exciting Snacks margin roadmap; and Meals & Beverages maintaining the healthy margin architecture that already exists on the business. Strong productivity and expanded cost savings programs will help fuel these margins and adjusted EBIT growth of 4% to 6%, while ensuring we continue to invest in our brands to drive relevance.

Finally, with our strong cash flow generation and a strengthened balance sheet, we expect to grow adjusted EPS at an even faster rate of 6% to 8%. Although we continue to navigate a challenging [indiscernible] (00:35:51) environment, we see a trajectory that builds momentum and can reach our full growth potential by fiscal 2025.

In closing, there is really no question that Campbell is stronger today than we were three years ago. The company is focused and committed to a growth and execution mindset. We're delivering against our goals, and most importantly, we have a compelling and credible plan to continue to improve and deliver advantage results as we unlock the full growth potential of this great company.

Now, let me turn it over to Valerie Oswalt to share our exciting plans on Snacks.

[Video Presentation] (00:36:33-00:37:33)

Valerie Oswalt

Executive Vice President & President-Snacks, Campbell Soup Co.

Good morning. I'm Valerie Oswalt, Executive Vice President and President of the Snacks division. It's been three years since our acquisition of Snyder's-Lance, and you will find that today's presentation will reinforce much of the strategy we shared in 2019, while providing a stronger sense of our future plans to unlock the full growth potential of Snacks.

First, snacking is growing, is projected to continue growing, and our portfolio of brands are well-positioned within the fastest growing segments of snacking to meet consumers' desire for elevated snacking experiences, bold flavors, clean ingredients, indulgent. Their favorite snacks elevate moments into memories. We deliver against this elevated experience with the breadth, differentiation, and power of our Snacks portfolio.

Second, while we complete the final pieces of our integration, we are moving to the next phase of our margin work, which includes a clear roadmap to increase and sustain margins. Snacking is a \$151 billion market in the US. It is big, it is growing, and it is projected to continue to grow. Snacking is a behavior that continues to grow with consumers now eating an average of close to three snacks per day. During COVID-19, people snacked 46% more throughout the day and snacking in between meals increased 5% when compared to the last five years.

Total snacking is growing, and we are leading the way with seven of our eight power brands holding or growing share, while growing consumption 12% on a two-year basis. And our brands have increased household penetration, with 85% of US households purchasing a Campbell Snacks product in the last year. We are growing and we have further room for accelerated growth.

Let me show you where the growth is and how we plan to capture it. When we spoke to you in 2019, we shared our early thinking on the integration of Snyder's-Lance. We are now near the end of this work. We brought the best of both organizations together to build a leading Snacks business with a strong team in place and an integrated sales team to support our retail partners.

We increased our capital to unlock capacity in support of our growth plans. We increased our brand investment and innovation levels. And as I'll show you today, we have powerful examples of our marketing and innovation delivering best-in-class results. We are also on track to complete the final two phases of our SAP integration by Q4. The result is the delivery of almost \$300 million of value capture and synergies across the Campbell Snacks organization.

I am proud of what we have accomplished, creating a strong and unified snacks organization. However, our mission to unlock growth is not over. While we are pleased with our top line growth and the value capture savings we were able to deliver, we continue to have a margin opportunity versus our industry peers. We have a road map that is expected to deliver approximately 400 basis points of improvement by the end of fiscal 2025. Although there are some structural differences and complexity in our portfolio, over the next three fiscal years, we will focus on the addressable areas. By improving our fundamentals and creating a more efficient and effective supply chain, we will be able to invest in our growth plan, while also improving our margins.

Let's take a closer look at our growth and margin improvement strategy. What makes this division truly unique and differentiated from other snacking businesses are the power of our brands. Our brands are more than just a snack. We believe they provide an elevated experience within arm's reach. We have recipes, not formulas. Our snacks have an intense focus on real premium ingredients and are crafted to deliver a rich, multi-sensorial experience. They fit perfectly with our company purpose of connecting people through food they love.

We like to say that we are on the right side of snacking. Our goal is to ensure that our snacks are everyday premium or elevated. And while we are elevated, we are not exclusive. We want to be accessible whenever and wherever people need us within arm's reach. Our breadth of elevated brands and their differentiation versus competition are the true power of our portfolio. I'll show you today why we believe this unique position will enable us with the right plans to grow at or above category rates.

Given the strength of our portfolio, we also believe we should be able to deliver this growth at stronger margins. The primary role of the snack business is accelerated growth. We see three clear paths to generate that growth. First, we have a proven growth model that we will continue to leverage across the portfolio. It has delivered for us over the last three years and continues to be a driver of our success. Our power brands are well-positioned for growth, because they compete in the Snacks category that are growing the fastest and they will be supported by strong marketing, investment and innovation.

Second, our innovation is grounded in elevated expectations, coming from strong consumer insights that are driving bigger, more impactful ideas. And third, we have significant power brand distribution and channel expansion opportunities across the US.

Our first driver of growth is our brand segments. I started today by sharing the size, growth rate and potential of the category. Within snacking, there are four primary segments: wellness, permissible indulgence, true indulgence and treats. Two of these segments are growing faster than the others, permissible indulgence and true indulgence, in fact, two times faster than the total Snacks category and all of our power brands play in these two segments.

This is a clear example of how we are Advantaged for the Future, as Mark mentioned earlier. Permissible indulgence represents about \$32 billion of snacking, which is about a quarter of total snacking and is growing at a two-year compounded annual growth rate of 4%. These are the snacks that consumers feel are more permissible, because they offer something without guilt or have added benefits compared to their indulgent favorites. According to Mintel Research, 78% of consumers believed snacking can be a part of a healthy diet and 69% want snacks that balance health and taste. That is what permissible indulgence is all about.

True indulgence are fully loaded snacks, excluding candy or ice cream. For us, they are our cookies and our potato chips. True indulgence represents about \$40 billion of total snacking, which is about 30% of the category, growing at a two-year compounded annual growth rate of 10%. Our Snacks division is growing at a two-year compounded annual growth rate that is at or above the category rates for both permissible and true indulgence. As you can see, our portfolio is well positioned against these elevated expectations for growth.

In addition to the tailwind from strong snacking segments we play in, we have a proven growth model, which has been applied to several of our brands in the last three years with strong results. One of our strongest performers is our Kettle Brand. As you heard from us repeatedly during quarterly earnings calls, Kettle Brand performance has been impressive, delivering a two-year CAGR of 11% growth and winning with consistent share growth since acquisition. We started with an elevated brand. Kettle Brand is differentiated and enjoys a premium position in a large mainstream segment.

Then, we refined the brand positioning to be focused on extra in a good way. This brand positioning allows us to double down on the crunch and the boldness of the Kettle Brand flavors that consumers love. We increased our marketing investment, targeted the most valuable growth consumers on the highest return on investment platforms. Then, we added innovation that elevates the consumer experience on bold flavors, taste, and

packaging. The Kettle Brand is a powerful brand and a powerful example of how we are applying our proven growth model.

We have several other power brands that serve as examples of our proven growth model. Let's focus on Goldfish and Late July. Starting with Goldfish, we took an iconic brand and the number one kids cracker and changed its brand positioning to attract more consumers. And we did it using our proven growth model. We started with a differentiated brand, elevated our marketing to be world-class, launched innovation that strengthened our brand equity, drove household penetration and expanded reach to new consumers and geographies. We started with core Goldfish. We looked at how adults eat Goldfish and we listened to social conversation. What we heard repeatedly was by the handful. With this in mind, we focused our marketing engine and produced one of our most impactful creative ideas, who can hold the biggest handful of Goldfish.

For the creative execution, the team created the TikTok Go For The Handful challenge, how many can you hold in your hand? TikTok videos were created by consumers and the campaign went viral with over 1 million views in the first half day of the campaign and over 12 billion impressions across all media channels, making it by far our most successful marketing idea. It won awards from Cannes, Clio, and last month the Goldfish campaign was named a TikTok Culture Driver of 2021, the only snack brand to receive this prestigious honor.

For innovation, we went with a limited time offer strategy that is delivering some of the most delicious flavors, brand partnerships and new creative marketing ideas. Our first limited time offer was a partnership with McCormick to bring you Goldfish with Frank's RedHot. We chose hot based on digital listening and consumer insights. The most requested new Goldfish flavor for consumers is hot and spicy.

Goldfish with Frank's RedHot is an elevated piece of innovation, cheesy with a kick. The packaging is stunning and the results are phenomenal. Our Frank's RedHot Goldfish limited time offer was the number one velocity cracker innovation launched in Q4 of fiscal 2021, outperforming all other new cracker launches in the same timeframe. Our Goldfish strategy has truly elevated this iconic brand in a new and unique way.

You heard during this last week's earnings conference call the results of our second limited time offer Jalapeño Popper Goldfish and we're not stopping there. Piper Sandler showed in its Fall 2021 survey of teens that Goldfish is now their number one snack. This is the right strategy to grow Goldfish, and you'll see us continue to drive this going forward.

Now, turning to Late July. With a strong two-year CAGR of 13% and over 2 points of household penetration growth, our growth strategy on this brand brings elevated branding, packaging and innovation. We have strengthened our brand mark and pack design, which retains the essence of our Late July brand, while improving brand recall and shopability. We are also streamlining our price pack architecture to unlock pricing and promotional scale across underpenetrated channels.

Early next year, we will launch three new flavors of Late July, Nacho, Garden Ranch and Mexican Street Corn. These flavors deliver the same organic credentials Late July is known for, with strong natural claims, front and center of the packaging design that addresses the craving need in the natural and organic tortilla category. The cravings segment represents over 60% of the mainstream tortilla category, while nascent in the natural and organic category. Our holistic strategy for Late July is positioned to unlock a significant growth opportunity for us.

Innovation plays a critical role in our elevated snacking strategy. We have three growth pillars of innovation based on consumers' needs, twists on the familiar, permissible indulgence, and expanded occasions. We selected these

three spaces based on our research, reflecting consumers' insights, growth rates, size of price, and our unique right to win.

The first growth pillar is rooted in consumers' love for variety. At Campbell Snacks, we create trend-forward snacks or new takes on favorites. This is expressed in fun, exciting new flavors and textures and partnerships that reflect today's culture. An example of this is our newest innovation on Goldfish. We took what people love about Goldfish and made a bigger, bolder, cheesier Goldfish. Our Mega Bites platform will reach a new audience. They have a unique and delicious melt-in-your-mouth texture and are so delicious that they are preferred to the competition. Look for them in the New Year.

Our second growth pillar is permissible indulgence, which spans both sweet and salty snacking. Consumers want to feel good about their snacks and they want it to be worth it. Chocolate Milano is permissible indulgence at its best. We know consumers expect more from their sweet treats and for Milano, they wanted even more indulgence. We are excited to introduce Chocolate Milano to delegate rich cocoa cookies, with a smooth, luscious layer of real chocolate tucked inside. We dialed up the chocolate impact, while keeping it permissible with real, simple premium ingredients that consumers expect from Pepperidge Farm cookies. Plus, this is a first for Milano, the first chocolate cookie on the brand.

The third growth pillar reflects consumers' expectations to have their snacks within arm's reach, easy to find, in the right size, and designed to fit their lifestyle; purposefully designed to make each snack moment better and more accessible, whether this is larger sizes for the pantry, like family-sized Goldfish, personalized smaller packs or even elevated pack design, such as the work that we've done to improve omni-channel shopability, making it easier for consumers to find their favorites, no matter where, how or why they shop.

Pretzels are an excellent example of the power of our innovation engine. Across our total Pretzel platform, we hold the number one share position in pretzels and deli, with a two-year CAGR of 7% and 2 points of share growth for Snack Factory.

In the Pretzel aisle, flavors are growing four times faster than unflavored. So, in early 2020, we doubled down on our flavors. We delivered our Snyder's of Hanover Twisted Pretzel Sticks innovation in just eight weeks and won on taste versus our competition in consumer taste tests. Twisted Pretzel Sticks were made using a different technology and approach to flavor. Our Pretzel team also brought this product to market in weeks, not months, using our insights engine and agile approach to innovation Mark mentioned earlier.

In addition to our flavor innovation, we have applied price pack architecture to the Pretzel platform to capitalize on the larger sizes that are driving growth in pretzels. And we are now bringing innovation to Snack Factory, the number one deli snack, a brand that has demonstrated three times the category growth. We're taking flavor growth and applying it to the deli with Snack Factory Bites, a new occasion of hand-to-mouth munching versus dipped or topped pretzel crisps. This is just the beginning of what we have planned for Snack Factory.

In addition to leveraging the category tailwinds, applying our proven growth model to the rest of our portfolio brands and elevating our innovation, we have over a \$200 million revenue opportunity by expanding distribution on our power brands and increasing our C-store channel development. Power brands such as Late July, Pepperidge Farm Cookies, Kettle Chips, and Snyder's of Hanover have a \$100 million opportunity by closing our distribution gap versus Goldfish. Additionally, we have \$115 million opportunity by closing our development gap in convenience stores. These are areas that are addressable within our current portfolio and capabilities. It's about supply, support and selling.

Now that you have a clear view of our growth strategy, let's pivot to our margin improvement plan. In the third quarter of 2018, we completed the Snyder's-Lance acquisition. Over the last three-plus years, we've made great progress integrating the business. I'm pleased to share that we are focused on the final two waves of our systems integration project and have clear line of sight to the end of our value capture savings from the integration, which we expect to complete this spring.

As planned, since the start of the integration, we invested a portion of the savings back into the business. In addition to the investment in the business, we also phased near-in transitional headwinds, mainly due to the pandemic, which we anticipate recovering as our first step to margin improvement. We have a clear road map to achieving a 17% margin target over the next three fiscal years, which results in approximately 400 basis points of margin expansion.

Let's unpack the plan in more detail. First, we are going to focus on the fundamentals to address the 200 basis points of near-in headwinds we faced over the last year and a half. We intend to continue pricing to help offset inflation, while improving plant performance post our SAP integration and continuing to improve our portfolio mix while driving our price pack architecture program. Additionally, we intend to permanently streamline approximately 10% of our SKUs to increase capacity, reduce complexity, and improve efficiency.

Next, we will focus on our network and cost improvement opportunities. We are going to complete the original value capture program and have identified incremental savings, expanding our overall enterprise savings program, while creating a highly efficient scaled site and manufacturing road map, optimizing our indirect costs and investing in automation. We have already started work on our manufacturing road map, and we have nearly completed the work to consolidate our Columbus, Georgia operations into our Charlotte facility, creating the first mega site for Campbell Snacks, which will produce more of our brands than any other site in the network.

We intend to replicate this playbook and pursue similar opportunities in manufacturing, warehousing, and logistics as part of the margin road map. This includes a highly efficient, scaled site and manufacturing footprint; fewer, larger downstream warehouses, moving inventory closer to the customer and consumers and reducing our inventory pools.

Finally is our route to market. As a snacking company that thrives on in-store execution, innovation and assortment, this is a critical component of our success. We have both a warehouse and a direct store distribution model that we lever for different parts of our portfolio and in different geographies and channels. We are not only committed to the independent distributor model, but we also intend to improve upon it. And when we do improve upon it, there may be opportunities down the road to create the next wave of savings after getting it on a level that is optimized and executing well. And that, together, is giving us headroom to not only expand our margin, but also to invest back in the business to ensure we have the resources we need to fuel growth.

We intend to increase marketing to support our power brand expansion and innovation strategy. We intend to upgrade and modernize our systems and technology across our route to market and in our plans, and finally, to invest in our people and capabilities, because they are our number one asset. We have staged these investments as we go so we can pay for them as we generate savings. These all come together in a clear road map to a 17% target.

As we move out of this period of integration and into the next chapter, we know how to grow our brands and we know how to win in snacking. We have a portfolio that is well-positioned to meet consumers' desire for elevated snacking experiences, a proven growth model, category momentum, a margin road map to deliver improvement,

winning innovation, a strong and committed team with exceptional snacks industry experience and a track record of execution.

I'd like to conclude by thanking my entire team. Everything I shared is the results of their efforts, creativity, and passion to continue to build a uniquely differentiated, powerful snacking business. Thank you for your time today. I look forward to our Q&A.

Now, let me turn it over to Chris Foley to share more on Meals & Beverages.

[Video Presentation] (01:02:14-01:03:24)

Chris Foley

Executive Vice President & President-Meals & Beverages, Campbell Soup Co.

Good morning. My name is Chris Foley, Executive Vice President and President of Meals & Beverages. I'm thrilled to be here with you today and talk about our business and how we're transforming growth in the center of the store for the next generation.

Today, I want to share with you two key messages. First, we will sustain growth with our well-positioned and category-leading brands. At the same time, we will deliver the attractive margins paired with that improved top line to drive steady value expansion for this division and the total Campbell Soup Company.

Over the past two years, the growth rate of center store edibles has been significant, including in our three core categories. 90% of Meals & Beverages division is made up of soups, sauces and plant-based beverages. All three of these categories have shown sizable growth over the most recent two-year period.

Earlier, you heard Mark talk about the importance of focus for the company, and that sentiment holds true in the three categories we compete in for Meals & Beverages. These three categories are driving growth, and we have positions of strength and leadership roles in all of them. In soup, we clearly have a number one share across the board. We're number one in broth. We're also number one share in organic broth and stock. In Canada, and in our foodservice business, we have strong number one branded soup and broth shares as well. As we turn to the sauces category, we have a number one share in Italian source with Prego and a number two share in branded Mexican sauce with our Pace brand. For plant-based beverages, we are leading share in vegetable juice with V8, and in the natural channel and shelf-stable plant-based beverages with our Pacific offerings. And importantly, all three of these lead market share positions have plenty of headroom for growth.

For macro consumer trends, we look at the resurgence of at-home eating and the changes in the way people shop. And we are confident that our categories are well-positioned to capitalize on new occasions and drive growth more consistently and well beyond COVID. Let me talk through a few of these.

The first notable consumer behavior centers at at-home weekday lunch occasions. This is not a surprise as you look at the massive changes across the workplace, with companies of all sizes adopting hybrid work. Gartner is predicting that 53% of the US workforce will be remote in 2022. And more people working from home more often creates opportunities for our business. This is good news, especially for a category like soup. And we've seen our share of soup occasions at lunch increase significantly. Soup is a nutritionally dense, quick meal, but more importantly, it provides great taste and an emotional uplift, which makes it so attractive as lunch at home continues to grow.

Second, there are more at-home eating cooking occasions in total. Again, this seems logical as people were eating at home more often through the pandemic. While initially, this was clearly done out of necessity, we've seen this behavior grow over time. Importantly, younger consumers are driving a quarter of these billions of occasions with new skills and go-to-simple dinners in the mix now. This is so important for our business, especially sauces, broths and cooking soups.

The eating-at-home trend has grown and has also evolved. One key insight we are seeing is the consumers want to reduce the amount of time preparing meals even more. Now just under 18 minutes, they're fatigued from cooking at home and prepping complicated meals. This is a good thing for the categories we are in, as you think about the quick and easy nature of the meals you can prepare with Campbell's brands.

Finally, as you look at what's been happening in the way people buy food, the growth of e-commerce clearly has exploded during the pandemic. Consumers are taking to their screens to start their grocery order. For our Meals & Beverages categories, that's 10% of purchases that don't start from in-store. For us, e-commerce is not a ship-to-home model. The much more attractive beneficial e-commerce model is about going to the store to pick it up via click and collect or online grocery pickup. This behavior requires strong partnership with our retail customers and we've been successful capturing more than our fair share of growth in this space.

Our turnaround began before COVID-19, but has significantly accelerated in the past two years, as demonstrated by our results. Let's start with soup. From fiscal 2015 to fiscal 2019, soup sales were in decline. It had a four-year CAGR of minus 2%. When you look at the last two years, we see an increase of plus 6% in net sales growth, fueled by gains in US soup. That growth has been driven by our investment behind the brands. A 19% increase in marketing on a two-year CAGR basis. This represented a clear shift in strategy for our entire company, and it has helped us grow share within our largest category, condensed soup. Our share in condensed has grown 3.6 points in a two-year period.

When you look at the sauces business, the business was already in a period of growth and has continued to grow through fiscal 2019 to 2021 period. We have maintained share leadership during this period and also increased our marketing spend as well. Within plant-based beverages, our net sales declined from fiscal 2015 to 2019 and then increased 4% from fiscal 2019 to 2021 on a CAGR basis.

Importantly, we were able to grow share with V8, driven largely by V8 +ENERGY. We are pleased with the turnaround on all three of our core categories. That growth has been led by soup and Prego. For soup, we are focused on getting younger users into our core soup franchise. On our condensed soup, the strategy is working. We have 5 million new millennial households that we've added for condensed soup. Those gains have come from making cooking occasions at home more relevant to a younger audience.

We are strongly promoting lunchtime usage, particularly with our Chunky soup franchise. Lunch is the key occasion for this brand. And as a result, we have shifted our messaging to focus on protein, satiation, and that lunchtime is the new half time with a close linkage to our NFL partnership. Our Chunky brand has added 3 million millennial households over the past two years, and we plan on continuing that momentum.

Our Well Yes! brand has also increased its relevance with consumers via a steady stream of innovation. Well Yes! is positioned very well around lunch, providing nutritionally dense, emotionally fulfilling meals via items like Power Bowls. And this brand is dramatically outpacing [ph] total soup (01:10:45) with younger consumers, millennial buyers up 14% versus year ago.

With respect to our Prego Italian sauce business, we have also been successful in driving growth. As I highlighted earlier, Italian sauce is one of the strongest categories within the center store, driven by the excellent value it provides. It also meets the criteria for a simple meal with quick preparation time in an at-home weekday dinner occasion. We've driven strong gains in the last few years, particularly adding new younger households, widening the gap with our nearest competitor.

Another highlight has been the performance of our Pacific Foods brand since we acquired it. We've integrated it, invested in it, innovated and added distribution, all leading to very strong sales growth. The Pacific Foods model is how we're approaching our future acquisition strategy in Meals & Beverages. We will build from points of strength to drive additive growth in the categories we know. Since we acquired the business in fiscal 2018, the retail sales on Pacific brand are up 18%. That's three times the growth rate of soup and broth category. We continue to be the number one organic soup and broth brand. We have also been able to grow younger households with Pacific, growing the number of younger households nearly 20% just this past year.

There is no question that the business is stronger today than at any point in our recent history. And with that strong foundation in place, we will now focus on sustaining that profitable growth. It's about being a leader and a great partner to our retailers to continue transforming the center of store with the next generation of younger users through relevance and modernization.

There are three simple strategies that we've identified to drive growth. The first is Win in Soup 2.0, taking our Win in Soup plan to the next level. The second strategy is a \$1 billion sauces plan to drive accretive growth in sauces, stemming from our position of strength. Finally, the third strategic growth pillar for our division is to power growth in plant-based beverages, a category that's expanding rapidly.

So, I'm sure many of you tuned in today are asking, so what has really changed in soup and why do we believe so strongly in it? In terms of soup, the category is stronger, more relevant and healthier than it's been in a long time. In-home soup occasions totaled 92 million each week, with 22 million of these soup occasions coming from millennial households. Younger users are discovering the versatility of soup and are more likely to eat soup in between meal occasions throughout the day. The soup category is more relevant because it's simple, nutritional, delicious, and versatile, and we're driving that messaging.

Our position in the category is also growing. For all those purchases in the category of soup, our share of those purchases has increased. We've increased our share of buyers by 2.4 points. Importantly, we've increased that share even more among millennials and younger users, and we're going to continue to invest to drive that momentum with a focus on modernization. That growth is for 150-plus year-old company with the leading share and iconic brands. These data points are significant as it speaks to how we've successfully reframed a critical business.

As we work to continue the growth trajectory in soup, we will employ three key strategies that I will detail. The first is to continue to modernize. We've started this work with better ingredients, relevant new varieties and flavors, and our new soup label this season. It's still early days, but we have seen it start to take hold, and we have more to do. The second is to broaden the strength of our portfolio to ensure that our brands have unique space for accretive growth. The third strategy is to ramp up innovation to continuously deliver a robust pipeline of meaningful and relevant innovation.

In terms of modernization, Campbell has a history of being at the forefront of cultural relevance. From the Campbell Kids in the creation of classic recipes to Andy Warhol, to Chunky's [ph] Mama's Boys (01:15:20), and our most recent NFT, we have successfully put our brands at the intersection of pop culture and food. Campbell's

in the category have already made significant progress in growing relevance and attracting younger users. Our plan is to strengthen that relevance, while better differentiating our brands and modernizing in smart, relevant ways.

We've shifted to an 11 grams of protein message on Chunky at the critical lunch occasion and utilized smart partnerships like the NFL and Madden to solidify that message with younger users. Cooking also presents another opportunity to modernize. Soup is such a great catalyst for simple meals, and we have seen significant growth in this space. So whether it's adding healthier or more convenient forms or expanding our Pacific brands to bring organic or plant-based options, we see many ways to grow relevance and keep refreshing the cooking experience.

I shared earlier that 10% of our purchases start from a screen. It's important that our products are showing up digitally and that they are easily shoppable with relevant messaging. If you're creating a recipe, you could touch the Buy Now icon and your digital card is full of Campbell products and all the ingredients to put dinner on the table with a quick swipe, or could be as simple as delivering the perfect playlist to inspire cooks right on the can itself. We are partnering with Universal Music Group to link songs and playlist directly to our condensed soup cans, not bad for a 150-year-old brand. Our second strategy is around broadening the strength of our portfolio to ensure we have clear, differentiated spaces to allow incremental growth. On our Campbell's brand and condensed soup business, it starts from a mentality of ready to create and from simple goodness.

For our Well Yes! brand, we're continuing to innovate against eating well and feeling well. Pacific is our organic brand with crafted foods and a premium positioning. Chunky continues to be the soup that eats like a meal. Finally, Swanson is the secret to homemade cooking success. All five of these brands are in spaces that we feel good about for growth, and all will have unique areas of investment and innovation to continue to drive that growth. No one else brings such an iconic and unique range of brands to fully meet our consumers' and our retailers' needs.

We had to slow down some of our innovation efforts through COVID and focus on supply and supply continuity. As we are exiting that period, it allows us to fully focus on a robust innovation pipeline, and they're all linked to the macro trends I talked about earlier. Let me highlight two areas. First, on solo easy eating. We've had great success with our [ph] crunching lines (01:18:18) when we first launched with Slow Kettle, and now our Campbell's All Family Crunch. We've taken some of our most iconic products like Goldfish crackers and connected them with Tomato Soup to bring a unique experience solution at lunchtime or snack time. Our Well Yes! Power Bowls have unique and incredible flavors featuring some of our best recipes and meet the criteria for tasty wellness and convenient [ph] heat and eat (01:18:43) formats. With no added preservatives or artificial flavors, Power Bowls provide convenient nutrition and are packed with protein, fiber, and veggies. This innovation is squarely aligned with lunch at home in terms of a trend and with a brand that speaks to a different consumer than either Campbell or Chunky does currently.

In terms of functional wellness, we're going to lean into our Pacific brand with innovations including plant-based broths, oat milk soups and wellness bone broth. Pacific Foods offers a wellness-based portfolio that covers an incremental set of needs and occasions, and it has the right to win as an organic soup and broth player. In addition, we're leveraging our expertise across these categories and building new distribution at many retailers who had not previously carried the Pacific brand. All of this innovation comes to life in a transformed destination in store, and you can see that happening right now. The relevance and versatility of soup and broth is coming alive across occasions, including cooking and quick meals.

Our sales team is doing a fantastic job through this pandemic, as we not only recover our supply on shelf, but also bring to life a vision for the shelf of the future with all of our retailers. This vision extends beyond the traditional center of store to the omni-channel. As I said earlier, 10% of our sales start on screens, and we expect that figure to increase dramatically. On screen, it is about having a very intentional design and a clear strategy of how our brands come to life as we closely partner with our retailers. We know this will be how our consumers shop for our products in the future.

As Mark has shared, our initial Win in Soup strategy delivered. We have made strong progress as we transform the soup category in the profitable center of the store. We will continue to stay focused as we work to modernize soup to ensure it stays relevant for tomorrow's consumers. Our mission to unlock growth is not over. But we are very pleased with the strength of the foundation we have built on this important business.

Now, let me shift to our sauces business, and a reminder, we are more than just soup. It is anchored in a few core brands and it represents a significant growth opportunity for us, as at-home quick scratch cooking occasions continue to grow. We're seeing consumers increase their recipe repertoire and sustain it quarter after quarter after quarter during this pandemic. This is not a surprise, because people learn how to make and then master certain meals. Younger consumers learn how to cook simple dishes and now they're part of their routine. Sauces are very well-positioned against that.

The growth in the Italian and Mexican sauce categories was occurring long before COVID, but accelerated even faster with the rise in dinner and cooking occasions. We have market-leading brands, and as we've highlighted in this space, these brands are well-positioned to capitalize on growth. Our goal is to build sauces to a \$1 billion franchise and one that's growing at an accretive rate to the division. When you look at a 3% annual growth rate in our core business, that will take us most of the way to \$1 billion. However, we also want to grow through brand and segment extensions.

This strategy is anchored in continuing to grow by adding meaningful innovation to support our core businesses like Prego and Pace or our existing Campbell's cooking sauces. Then, we will expand existing brands like Pacific and Late July into complementary premium segments. Finally, as we think about accretive tuck-in M&A in the Meals & Beverages division, this would be a great area for other fast-growing differentiated brands.

Against that brand strategy framework to reach net sales of \$1 billion in sauces, our growth strategies are set up to win in quick scratch meals, innovate against core brands, expand in adjacent categories, and then differentiate growth with new premium brands. You can expect multiple new items coming both in concentrates and flavor extensions across Prego and Pace. We've also had tremendous learnings through the pandemic of where growth can come from for sauces with new occasions like Pace on eggs for breakfast or Prego and Sloppy Joes for lunch or dinner. These are adjacent occasions for these businesses that really deliver against the food.

Finally, let me talk to you about the differentiated growth for new brands. We're looking to launch a line of Pacific sauces in the near future that are unique to the Pacific crafted positioning and build from a foundation of strength. We also intend to elevate the Late July salsa brand, similar to our fantastic Late July chip business that leads the organic chip category. On beverages, we plan to power plant-based growth with our original plant powered drink in V8. We have a new look coming after new year and new offerings like V8 Plus Protein.

We've seen strong growth in our Plus franchise. It's now 20% of the total V8 business, and it's up 14% on a four-year CAGR. And it's driven by energy, our fastest-growing segment. We plan to build on that momentum with added benefit offerings in our future innovation. Our messaging on this heritage brand has been working and it's

been highly relevant. The V8 business continues to stretch beyond red vegetable juice into new profitable spaces that can help transform the juice aisle in center store and bring in new consumers.

And finally, when you look at our beverage portfolio, our Pacific business is very well-positioned in non-dairy with growth on two fronts. Our food service business with the Barista Series has been one of the fastest growing segments in the portfolio, demonstrating its potential as a growth engine for Pacific. It provides us with an expertise in terms of how the products are used and extends into the retail business. When you look at oat, almond, hemp and coconut and so many new flavors that continue to come into non-dairy, it's a space of real growth for us.

I've talked a lot about growth today and for good reason. Across all these focus categories of soup, sauces and plant-based beverages, we expect each of them to grow over the strategic plan horizon. We see sauces as being differentiated growth rate at 2 times that of the divisional rate, while the soup and plant-based beverage growth is going to be at the divisional rate, and then modest declines in all other smaller segments. There is power in focus, and within our core categories, we believe strongly in our brands to deliver sustained growth for the division.

Let me now highlight the work we're doing to solidify our strong historical margins and fuel our growth. The first thing I would say to you is that as we get pricing fully reflected and are able to operate on a more normalized labor base, the goal is simply to recover to prior level of profitability. Then, over the strategic plan horizon, we will improve our network performance through relentless focus on operational excellence.

Right now, there are multiple levers to combat the inflationary pressure that Mark's already touched on to ensure we can return to our historical margin percentage. You can see that dip in fiscal 2021 with significant ramp-up in inflation. As we build up to the 21% target, fiscal 2022 will be similar. To overcome these challenges, we have several key initiatives underway. The first is around driving strategic pricing. We've already had wave one and we've announced a second wave to take effect in January. As we need to, we will also make choices to ensure we're balancing against inflation on all these categories in addition to accelerating portfolio prioritization and the right SKU mix.

Expanding operational excellence is another focus area. We are relentless in our pursuit to make our network more efficient. We've learned a ton in the past two years, specifically how to work differently with our systems and processes. Our people know our plants. They know how to operate them better than anyone else. We will take those learnings and apply them to our productivity improvement programs and improve our efficiency.

Finally, with our asset base in Meals & Beverages division, the best way to drive profitable growth and keep the momentum going is to fill our assets and deliver the growth. In conclusion, the two key messages for the Meals & Beverages division are: one, we will sustain growth with our market-leading brands, new younger user relevance and continued innovation; and two, we will return to the attractive margins we know how to deliver on these businesses as we navigate nearer term challenges and add new tools and savings. When you pair these two areas together, we will drive value expansion.

Thank you for your time today. I really look forward to the Q&A session with all of you. I also want to thank my entire team of talented leaders. Everything I just shared with you is the work of an outstanding team. Before I turn it over to Mick, please take a minute to watch this video on our ESG strategy and the commitment Campbell's has to our communities near and far.

[Video Presentation] (01:28:40-01:29:41)

Mick J. Beekhuizen

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

Good morning, everyone. My name is Mick Beekhuizen, Executive Vice President and Chief Financial Officer of Campbell's. So far today, you've heard Mark talk about our strengthened foundation and our advantaged position for the future with a focused portfolio that is well-positioned for future growth. You heard Val share our clear roadmap for accelerating growth in Snacks while improving margins and how Chris will deliver sustained growth with solid margins in Meals & Beverages.

I will now bring the pieces together to demonstrate how all of this relates to our long-term growth algorithm and create differentiated shareholder value going forward. We expect our future growth to be off an elevated base, driven by an increased demand for our products relative to two years ago. At the same time, we are navigating a dynamic operating environment, including significant inflationary pressures, which we're actively mitigating through pricing and cost actions.

Overall, we expect to be able to generate strong earnings growth as we grow our businesses, manage these inflationary pressures, improve our operations and continue to invest in our brand portfolio. Combined with the strong cash flow generative nature of our business and our financial discipline around capital allocation, we believe we have a compelling thesis for significant shareholder value creation.

Reviewing our results over the past three years, it's evident we have strengthened our foundation and delivered strong net sales, adjusted EBIT and adjusted EPS growth relative to pre-COVID-19 levels. Pursuant to guidance we recently affirmed on our earnings call, fiscal 2022 net sales are expected to remain well ahead of fiscal 2019 levels, reflecting strong in-market performance and increased demand for our products in both divisions.

Adjusted EBIT at the midpoint of our fiscal 2022 (sic) [2022] (01:31:51) guidance is expected to be about 3% ahead of fiscal 2019 despite navigating a much higher inflationary environment this year. At the midpoint of our guidance, adjusted EPS growth is more than 20% above fiscal 2019, as we de-levered and significantly improved our balance sheet. Fiscal 2022 guidance highlights our elevated foundation relative to pre-pandemic levels, resulting from the successful completion of all elements of our Campbell turnaround plan.

Fiscal 2022 also reflects a variety of factors and challenges that we are effectively managing as we navigate through this transitional period. On net sales, our demand continues to remain at an elevated base as investments in the business translated into strong new households retention and continued positive momentum across our brands. However, fully meeting that demand this fiscal year, as we shared on last week's earnings call, has been challenging, as we address labor shortages and material availability, all affecting supply.

At the same time, inflation has continued, requiring a second wave of pricing to help mitigate further margin pressures as we head into the second half of the fiscal year. As challenging as this environment is, we are improving our capabilities and believe that as we get into the second half of this fiscal year, we will show steady progress in margins, earnings and market share. More importantly, we see much of the pressure today creating opportunity for the future, as so many of these areas are truly transitional in nature. And we believe we will exit this period as a more capable and stronger business.

As we move forwards into this next chapter, we believe that two key areas will create significant shareholder value. First, the execution of our long-term growth algorithm; and second, our ability to continue to generate strong cash flow, while applying a disciplined capital allocation approach to achieve the best shareholder return. Now, let me elaborate on each of these areas, beginning with the execution of our long-term growth algorithm.

As Mark previously shared, our long-term growth algorithm targets are to grow organic net sales approximately 2%, adjusted EBIT 4% to 6%, and adjusted EPS 6% to 8%. In the next few minutes, I will review our initiatives supporting each of these metrics. Starting with net sales, as you heard from Val and Chris, we expect to grow our top line in both divisions, which we expect to be supported by underlying category growth of 3% in Snacks and 1% in center of store categories, supported by continued investment in our brand portfolio and a growing contribution from innovation to approximately 3.5% of net sales. We expect to grow or hold market share overall within our portfolio.

More specifically, in Snacks, we plan to accelerate top line growth through continued support for our proven growth model of our power brands, while we increase and elevate our innovation. Additionally, as you heard from Val earlier, we have identified distinct opportunities to expand our distribution and channel presence of our power brands. And as Chris described in Meals & Beverages, we plan to sustain top line growth by executing on our Win in Soup 2.0 plan, while we grow our sauces brand portfolio into a \$1 billion business and expand our plant-based beverages business, all of which is supported by brand investment and innovation to build upon existing consumer trends.

Overall, we expect this to translate into approximately 2% annual organic net sales growth for the company. In addition to healthy top line growth, we expect to expand our EBIT margin as we mitigate inflation, as previously discussed, and we continue to invest to support our brands. As a result, we expect our adjusted EBIT to grow at 4% to 6%. A key driver of the overall margin expansion is the successful implementation of the previously described Snacks full potential margin program, resulting in a 17% operating margin target by fiscal 2025, mainly driven by a focus on improved fundamentals, manufacturing network and overall cost optimization, and further improvement of our route to market.

Some of these savings will be reinvested in our business in areas such as marketing to support our power brand expansion and innovation, technology and system upgrades, and investments in our people and capabilities. Within Meals & Beverages, we expect to solidify and sustain our historical margins of 21% by fiscal 2025 through strategic pricing and operational excellence, including our productivity program. Last, we expect corporate expenses to maintain at approximately 1.5% of consolidated net sales.

I want to provide more context around the key component of our adjusted EBIT margin target, the expansion of our enterprise cost savings program, which we're increasing from \$850 million to \$1 billion by fiscal 2025. Through the first quarter of fiscal 2022, we generated \$820 million of cost savings, driven by key focus areas, including streamlining the organization structure, optimizing our manufacturing network, improving our warehousing and distribution, and delivering procurement synergies.

We remain on track to deliver \$850 million by the end of this fiscal year, including the completion of the initial Snacks Value Capture program. As mentioned last week, we're expanding the program to \$1 billion by fiscal 2025 with a clear path to achieving these savings. Approximately two-thirds of the incremental enterprise cost savings of \$150 million will come from our Snacks full potential margin program, delivering savings including effective cost management and further manufacturing network optimization. Incremental enterprise and M&B-related cost savings initiatives will contribute to the balance of the expanded program.

Completing the P&L, we expect adjusted EPS to grow at 6% to 8%, driven by our strong EBIT growth. We expect relatively stable interest expense going forward, assuming an ongoing leverage level of 3 times adjusted EBITDA and a relatively stable effective tax rate. We plan to deliver on these long-term targets organically and expect that additional accretive M&A would increase the adjusted EPS growth beyond these targets.

On share repurchases, while we're not planning it to be a significant factor in our adjusted EPS growth, it does represent opportunity to further drive value creation. As you are aware, we already have two share repurchase programs in place, including a \$250 million anti-dilutive share repurchase program and a \$500 million strategic share repurchase program. To-date, we've utilized in the aggregate approximately \$100 million of these programs.

This conversation is a good segue into our second key focus area, our plan for significant shareholder value creation through cash flow generation and our disciplined approach towards capital allocation. Our businesses have consistently demonstrated the ability to generate strong cash flow. In each of the past three years, we've generated at least \$1 billion of cash flow from continued operation. In fiscal 2022 to 2025, we expect to generate over \$4 billion in operating cash flow, which can be used to support the growth of our business and create shareholder value. This high level of cash generation provides a strong foundation from which we can make capital decisions.

Turning to our balance sheet, as mentioned earlier, we strengthened our balance sheet significantly over the past couple of years and achieved our leverage target of 3 times net debt to adjusted EBITDA through the proceeds of the divestiture of non-core assets, as well as strong cash flow generation, while we continued to invest in our business for growth. Currently, we also have \$1.85 billion available under our revolving credit facility, providing us significant excess liquidity and flexibility.

We are focused on pursuing attractive capital deployment initiatives, while maintaining a strong balance sheet and investment grade ratings. Now that we're at a leverage ratio that we're comfortable with, we have shifted our capital allocation priorities from debt reduction to a more balanced approach, including tuck-in acquisitions and share repurchases. Our capital allocation priorities begin with capital investments in the business to support our brand portfolio and drive profitable growth.

Next, we are focused on maintaining a competitive dividend. Following the dividend, we evaluate selective tuck-in acquisitions, identifying targets within our core capabilities using a disciplined and strategic approach, including specific financial criteria, combined with a strict execution assessment. After tuck-in acquisitions is share repurchases, including the previously mentioned anti-dilutive and strategic share repurchase programs.

To support the investment in the business to drive top line growth and margin expansion, we expect to spend about 4% to 5% of net sales per year on capital expenditures. This capital will maintain our existing assets, support our top line growth including innovation, allow us to invest in select capacity expansion projects and support the Snacks margin improvement plan. During the past couple of years, we had a lower capital spend as a percentage of net sales, as certain projects were delayed due to the current operating environment. We expect to return to a healthy capital spend in fiscal 2023.

To expand upon our capital allocation strategy regarding tuck-in acquisitions, we adhere to a disciplined and strategic approach to M&A. We evaluate acquisition targets based on strategic relevance, financial discipline and our ability to ensure a successful integration. Starting with strategic relevance, we're generally looking for sustainable, durable businesses that fit within our existing portfolio or strengthen segments we already participate in. If an acquisition provides us with access to new capabilities, it will be a plus, not a must.

Next is financial discipline. As part of the acquisition evaluation, we evaluate the size of the value creation opportunity, the length of time it takes for the value creation to materialize, and our ability to finance the acquisition, including the potential impact on our balance sheet going forward. Last is ensuring a successful

integration, which starts with rigorous diligence process to identify potential risks that need to be mitigated and opportunities to enhance the overall value creation opportunity.

Additionally, during diligence, we build a business plan that takes into account our existing capabilities for a successful integration and ensures our ability to capture potential synergies. We have two recent examples of successful acquisitions that have helped shape our integration playbook including Snyder's-Lance in fiscal 2018 and Pacific Foods in our Meals & Beverages division. The learnings we have garnered from these acquisitions and the integration playbook we developed will drive our decision-making and shape our focus on the successful execution.

On Snyder's-Lance, we combined complementary capabilities from Pepperidge Farm and from Snyder's-Lance to create a snacking powerhouse. We focused on harnessing the best of both mindset, including extending the proven Pepperidge Farm growth model of fueling brands through insight, superior quality, innovation and brand investment to Snyder's-Lance brands, while integrating the Snyder's-Lance approach to sensory on flavor development. We assigned dedicated resources to manage the integration and track the cost savings.

As you heard about our success of Pacific Foods in Chris' remarks, this acquisition delivered an organic and premium consumer proposition that we were not able to meet with our existing portfolio. Our familiar categories and processes allowed for a quick integration of Pacific Foods into our business. We leveraged our existing capabilities to expand distribution, increase the brand support and quickly deliver synergies within supply chain and R&D. This is also of particular note as it represents a capability to integrate smaller, faster growth businesses into our larger portfolio, an ability that is critical in the current environment with so many compelling disruptive brands in the market.

In conclusion, we believe that as we execute on our long-term growth algorithm, continue to generate our strong cash flow and apply a disciplined approach towards capital allocation, we will create significant shareholder value and can achieve it through a variety of attractive paths. Here are a few final messages we would like to leave with you today. We are a much stronger business today than three years ago, driven by our focus, well-positioned portfolio, and our team and capabilities.

We are in advantaged categories in both Snacks and Meals & Beverages. And we have advantaged brands that are well-positioned for growth with clear top and bottom line roadmaps in place. We have an advantaged investor proposition with a credible and compelling long-term growth algorithm and strong cash flow generation allowing for multiple ways to win. Hopefully, you have a stronger sense of Campbell's advantaged position and share our excitement about our growth plans.

Now, let's hear from some of our consumers about how we are winning with them.

[Video Presentation] (01:47:53-02:00:13)

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

Welcome back. I'm Rebecca Gardy, Vice President of Investor Relations. As I've mentioned at the beginning of the presentation, I will be moderating today's Q&A session. Thank you so much to everyone that has already submitted questions. We have quite a number that have already come in. But as a reminder, please use the Q&A box on your screen to submit any questions or any follow-ups you might have. I'm pleased to be joined by all the presenters, Mark Clouse, Mick Beekhuizen, Valerie Oswalt and Chris Foley. And with that, I'll get started.

QUESTION AND ANSWER SECTION

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

A

The first question is from Andrew Lazar at Barclays, and this goes to Val. Val, you have laid out a significant margin expansion story for your Snacks segment through fiscal 2025. At the same time, I'd have to believe that some of the savings unlocked through these initiatives could be used to fuel enhanced top line growth, particularly with respect to improving the overall Snacks network efficiency. Could you talk more about the opportunity on this front?

Valerie Oswalt

Executive Vice President & President-Snacks, Campbell Soup Co.

A

Great. Thank you, Andrew. So, as I shared earlier today, the primary focus of Snacks is on accelerating our top line growth. We will be able to do this while improving our margin. And the great news is that many of the initiatives that drive the margin will also unlock our opportunity for growth. Two great examples of this is our investment in automation in our plants, specifically in our packaging that will allow us to have packaging flexibility to unlock the opportunity that we have in underdeveloped channels like C-store by allowing us to service smaller packs, which also have a higher revenue per ounce. A second example of this is our opportunity to improve our plant performance post the SAP integration. This will allow us to also unlock capacity that is needed to support our top line growth initiatives.

Mark A. Clouse

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

A

[ph] That's good (02:02:17).

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

A

Great. Our next question comes from Ken Goldman at JPMorgan. Can you clarify your guidance for fiscal 2022 through 2025? On the one hand, you said that 6% to 8% EPS growth is the [audio gap] (02:02:36) with momentum building until then. If you're not going to hit 6% to 8% until 2025, how is the average 6% to 8% over the next few years? Or is the message that 2025 will be above 6% to 8%? Mark?

Mark A. Clouse

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

A

Great. Yeah. Thanks, Ken. So, good question, although we're not giving kind of year-by-year guidance. What I would tell you is I'm expecting pretty steady sequential improvement through 2022 into 2023. By the time we're in 2024, I expect to be well within this range and then with momentum going forward into 2025. And I think that the way we positioned that was to try to give you a little bit of color on the momentum that we think we'll build. We have a little bit of continuing the cycle, especially through the back half of fiscal 2022 and the first half of fiscal 2023. But by the time we're kind of rolling through that completely, I expect momentum to be going. And like I said, I think as we're exiting this three-year window, we'll likely be on the high side, if not even above that targeted range. So, thanks, Ken.

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

A

Great. This next one is for Val from Jason English at Goldman Sachs. Val, I believe you have generated over \$120 million of synergies in your Snacks business over the last two years or roughly 300 basis points of margin tailwind. Yet, your EBIT margin in Snacks is flattish over that timeframe. Where did the synergy benefits go? If it was inflation, why do you not have pricing power? What do you expect to be different over the next three years that will allow you to achieve your nearly 400 basis points margin expansion target?

Valerie Oswalt

Executive Vice President & President-Snacks, Campbell Soup Co.

A

Thank you, Jason, for the question. So, as I shared earlier in the presentation, we did capture about 800 basis points of savings through Value Capture. And as we always intended, we invested about half of that back into the business in the infrastructure and the brands. And about 200 basis points of that was transitional headwinds that we have faced mainly due to the pandemic and some of that through inflationary pressures. As I've also shared, in the 17% roadmap that we intend to deliver by 2025, the first building block of savings will come [audio gap] (02:05:10). And so, that will be our goal, focusing on the foundation, getting that back mainly through pricing to offset our inflation. From there, we will focus on the network and cost synergies, and then lastly, on our route to market.

Mark A. Clouse

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

A

Yeah. I think one of the things that's compelling about that bridge is that the Value Capture, we've achieved, and the good news is the work that's gone in to get that is there. Although we're facing inflation and some of those costs that we see as transitional in the near-term, the great news these aren't new initiatives that we've got to do to unlock it. It's really about the full impact of our pricing, which we do very much believe we have the pricing power to address inflation. But as always, it takes a little bit of time. And so, as we see that unfolding over the course of this year and into next year, we're really [audio gap] (02:06:10) for three years. It's going to give us – it has given us terrific insight to where some of the further opportunities are. And we always said that the – one of the encouraging things about our Value Capture program was that at the end of it, nice to have though that first bucket that we feel so confident that we can deliver here as we move forward.

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

A

Great. [audio gap] (02:06:49-02:06:55) the reduction of SNAP benefits hurts volumes a bit more than anticipated.

Mark A. Clouse

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

A

Yeah. I think, [ph] Ken (02:07:01), overall, on a macro kind of perspective, I think we've been rather conservative as we think about the assumptions that we've got for elasticity. Even as we go in to the back half of fiscal 2022, we've talked about the second wave of pricing. We've assumed elasticities. And even though that we've seen a very positive response initially through the year, we're going to plan appropriately and conservatively. And then, as you think about how this plan is built, we do expect some inflation to be persistent. I think some will be transitional. But we've been very guarded or very pragmatic about how we've thought about that sequence and are expecting that we would see elasticities over a period of time that counterbalance, if you will, a little bit of the pricing actions we have in place.

We talked a little bit on the call about SNAP benefits, and one of the things that I continue to believe is very powerful in our portfolio is this really ability, if you will, to navigate a variety of different economic environments, right. So, in some cases, we've got brands that perform very well when the economy is tough, and we've got brands that are logical places for consumers to trade up. And that balance gives us a resiliency that, even as we're watching some of the SNAP moves lately or some of the incentive programs that are out there, an overall resiliency in demand that's holding up very well. And so, I think we're well-positioned, even if you're kind of guessing which way the economy will go, that gives us a lot of different ways that we can be relevant for consumers. Thanks, [ph] Ken (02:08:50).

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

A

Great. Our next question is for Mick, a follow-up from Jason English regarding our guidance. His question is given that our guidance implies about \$2 billion of free cash flow from F 2023 to F 2024, roughly \$1.3 billion of which is committed to our dividend, and we have another \$1 billion of debt due over the timeframe. In light of this, should we assume that our dividend will not grow or that we won't buy back shares or pursue M&A? Or would we look to borrow more to fund any of these capital priorities? Which if so? Mick?

Mick J. Beekhuizen

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

A

Great. Good question. Thank you for asking this. When I look at our overall cash flow – maybe kind of stepping back for a minute. First of all, you're right. There's some debt that probably will come due. And as a result, we – of the 3 times leverage that we currently have, which is a level that we're very comfortable with, I actually expect that debt to be refinanced. So, as a result, I don't expect the cash flow that I spoke about that we need to utilize that in order to pay back some of the debt. So, that then brings us back to our overall, call it, capital priorities and our different items that I'd laid out during my presentation.

If you look at – one of the things that I want to clarify, Jason, is if you look at – you mentioned free cash flow. It's actually operating cash flow. So, take the \$2 billion that you're highlighting. It is probably about over – a little over \$2 billion of operating cash flow during that time period of F 2023, F 2024. Then, you obviously still have to take CapEx out of that and the investments that we're planning to do in the business. Based on the guidance that I provided, let's say, that's, give or take in those two years, \$800 million. And then, on top of that, as you're highlighting properly, of course, we are expecting to maintain our dividend. We're expecting to grow our dividend actually with our EPS growth. So, let's say that that will be a little bit under \$1 billion.

So, if you have a little over \$2 billion operating cash flow, little – or around \$800 million of CapEx, let's say you have a little under \$1 billion for dividends during that time period, you'd still have capital left that, per my different capital priorities, we will evaluate whether we are finding attractive tuck-in M&A acquisitions. But to the extent that we're not, because of where our leverage is, I then expect that we will utilize that to repurchase some of the shares. And as we obviously already spoke about in the past, we now have two share repurchase programs that have been approved, a \$250 million program, that's the anti-dilutive share repurchase program, and a \$500 million strategic share repurchase program. So, I feel very confident that we also have the ability to apply that incremental cash to the extent, again, that we're not finding M&A tuck-in opportunities towards share repurchases.

Mark A. Clouse

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

A

Yeah. And maybe, Mick, just to clarify a little bit for everybody, so in our base assumptions in the guidance, we've incorporated the benefit of the existing share repurchase programs.

Mick J. Beekhuizen

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

Yeah.

A

Mark A. Clouse

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

But beyond that, we're leaving that as really opportunity. And so, I think one of the things that's pretty exciting about how we're looking at the future is that optionality, right, is that flexibility to be able to either identify great M&A opportunities, or even in a case where we don't, to be able to use share repurchases as a tool that can continue to add value as we go forward.

A

Mick J. Beekhuizen

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

Yeah, yeah.

A

Mark A. Clouse

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

So, I think probably good to clarify that, but exciting in the fact that we've got that flexibility.

A

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

Thanks, Jason, for that question. This next question is for Chris from Bryan Spillane with Bank of America. What we hear from investors is the view that soup's growth over the past 18 months was related to COVID. What gives you confidence that Win in Soup 2.0 can drive sustained growth off this base?

A

Chris Foley

Executive Vice President & President-Meals & Beverages, Campbell Soup Co.

Thank you, Bryan. I appreciate this question. It's a really important one for us as we look at our total business. As I talked about in the presentation, it really does start with focus for us around the soup category and making sure that we built back a focus on driving relevance, building the team, building the brands and improving the food. A lot of that happened before March of 2020 in terms of all three of those. And then, as we moved through the pandemic and certainly those first waves, clearly, there were behaviors that led to more at-home eating.

A

I think what we're encouraged by within the trends for the soup category are that some of those that stick are tied to weekday lunch occasions and what's happening within a hybrid work environment, as well as just younger user eating and at-home cooking quick simple meals. Those are things that are very good longer term for soup, and we're seeing that in the data. If you look over a full year, we – the whole category of soup has been up versus two years ago. We've been up even more than that. And really importantly, younger user growth, age under 35, we're up 17% in our percentage of users under the age of 35. We're up across all segments, but that's very important, because it goes back to our thesis that it's important for us to drive relevance with younger users in this category attracted by the trends, but also the things that we're doing.

And just to highlight a couple other areas, our robust pipeline of innovation is really important. So too is our customer partnership. We've worked really closely with our top retailers to win within their omni-channel model, making sure that we live off of a model where you go to the screen and you go to the store and that's where our soups are available. We're growing tremendously in that space. You also see an improvement of food and

improvement of branding with our new labels and packaging. So, it all really does come back to a belief that we have that this category is very well-positioned both from what we're doing and from some of the trends being tied uniquely to why soup is well-positioned in an occasion like lunch. Thank you very much for the question.

Mark A. Clouse

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

A

Maybe I can build on that a little bit, because I – when we talk to investors a lot, one of the questions that we get pretty frequently is how to discern between what's Campbell's and what's the impact of COVID, which is a very reasonable question to ask. And I think a couple of thoughts and – because at the end of the day, what we're really trying to talk about is what's the potential for sustainment of growth going forward, where is the evidence that once we cycle through COVID that we're going to be able to continue to perform at levels that we've been performing at now.

And so, the first thing I just would say is one of the things that I think is important is not just the growth that we've seen in overall food, but the performance that we've had on share. So one of the things that we do feel good about is that in the midst of elevated demand and certainly, in a terrible set of circumstances, there is no question about the tailwind that has come from in-home consumption and the elevated demand across most – all of our categories. But I do think our performance on share is an important place where we have really emphasized in this moment how do we establish better relationships with our brands and consumers, how do we take the opportunity of being in this moment to solidify some of those relationships, especially with younger households, as Chris talked about.

But then going forward, I think part of the reason you hear us speaking with such positive expectations for the future is because we do see some of those trends, whether it is in-home consumption, whether it's cooking, whether it's snacking both in-home or the return to away-from-home, which is opportunities for us across a variety of different businesses as well, or our performance in e-commerce, right. There's a host, I think, of variables that when I pair for our performance on share over these last couple of years give me a lot of confidence in what our ability is to sustain this going forward.

And again, as we tried to point out, many of the categories, actually the vast majority of the categories that we're in were actually pretty healthy and growing before COVID, especially on our Snacks business, but certainly even on our Meals & Beverage. Chris talked a lot about sauces today, which is – which doesn't always get a lot of airtime when we're talking about the business, but there's a tremendous plan off of a base and foundation that's been very strong. So, please, I want to make sure the point is clear. We understand the boost to that that's occurred through COVID, but the reason we feel good is those combination of variables together. So, hopefully, that's helpful, not just for soup, but really for the whole company.

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

A

Thanks, Mark. Let's switch gears for a bit. Steve Powers, our analyst at Deutsche Bank. This is a question for you, Val. He'd like to know if there's more work to do on partner brands within the Snacks portfolio and if that's a ongoing headwind?

Valerie Oswalt

Executive Vice President & President-Snacks, Campbell Soup Co.

A

Great. Thanks, Steve. So partner brands, we recognize that partner brands are a really important part of the independent distributor partners that we work with. And so our intention is to continue to support our partner

brands. As we mentioned during prior earnings, they have been a tail – a headwind of about 1%. And so as we've worked over the years to [ph] cull (02:18:49) the tail of partner brands and really focus on the most important ones and help those grow, we do anticipate that we are stabilizing the momentum on partner brands, we're going to continue to support them and that the headwind of the 1 point will moderate over time.

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

A

Great. Okay. So staying with you, Val, we have a follow-up question from Jason English at Goldman. In regards to your independent route owners, nearly 500 have listed their routes for sale. And I'm sure they have a number of alternatives they may – that might look more attractive than history. So whether that'd be taking a more lucrative truck driver role or switching to a snack company like Utz that allows them to participate in M&A synergies, how are you ensuring that their income remains competitive and it is – is it unreasonable to assume that you will have to increase their commission rates? Is that embedded in your investment bucket of 100 basis points?

Valerie Oswalt

Executive Vice President & President-Snacks, Campbell Soup Co.

A

Thank you, Jason, for the question. So, first, I want to reinforce what I said in the presentation about our commitment to this route to market. The independent distributing partners that we work with are critical to our business. We're a snacking business and snacking thrives on in-store execution, whether it'd be driving speed to market for innovation, driving the assortment or driving displays to expand our points of [ph] interruption (02:20:16) and expand our brands. So this is really critical for us. There's always a number of routes that are for sale.

And in addition to that, your question about investing, we absolutely intend to invest in our independent distributor network, as well as our overall route to market. And there's a number of ways we intend to do that. I've mentioned our investment in technology that will enable the independent distributors to unlock opportunity to sell in-store, which will help them grow their business, which is mutually beneficial. We also intend to invest in our network, which will help us get more fit for purpose, streamline some of our inventory and be able to service them effectively.

In addition to that, we have some of our own businesses that are currently distributed through the warehouse that we're evaluating to be able to potentially shift to a DSD-type environment that could also help our partners grow. And then lastly, we're always evaluating our margin, because it's important for us to remain competitive.

Mark A. Clouse

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

A

Yeah. I think the name of the game here, just like it is with all of our partners, is to create a win-win solution. And so whether that is through the profitability of the routes or ensuring that they are as armed as possible to be competitive and winning in market, this is exactly what we want to do. I think the great news is our goals are aligned. And so, the more we're able to figure out how to optimize it and I'm – one of the themes that Val talked about in our comments earlier, this idea of moving out of integration mode and moving into kind of unlocking potential mode is a big deal. And when you think about the amount of resources and time that are spent focused on integration and now the ability for that to really be focused on growing the business, that's probably one of the more positive indicators of the potential for performance to improve going forward. So again, win-win is the name of the game here and I think we have a lot of confidence in that plan going forward. More DSD.

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

Great.

A

Mark A. Clouse

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

All right. So we're going to jump to this one?

A

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

Yes. So, there we go, camera. To what extent does your vision of snacks distribution and path to enhance margin leverage integration of legacy Pepper – sorry, legacy Pepperidge Farm and legacy Snyder's-Lance distribution? Val?

A

Valerie Oswalt

Executive Vice President & President-Snacks, Campbell Soup Co.

Great. Yes. So, to Mark's point, more DSD, I love it. So thank you, Steve, for this question. And so, I think you're aware, we have three distinct independent distributive networks and they're very focused, well, albeit somewhat complex, very focused. We have one focused on bakery, another focused on cookie cracker and another on our salty aisles. And our competitors are focused on those aisles as well. So this gives us an opportunity to make sure that we're showing up agile, focused, really dedicated to those particular aisles and executing with excellence. So the intention is to keep them the way they are right now.

A

Mark A. Clouse

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

Yeah. I think smart scale where scale matters, right. So where we're able to create some synergy there, we've done and will do. But at the end of the day, the power of having that kind of focus, I think, and we know snacking is all about winning at retail. And so that ability to really bring that kind of focus and energy, I think, is powerful. So, good question, Steve.

A

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

Great. Thank you. We have a question about the latest Nielsen data showing a 3% decline in Campbell's sales versus a year ago for the past four weeks and very sharp elasticity for higher pricing, worse than peers. Is this data in line with your expectations, and if so, why is it trending weaker? This is a question from Rob Moskow at Credit Suisse.

A

Mark A. Clouse

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

Sure. Yeah. Rob, I would tell you, although no one wants to see declines on a business, I would say these are very much aligned with what we talked about during the first quarter earnings call. And one of the things that I would just kind of point you to is that it is very focused on particular businesses where our supply constraints are most pronounced. You see that too. If you get under the hood a little bit, you'll see that relative to TDPs, which is always a good indicator for what's the driver.

A

I will tell you, obviously, in an abundance of caution as we're going through pricing, we've spent a lot of time to try to understand elasticity and make sure we recognize the difference between the drivers. And I can tell you that what you're seeing right now is related to that supply and again, primarily driven by labor, not being driven by elasticity. We feel very good about where our price gaps are, our relative pricing in the marketplace. But we do need to, again as we said on the call, address where some of this labor has been challenged and we're making great progress there. And although I expect Q2 to be a bit choppy as we talked about as it relates to consumption and share, I also expect the opportunity for inventories to be replenished as we're going through the quarter. And as we get to the back half of the year, I'm feeling very good about the programs we have in place. So, yes, don't like what we're seeing, but very much [ph] in line (02:25:57) with what we expected. And again, I do expect that to be more short-term in nature as we get to the back half of the year. So, thanks, Rob.

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

A

We've a follow-up from Rob. Last year, Val, you said that one of the reasons for the margin shortfall was that the snacking division took on too many projects at once, including SAP. Could you give more detail on what went wrong and what adjustments you made to make sure it doesn't happen again?

Valerie Oswalt

Executive Vice President & President-Snacks, Campbell Soup Co.

A

Great. Thanks. Rob, I think you're referring to Q3 of last fiscal and that's the moment where we had a lot of initiatives inclusive of SAP in the middle of a pandemic, and we learned a lot through that. And I think you'll see that in our current road map, which gets us to the 17% by 2025. And what we've learned is how important it is to make sure we're sequencing these initiatives and how effectively we have the right discipline and governance is what we're implementing right now.

In our current road map, we have a team really dedicated and focused on these right initiatives. We have the right resources in place to support that. We have strong talent in place, especially strong snacking talent, and we're ensuring that the interdependencies of each of these initiatives is appropriately laid out. We have two more waves of our SAP integration left. We are almost done with our value capture. And that really is an important pivot for us to be able to focus on the transformation to fully unlocking our full growth potential. It's a really, really exciting moment for the organization and we're ready to get after it.

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

A

Great. Let's stay on Snacks for a moment. Michael Lavery of Piper Sandler. This is a question for you, Mark. What is your appetite for further M&A in Snacks?

Mark A. Clouse

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

A

Well, good sequence of questions right after talking about the discipline as it relates to initiatives. But no, we absolutely feel great about the potential for M&A in our Snacks business, although I don't expect to see transformational acquisition, but I think tucking in to that portfolio as well as our Meals & Beverage portfolio, I think both of our categories are in a great position where we've got a really disciplined framework that Mick laid out earlier on how we evaluate these. The bottom line is I feel terrific about our organic plans. We don't need M&A to deliver on our expectations. But I do think where we can add M&A strategically complementing a particular category or segment or [ph] near and (02:28:40) adjacency, we feel terrific about our readiness. And I think the job that Val and her team have done on the integration of Snyder's-Lance and Chris and his team on Pacific,

we've really been able to build a really compelling playbook for M&A and how we do integrations that, I think, we're excited to apply again in the future.

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

Mick, this is a question for you coming from our analyst at RBC. Can you discuss why your next EPS algorithm is 6% to 8%, 1 point lower than your prior 7% to 9%? Is it mainly because of less benefit from debt deleverage?

Mick J. Beekhuizen

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

Yeah. That's a great question. Thank you for asking that. In a nutshell, that is exactly the explanation. Now kind of stepping back for a minute, of course, as you'll recall and we spoke also about this throughout the presentation, you saw this both in Mark's presentation, you also saw this in my presentation, is that we've significantly de-levered. And a couple of years ago, we were still at about 5 times leverage. Currently, we're at 3 times leverage. And, again, as I mentioned earlier, that's a level that we feel very comfortable with. So as a result, I expect interest expense to be much more stable and as a result, a little bit less flow-through between EBIT and EPS. And as a result, you see that 1 point lower EPS growth rate.

That being said, as Mark mentioned earlier, there is a big focus across the organization, making sure that we continue to generate a lot of cash flow and then applying all the different capital priorities that we laid out to it whether it's investing in a business, of course, the dividend, or whether it then comes back to making sure that we evaluate M&A or potentially even have some share buybacks beyond the existing programs that could potentially provide a little bit of upside to that EPS range that we've provided.

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

Great. We now have a question from Chris Growe at Stifel. Does winning in soup require you to, at least, hold share in RTS and condensed? Or can Pacific Foods initiatives and Swanson broth be big enough to allow you to reach this goal even if condensed and RTS lose market share? Mark, would you like to start?

Mark A. Clouse

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

Sure, I'll start. But I'm coming over to you in a second, Chris.

Chris Foley

Executive Vice President & President-Meals & Beverages, Campbell Soup Co.

Sounds good.

Mark A. Clouse

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

We're going to tag team this one together. Look, I think we have the ability to win across all the segments. I mean, that is the way we see this very unique portfolio that we have in soup. It's very different than any of our peers in the marketplace. I do think it's fair to reiterate what I said a little bit on the call for the first quarter, which is we have had a period of time where private label, especially in condensed, has had a little bit of challenge as it relates to supply. We see a bit of that recovery. So I do expect a little pressure there for a period of time. But as we look at this plan, we feel very good about having very compelling programs across all of the different

segments. And I think the good news is, as we talk about the role of Meals & Beverage (sic) [Meals & Beverages] (02:32:00), which is positive contribution, and you look at the support level that we're bringing to this business, I have a lot of confidence across.

One of the things we don't talk a lot about that Chris and I have looked as you come into this role, one of the things you have to do is start with history, really go back and look at how Soup has done, what were the drivers, really understanding that. And one of the things that is really true is that when the company has prioritized this category, we have had success. And we are on – coming through a period for, not over the last couple of years, but if you go back five, six, seven years, where it was not as much of a priority.

But over these last several years, even in a COVID world, where our focus and commitment on investment has made a big difference. And that's one of the reasons and, we feel, a proof point for our ability to sustain going forward. But I feel terrific about it and, I think, Pacific just adds even more momentum. I don't know, Chris, would...

Chris Foley

Executive Vice President & President-Meals & Beverages, Campbell Soup Co.

A

Yeah. Just to build on Mark's points, absolutely all four of these segments; RTS, condensed, Pacific and broth, we see growth plans against them as we look to the three-year strat plan horizon. Completely agree with what you said, Mark, I think the Pacific plan is one that we see really accelerated growth against, driven by innovation, the trends, new store distribution. We've really integrated this business. We're leaning into it. So not only in investment and innovation, but also just in support and focus. So that's one area. But yeah, to reiterate the points that you made, Mark, I mean, these are all segments we see growth against. Focus is really important. And they all have unique roles, both from an investment profile, but even from a consumer usage, as we step back and say, what are we doing, but then also what are the relevant trends that we believe can push Soup forward and continue to drive growth against this great segment.

Mark A. Clouse

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

A

One other thing I'll just kind of conclude with is that one of the things that I've said, even from when we started this conversation at the last Investor Day is, one of the things to me that's so unique about Soup is the optionality of occasion that it brings, right? This is a pretty – we talked about it as somewhat of a homogenous business, but the fact of the matter is, it plays a lot of different roles in consumers' lives. And from that, creates opportunities for incremental growth.

And I think that's one of the reasons that we feel so good about our portfolio, because it allows us to reach a variety of different consumers, but also a variety of different occasions. And I think that is going to be part of the compelling kind of Win in Soup 2.0 through this lens of versatility that brings a more significant level of innovation, continued high levels of support. So, I think those all bring together on top of these macro trends that we've see built that gives us a lot of confidence for the soup business going forward. Great question.

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

A

Great. Thank you. Coming again from our analysts at RBC, for Chris, can you please discuss what gives you confidence in the ability to grow beyond soup and expanding the sauce business to reach \$1 billion in sales?

Chris Foley

Executive Vice President & President-Meals & Beverages, Campbell Soup Co.

A

Great. Love this question. Thank you, [ph] Chris (02:35:10). Absolutely, our sauce business starts from a very strong position. Right now, we have Prego in Italian sauce, Pace in Mexican sauce and our dinner sauce business with Campbell's. We actually – as you look at spaces across Meals & Beverage (sic) [Meals & Beverages] (02:35:23) total division, it's really important for us to identify where we see higher levels of growth. I talked about Pacific earlier. Sauces is one of those spaces; not only in terms of the at-home cooking occasions what's happening with quick scratch dinners, younger user relevance, but really as we expand beyond different places of growth within sauce.

So, it's a very robust innovation pipeline, much of which I shared in the presentation, and then some other areas that we're working against. But also, as I touched on, certainly a place for us to look at tuck-in M&A across certain segments within a brand strategy where we're very well-positioned in mainstream and continuing to augment our position within premium, not only with the tuck-in M&A approach potentially, but also around existing brands like Pacific and Late July and others. So, we're very confident in our ability to grow across all three of our focused segments of soup, sauces and plant-based beverages. But I think as we look through the lens of sauces to get to \$1 billion, which is really material, we feel great about our plans.

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

A

Great. Thank you. This is from Andrew Lazar, also for you, Chris. Can you help us parse out our growth in Soup past two years between the pandemic and the underlying business improvement, and how that informs your go-forward expectations and your growth algorithm?

Chris Foley

Executive Vice President & President-Meals & Beverages, Campbell Soup Co.

A

Yeah. Sure. Thank you, Andrew. So a couple of things in terms of looking at the last two years. I think, Mark shared it in the earnings and I shared it in my presentation, you look at a 9% growth rate in Soup over those two-year occasion, really, we still see a 2% that's happened in the latest period, wrapping on a 7% prior to that. So, when you pull it apart, you've got kind of – you certainly have in that first year of the pandemic starting in March of 2020 a pretty significant surge in the overall soup business, but what we've seen is, that has not come back down. It's continued against a lot of the same things I talked about around those trends, that younger user consumer, the at-home cooking, the lunch occasions. All of those things that have continued to make Soup relevant as we look to a long-term growth perspective across that business over the next three-year occasion.

So, pulling apart the pieces in terms of what's there for total soup business coming from the pandemic versus pre-pandemic and the work that we've done, I think we clearly recognize there have been trends that have supported this business and pushed it even further. But I have to say again, we have strong conviction that we have focused on getting the business set-up for success. Those choices with the trends that have happened in the last 18 months are really what you're seeing play out in terms of a continued success in the soup business, and that's we forecast it out for the next three years.

Mark A. Clouse

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

A

Yeah.

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

A

Great. We'll stay with Chris. This is a question from Chris Growe, our analyst at Stifel. Chris, do you expect any change or expansion of your shelf sets for Soup as you envision this future shelf for the category?

Chris Foley

Executive Vice President & President-Meals & Beverages, Campbell Soup Co.

A

Yeah. Thanks, Chris. So, our soup shelf, it's interesting. When we think about our soup shelf, we certainly are in-store, but we're also, as I talked about in my presentation, thinking about that shelf digitally and how we show up in a very intentional way with our design there. But as we think about in-store, the reason I talked about center store relevance within the presentation was we really do believe these are categories that are set up for growth and success. And they're places that with focus, we're going back to our retailer partners and really setting up an occasion-driven soup shelf set that we can win against, whether that's with condensed and ready to create, as we think more about our convenience platform that has really grown and what that means for a lunch occasion at-home and on-the-go, those occasions give us a way into a soup shelf that's really set up for growth.

Now, when we look at the overall shelf in store, we're certainly making sure we maximize the most efficient SKUs. That's something that we've looked at through this period of time, where do we need to make sure we've got the variety that's expected from our products, it's certainly true in Soup, it's true with Campbell's Soup, but in a way that we've got the right assortment partnered up with our retailers, so we're running efficiently, we've learned a lot through this pandemic, and that is a space that we spend a fair amount of time to get the shelf to where we need to be.

So, what we did learn through that period of time was when we made certain calls to maximize our production through the plant and we pulled SKUs back, we learned that it was important for us to recognize the desire and the demand that was there for many of those items. So, the transferable demand that we expected was sometimes different from what actually came out. That was really important for us to then look at our SKUs as we look to the future and build a shelf together with our retail partners.

Mark A. Clouse

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

A

Yeah. I think one of the things that that period helped us do was to go through that separation between those B and C SKUs to determine which ones were the truly incremental adds, and then which ones did we not need. And so, even when you look at our business now, you'll see a very modest decline in TDPs, but in fact, we've expanded our share of shelf, right, by expanding facings on the items that we know are most critical, especially as you think about it through the lens of click and collect as an example, where the shelf is kind of doing double duty as both warehouse and shelf at the same time. And so, I think that this period, as there has been so many opportunities to better understand or learn about our business, this is a great example of where it's helped us do that. And now, as you bring innovation going forward, I think it's a real opportunity to transform this part of the store, the destination store and online to your point, too, Chris.

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

A

Great. And one more follow-up. This is for you, Mark. Are there any areas of the portfolio that you would consider for divestiture over the next couple of years, recognizing that the company has done some portfolio work already? Are there areas weighing on the growth that could be considered for divestitures as part of our strategy for the business?

Mark A. Clouse

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

A

Yeah. Thanks, Chris. Well, I think what I would just say is, I feel very good about the decisions we've made and the portfolio that we have today. I do think we still have a couple very small and generally contributing businesses that are not core that I do think under the right circumstances could make sense. But quite frankly, the goal here is not shrink our way further to greatness, but to get a little bit more balance now as we think about inbound and outbound. So, I wouldn't expect a lot of activity there. And if we did, it would likely be coming in conjunction with something else that we might be bringing in. So, hopefully that helps.

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

A

Great. Before I ask the very last question, I just wanted to thank everyone for participating in today's Investor Day webcast, both the presenters and the audience. Following the response to this final question, Mark will have a few closing remarks. And with that, Mick, a question from Michael Lavery at Piper. Mick, you gave some great color on your M&A thinking, but you refer to tuck-in acquisitions. You also referenced Snyder's-Lance as an instructive example, which is likely characterized as bigger than a tuck-in. How big is your appetite for M&A in either segment and could it be bigger than a tuck-in?

Mick J. Beekhuizen

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

A

Yeah. So, it's a really good question. Thank you for asking that, Michael. So, when I think about tuck-in, we are truly focused on tuck-in acquisitions at this point in time. And you're right, we highlighted some of the learnings that we got out of the Snyder's-Lance acquisition and that was a much larger acquisition, obviously. We are much more focused right now with the two strong divisions that we have. What can we add to those two divisions? We're not really looking here, as we've spoken about in the past, to add, for instance, third leg to the stool or completely transform any of these divisions. It's really incremental tuck-ins that we're looking to do to further complement those two divisions that we're currently active in.

Mark A. Clouse

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

A

Great, great. Thanks, Mick. Yeah, I don't think I'd categorize Snyder's-Lance as a tuck-in acquisition. So...

Mick J. Beekhuizen

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

A

I agree with that.

Valerie Oswalt

Executive Vice President & President-Snacks, Campbell Soup Co.

A

I certainly agree with that.

Mark A. Clouse

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

A

...Great learnings, but not an example of what we're doing for tuck-ins. So – but great question.

Mark A. Clouse

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

So, look, let's wrap up and I just wanted to conclude with a couple of comments. And first, I'd like to just thank Rebecca and our IR team for doing a great job in pulling this together, as we probably don't appreciate fully enough the amount of work that goes into one of these events, virtual or not, but great job. Thank you...

Rebecca Gardy

Vice President-Investor Relations, Campbell Soup Co.

Thank you.

Mark A. Clouse

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

...Rebecca and team. So, as we leave today, I'd like to kind of leave you with the points and some of the key takeaways we talked about at the beginning of the day. And I would start with the fact that we've been through quite a journey in these last three years and a lot of progress in a lot of areas certainly recognize the role that COVID has played, both from the challenges and the opportunities. But I think the foundational areas of improvement that we wanted to make in the business to better position us for the future, whether that's through the lens of focus or capability, the teams that we have in place, the ability to have learned what worked, what didn't work relative to our marketing, all of those elements bringing to bear a performance that I feel really proud of, and proud of the team for all the hard work they've put in to achieve what's been achieved over these last several years.

But today is much more about looking forward and trying to make a determination of where the opportunity for the company resides. And when I think about that and the advantage that we have going into the future, it starts on the back of growth. We have two divisions with wonderfully clear and compelling plans, each with their own opportunities to drive incremental growth from where we are today, whether it's the ongoing trends that we see on our Snack (sic) [Snacks] (02:46:07) business with the opportunity to move from integration to fully focusing on growth, or Meals & Beverage (sic) [Meals & Beverages] (02:46:13) where we continue to build on the success of soup. But more importantly, bring some other businesses to bear through our sauce business, through our V8 business. So there's a lot of different ways we can win.

I also feel great about their plans on the margin. There's a lot of really clear and tangible building blocks, starting with navigating through some of the shorter term transitional headwinds that we've been experiencing over the last 18 months, and the opportunity for us to cover those and improve upon those, we feel terrific about that. And as we move in beyond those plans, I continue to always feel great about the optionality that we have in our company to create value. We have a terrific track record of delivering cost savings and delivering cash flow. And the ability for us to take that cash flow and deploy it in an effective way, I think, is a strong point of difference for the company.

And whether that's investing in our businesses or looking at accretive tuck-in M&A as we've talked about today, or even in share repurchases, the ways – the multiple ways in which we can win off of a very cash-generative business, I think is a very compelling addition to a very strong organic plan. So, as we keep moving forward, I think the name of the game for the four of us up here is all about execution, right? We've got a plan, it's pretty straightforward. I think it's very credible and aspirational. And the name of the game for us is going to be executing and delivering on that plan. We do that, I think, I hope all of our shareholders will be pleased.

So, thank you, everybody for your time today. We really appreciate you spending it to get to know the business a little bit better in this next chapter for future growth. Thank you.

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