



## **Q3 2020 Earnings Presentation**



# Q3 2020 Earnings Presentation



**Rebecca Gardy**  
Vice President - Investor Relations



# Forward-Looking Statements

The factors that could cause actual results to vary materially from those anticipated or expressed in any forward-looking statement include: our ability to execute on and realize the expected benefits from our strategy, including growing sales in snacks and maintaining market share position in soup; the impact of strong competitive responses to our efforts to leverage brand power with product innovation, promotional programs and new advertising; the risks associated with trade and consumer acceptance of product improvements, shelving initiatives, new products and pricing and promotional strategies; our indebtedness and ability to pay such indebtedness; impacts of, and associated responses to the COVID-19 pandemic; our ability to realize projected cost savings and benefits from cost savings initiatives and the integration of recent acquisitions; disruptions to our supply chain and/or operations, as well as fluctuations in the supply of and inflation in energy and raw and packaging materials cost; our ability to manage changes to our organizational structure and/or business processes, including selling, distribution, manufacturing and information management systems or processes; changes in consumer demand for our products and favorable perception of our brands; changing inventory management practices by certain of our key customers; a changing customer landscape, with value and e-commerce retailers expanding their market presence, while certain of our key customers maintain significance to our business; product quality and safety issues, including recalls and product liabilities; the possible disruption to the independent contractor distribution models used by certain of our businesses, including as a result of litigation or regulatory actions affecting their independent contractor classification; the uncertainties of litigation and regulatory actions against us; the costs, disruption and diversion of management's attention associated with activist investors; a material failure in or a breach of our information technology systems; impairment to goodwill or other intangible assets; our ability to protect our intellectual property rights; increased liabilities and costs related to our defined benefit pension plans; our ability to attract and retain key talent; changes in currency exchange rates, tax rates, interest rates, debt and equity markets, inflation rates, economic conditions, law, regulation and other external factors; unforeseen business disruptions in one or more of our markets due to political instability, civil disobedience, terrorism, armed hostilities, extreme weather conditions, natural disasters, pandemics or other calamities; and other factors described in our most recent Form 10-K and subsequent Securities and Exchange Commission filings. We disclaim any obligation or intent to update these statements to reflect new information or future events.

# Agenda

CEO Perspective

Q3 Fiscal 2020 Results

Fiscal 2020 Guidance

# *Campbell's* | CEO Perspective



**Mark Clouse**  
President and  
Chief Executive Officer





**Real food comes  
from real heroes.**



To our employees, partners and their families,

**Thank You.**

For answering the call.

For going above and beyond.

For making sure there's food on the shelves.

You have America's back.

And we have yours.

#CampbellProud

#TogetherWeCan

*Campbell's*

*Real food that matters for life's moments*



# Simplified Our Mission in COVID-19 Environment

1

Take care of our people

2

Produce and distribute our products as safely and quickly as possible for our customers, consumers and communities

3

Anticipate and plan for the future

# Campbell's COVID-19 Response

## Our Team

- #1 priority is safety and well-being
- Introduced temporary compensation to > 11,000 front-line workers in recognition of their commitment
- Enhanced protocols, including health screenings/temp checks

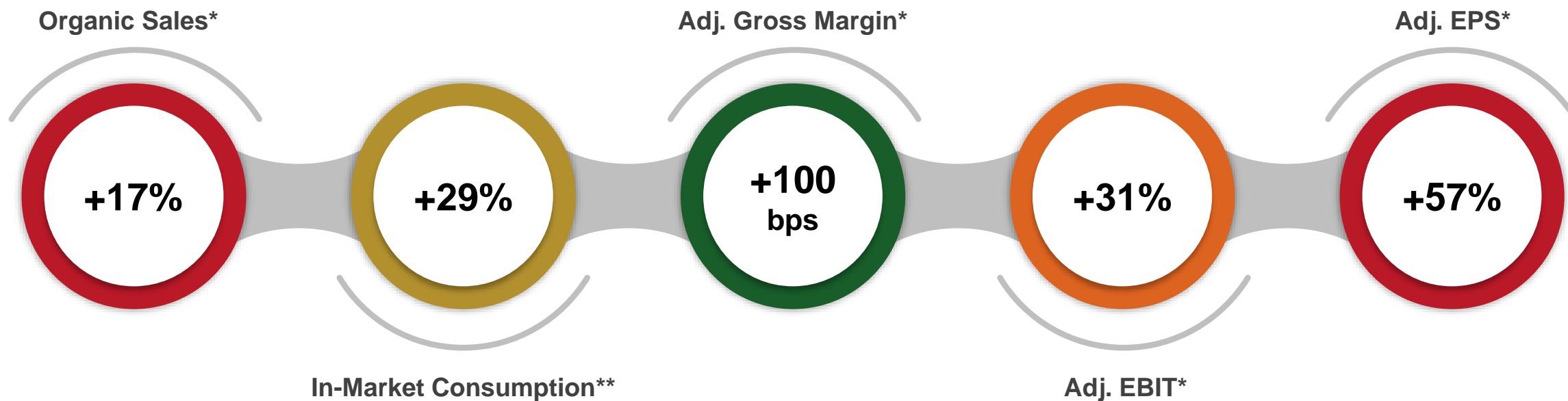
## Customers & Consumers

- Plants running 24/7 to feed our neighbors
- Working closely with our retail partners to get food on shelves
- Providing helpful recipes and snack ideas

## Communities

- Contributed more than \$5 million in financial support and food to Campbell hometowns across North America

# Q3 Results: Growth Across All Key Metrics



# Attracting New Households to Our Brands

- Millions of new households in the quarter\*
- Younger households representing significant incremental growth\*\*
- Increasing marketing investments to retain these new buyers
  - Agility in creating new advertising
  - Celebrates our role in bringing people together



Here's to being together  
until we're together again.

# Fiscal 2020 Guidance for Continuing Operations

(\$ millions, except per share)

	2019 Results	Previous 2020 Guidance	Updated 2020 Guidance
<b>Net Sales</b>	\$8,107	-1% to +1%	+5.5% to +6.5%
<b>Organic Net Sales**</b>		-1% to +1%	+5.5% to +6.5%
<b>Adjusted EBIT</b>	\$1,266*	+2% to +4%***	+12% to +14%***
<b>Adjusted EPS</b>	\$2.30*	+11% to +13%*** \$2.55 to \$2.60	+25% to +27%*** \$2.87 to \$2.92

\* See Non-GAAP reconciliation

\*\* Organic net sales is net sales outlook less the estimated 2-percentage point impact of the 53<sup>rd</sup> week and an add back for the 2-percentage point impact from the European chips business divestiture

\*\*\* A Non-GAAP reconciliation is not provided for 2020 guidance since certain items are not estimable, such as pension and postretirement mark-to-market adjustments, and these items are not considered to reflect the company's ongoing business results

# Consumer & Retail Trends Shaping the Landscape

1. Quick scratch cooking
2. Accelerated online buying including home delivery and click & collect
3. Evolution of retail shelf
4. Continued focus on value

Campbell's portfolio well-positioned to respond



# Meals & Beverages: Fabric-of-the-Nation Brands

Organic Sales\*

**+21%**

Consumption Growth\*\*

**+39%**

Operating Earnings

**+35%**

Marketing Expense

**+26%**



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\*See Non-GAAP reconciliation

\*\* IRI U.S. MULO \$ consumption latest 13 weeks ended 4/26/20



*Real food. Real results.*

# Accelerating Our Soup Strategy

- Prior foundational work has been critical
  - Quality improvements on icon varieties
  - Increased household penetration\* and high repeat rates\*\*
- Sales +35% behind condensed, ready-to-serve and broth including *Pacific*
- Share pressure
  - Worked to make food as quickly and safely as possible
  - Strong distribution in key non-measured channels



# Gaining New Soup Households

- Soup household penetration up nearly 10 percentage points\*
  - Largest = Millennial cohort\*\*
- A&C +57%
- Marketing provided consumers with inspiration for quick-scratch cooking
- Improved customer relationships



\*IRI National Consumer Panel: Total US All Outlets, 13 weeks ending 4/26/20;  
NBD Aligned to MULO  
\*\*IRI National Consumer Panel, Total U.S. MULO, through week ending 4/26/20



Real food. Real results.

# Meals & Beverages

- *Prego* maintained #1 share position in Italian sauce category\*
- *Prego* consumption up more than 50%\*\*
- Consumers turned to familiar favorites *Pace*, *V8* and *SpaghettiOs*
- Canada performed well, led by *Pacific*



# Snacks: Strong Performance Continued

Organic Sales\*

+12%

Consumption Growth\*\*

+19%

+19%

+11%

Operating Earnings

Marketing Expense



Campbell's

\*See Non-GAAP reconciliation

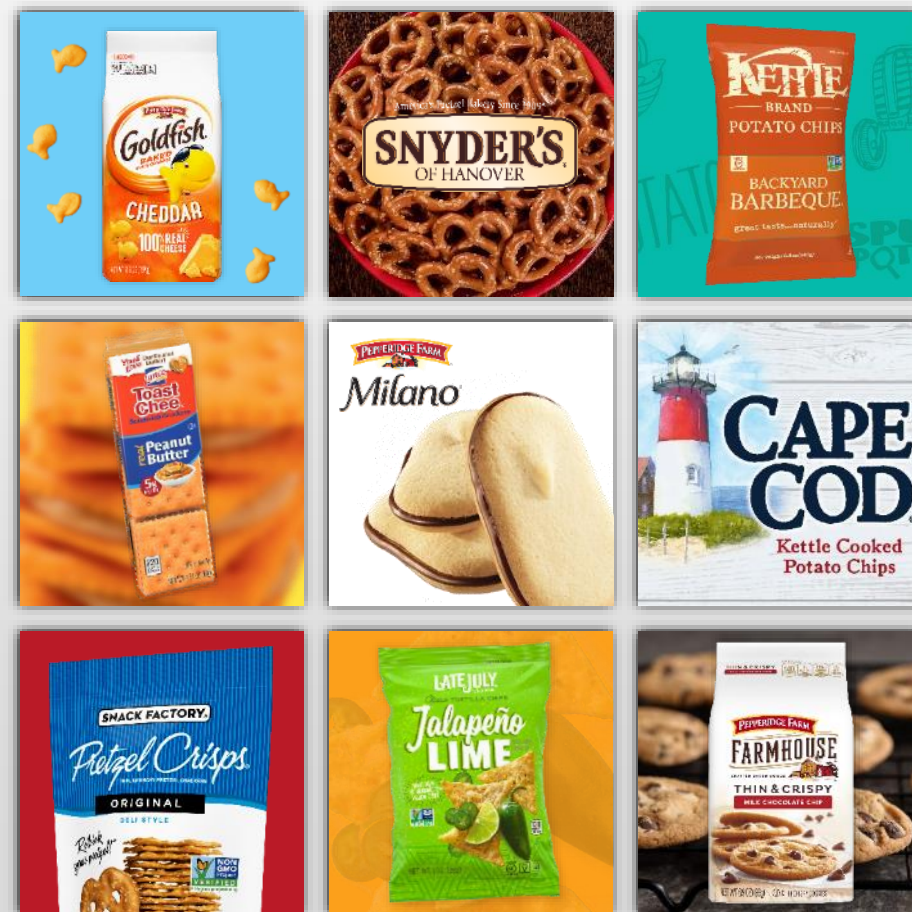
\*\*IRI U.S. MULO \$ consumption latest 13 weeks ended 4/26/20



Real food. Real results.

# Gaining New Households Fueled by Power Brands

- Snacking brands up 5.4 percentage points of household penetration\*
  - Increases across all 9 power brands\*\*
- Increasing marketing for all brands in Q4
- 7 of 9 power brands grew or held share\*\*



# Snacks Innovation

## F'20 Product Launches



Early positive signs of repeat  
as we build awareness

## Campbell's First Virtual Product Launch



Launched in time for Memorial Day

# Snacks: Integration Remains on Plan

- Consistent progress despite environment
- Completed actions to improve effectiveness of organization
  - More streamlined and effective structure
- Expect savings from procurement and organizational effectiveness efforts to continue in Q4



# *Campbell's* | CFO Perspective



**Mick Beekhuizen**  
EVP & Chief Financial Officer



# Third-Quarter Fiscal 2020 Summary

- Organic net sales year-over-year growth of 17% driven by strong demand across our portfolio of iconic brands
- Adjusted gross margin expansion of 100 basis points as positive mix impact, increased operating leverage and benefits of productivity improvements and cost saving initiatives more than offset inflation and COVID-19 related costs
- While we continued to invest in our brands within both divisions, adjusted EBIT increased by 31% year-over-year
- Adjusted EPS year-over-year growth of 57% reflecting our adjusted EBIT performance and benefit of lower net interest expense as a result of deleveraging efforts
- Based on current outlook raising fiscal 2020 guidance

Note: Organic net sales, adjusted gross margin, adjusted EBIT and adjusted EPS are non-GAAP financial measures. See Non-GAAP reconciliation.

# Financial Summary

Continuing Operations

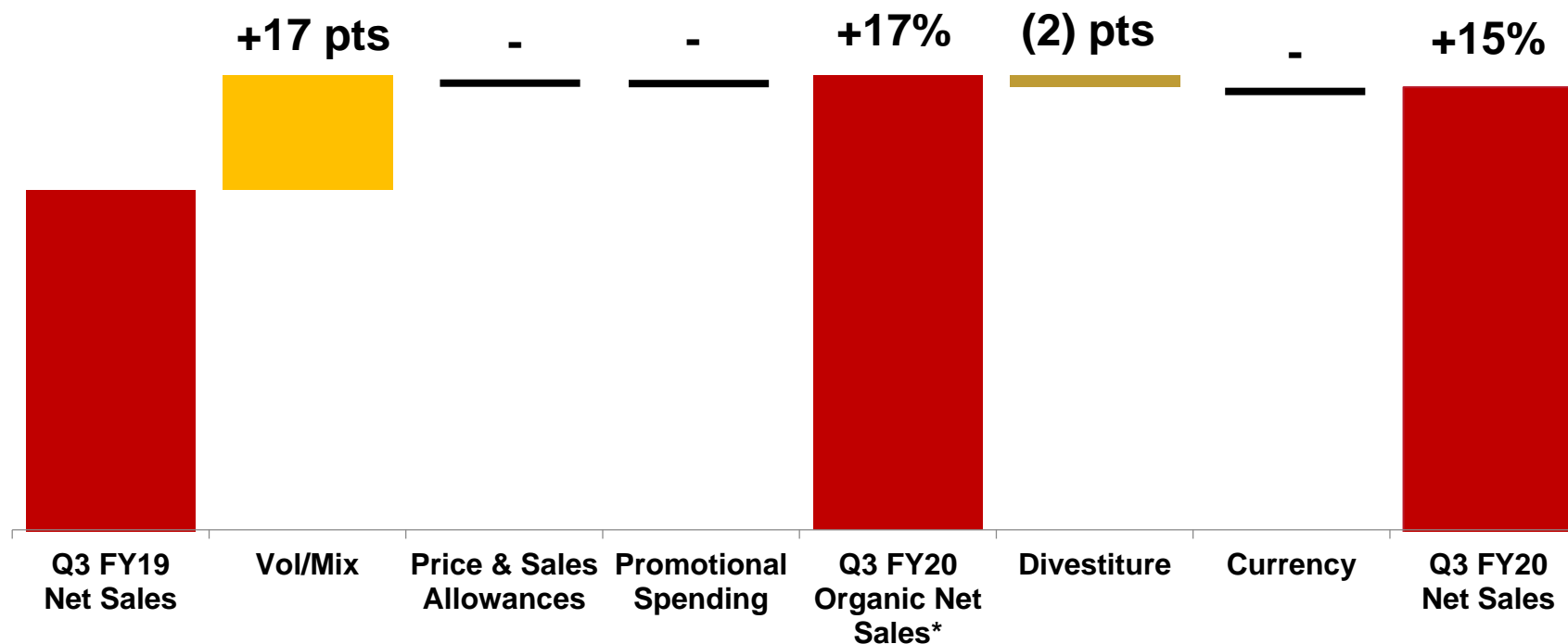
(\$ millions, except per share data)

	Q3 FY20	Change vs. PY			YTD FY20	Change vs. PY	
		\$	%			\$	%
<b>Net Sales</b>	\$2,238	\$285	15%		\$6,583	\$256	4%
<i>Organic Net Sales*</i>		\$320	17%			\$325	5%
<b>Adjusted EBIT*</b>	\$386	\$92	31%		\$1,142	\$128	13%
<b>Adjusted EPS*</b>	\$0.83	\$0.30	57%		\$2.34	\$0.45	24%

\*See Non-GAAP reconciliation

# Components of Net Sales Change

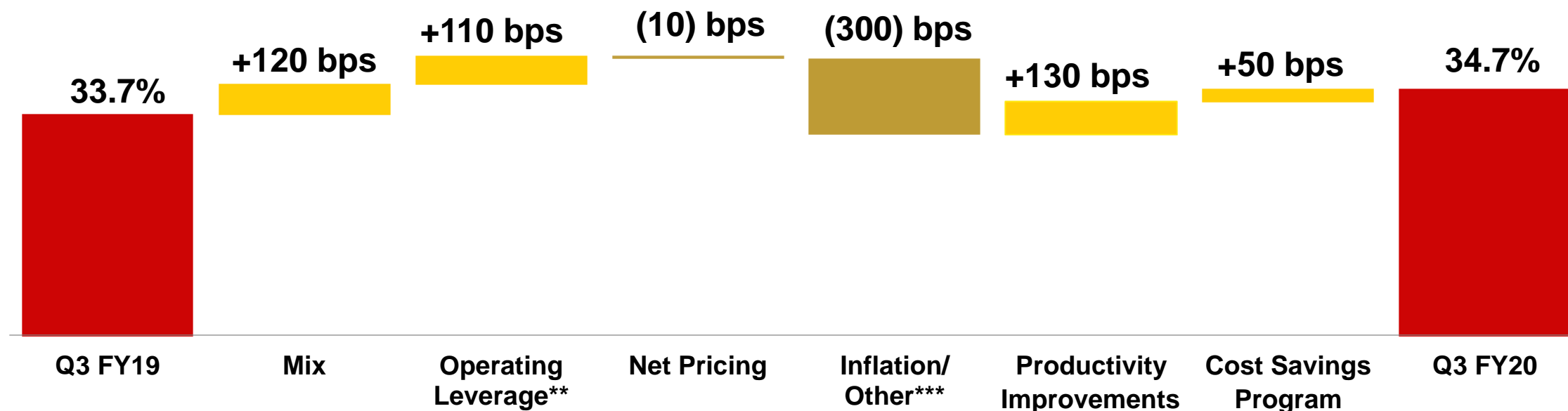
Continuing Operations



\* See Non-GAAP reconciliation

# Adjusted Gross Margin Performance\*

Continuing Operations



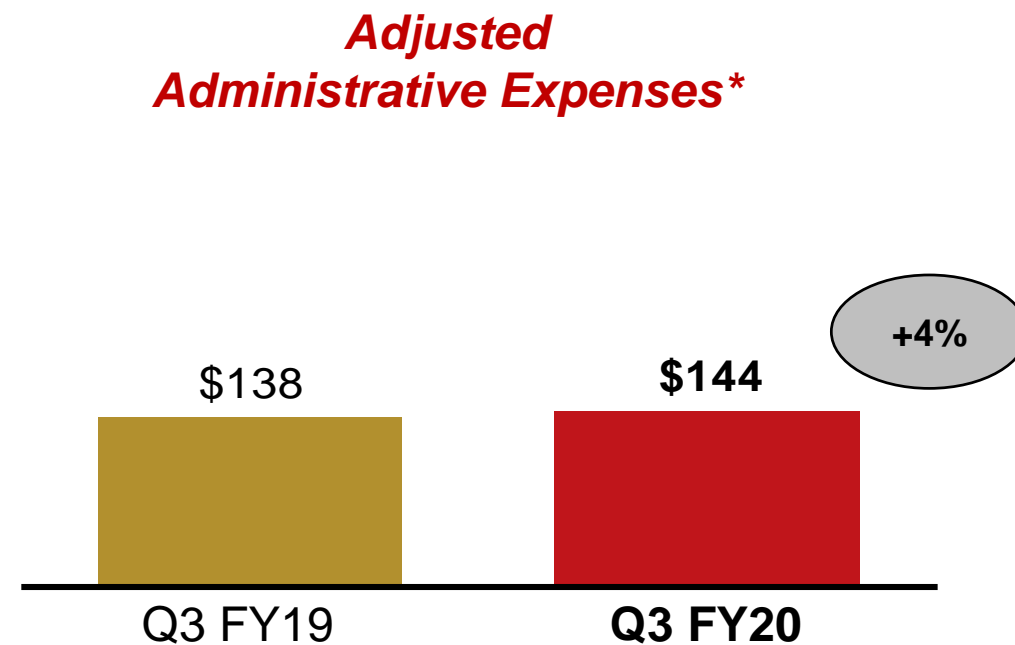
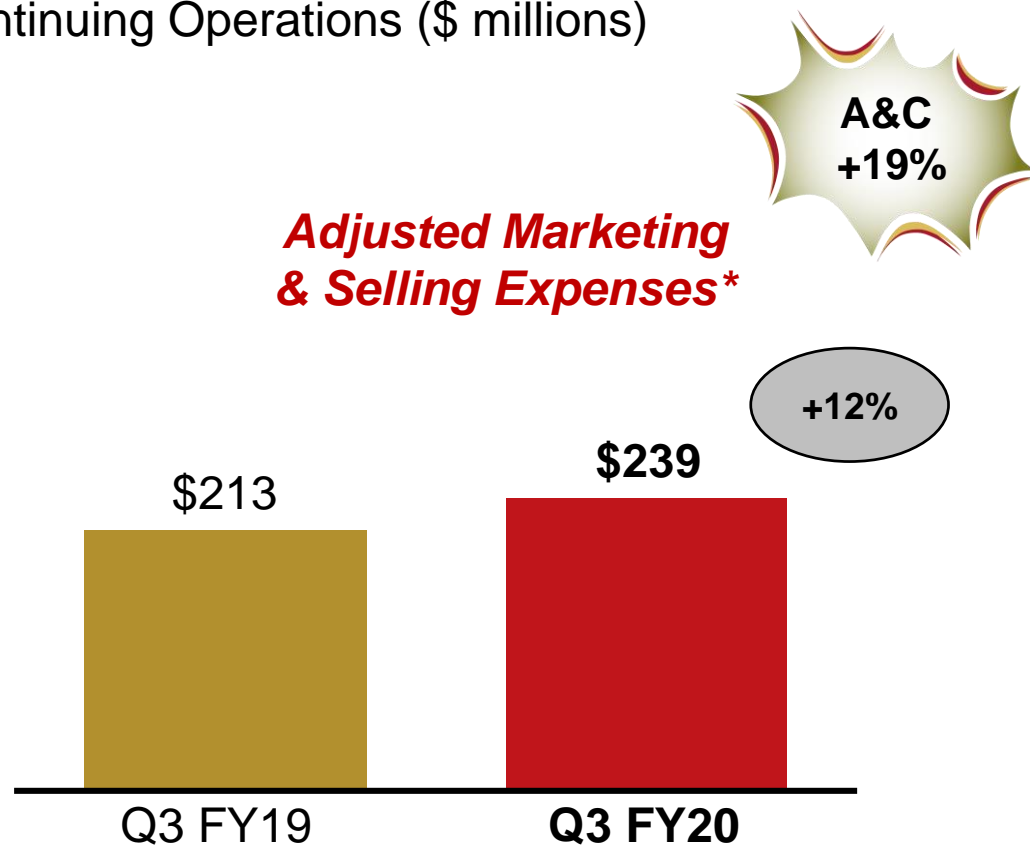
\* See Non-GAAP reconciliation

\*\* Reflects best estimate of individual component

\*\*\* Includes cost impact of COVID-19

# Other Operating Items

Continuing Operations (\$ millions)

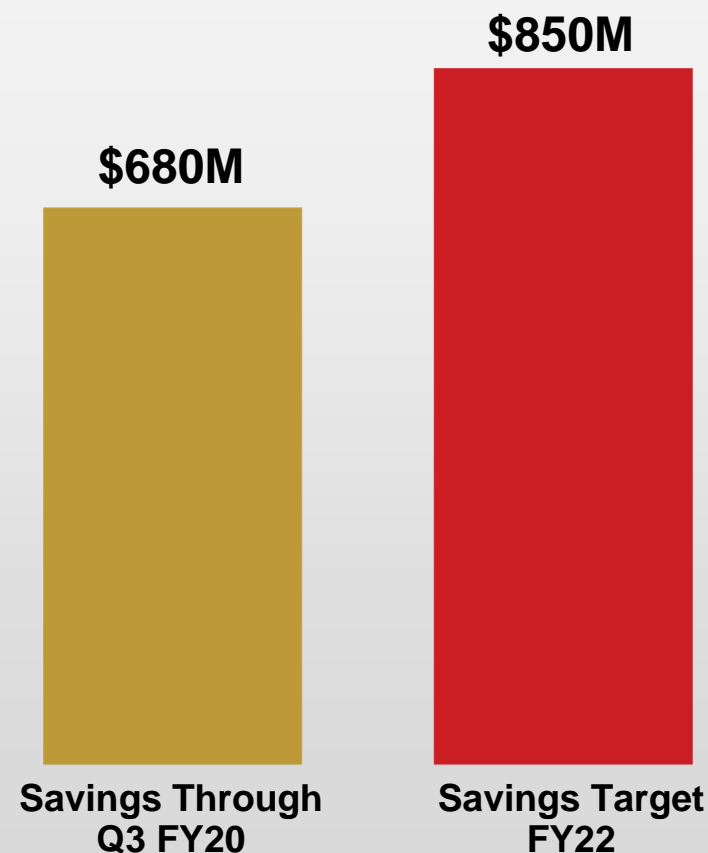


\* See Non-GAAP reconciliation

# Cost Savings

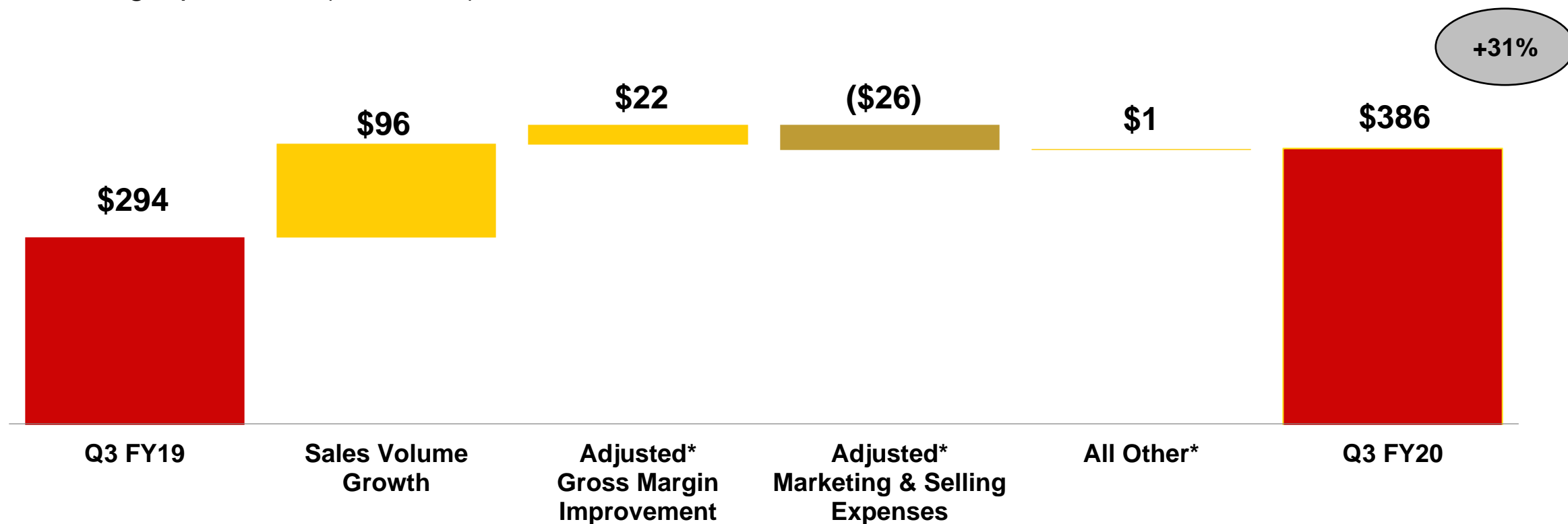
Continuing Operations (\$ millions)

- Total savings of \$30 million realized in Q3; \$120 million through the first nine months
- Enterprise cost savings and Snyder's-Lance synergies program on track with \$680 million achieved to date
- Outlook of approximately \$150 million for FY20
- Tracking to cumulative savings target of \$850 million by end of FY22



# Adjusted EBIT Performance\*

Continuing Operations (\$ millions)

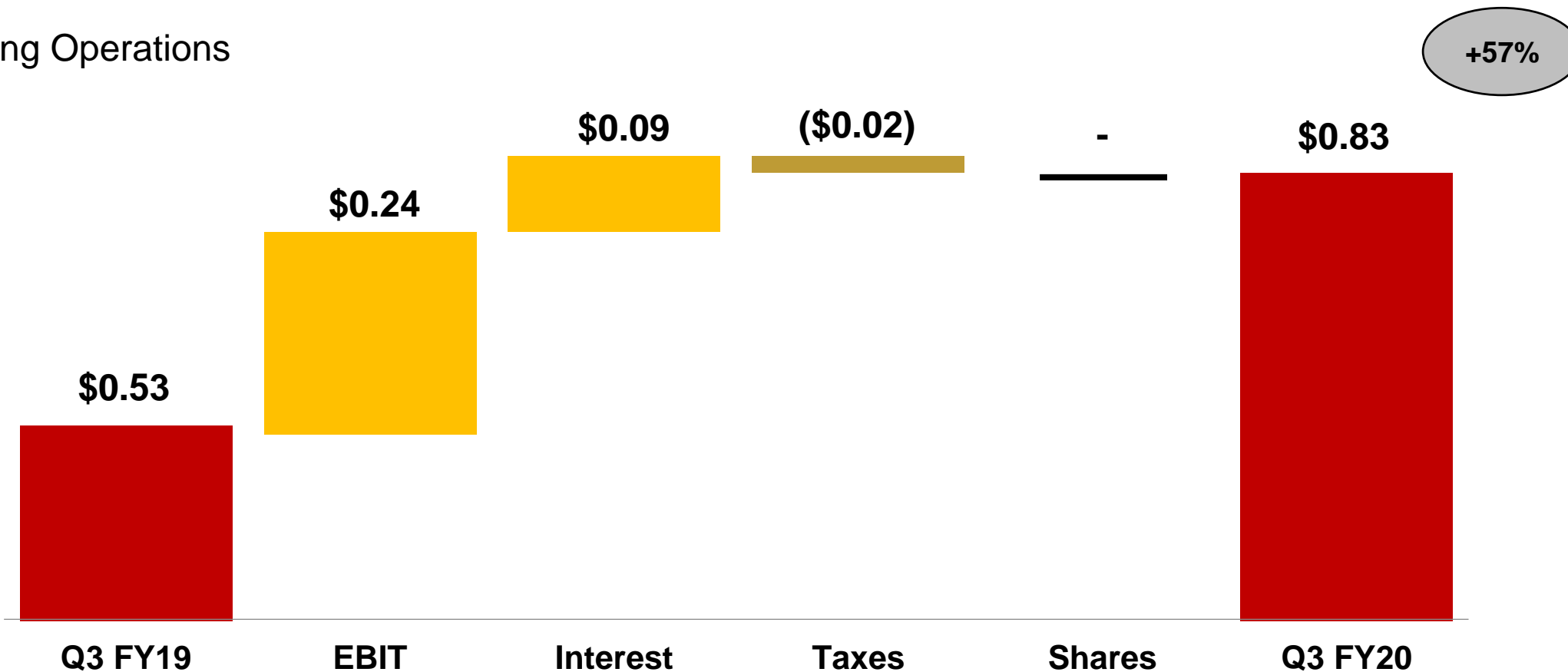


Note: Numbers do not add across due to rounding

\* See Non-GAAP reconciliations. All other includes adjusted administrative expenses, adjusted research and development expenses, and adjusted other income.

# Adjusted EPS Performance\*

Continuing Operations



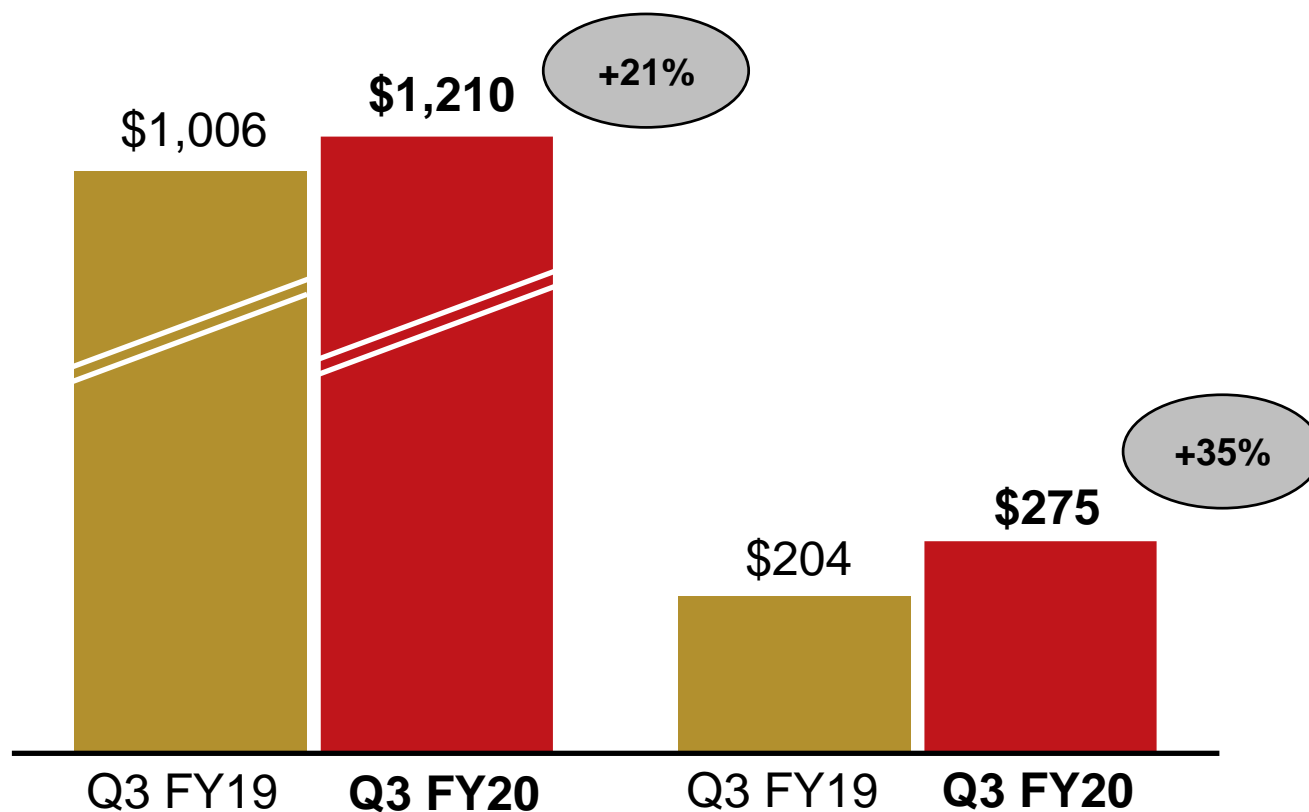
\* See Non-GAAP reconciliation

# Segment Results

(\$ millions)

**Net Sales &  
Organic Growth Rate\***

**Operating Earnings**



\* See Non-GAAP reconciliation

*Campbell's*



*Campbell's*  
**MEALS & BEVERAGES**



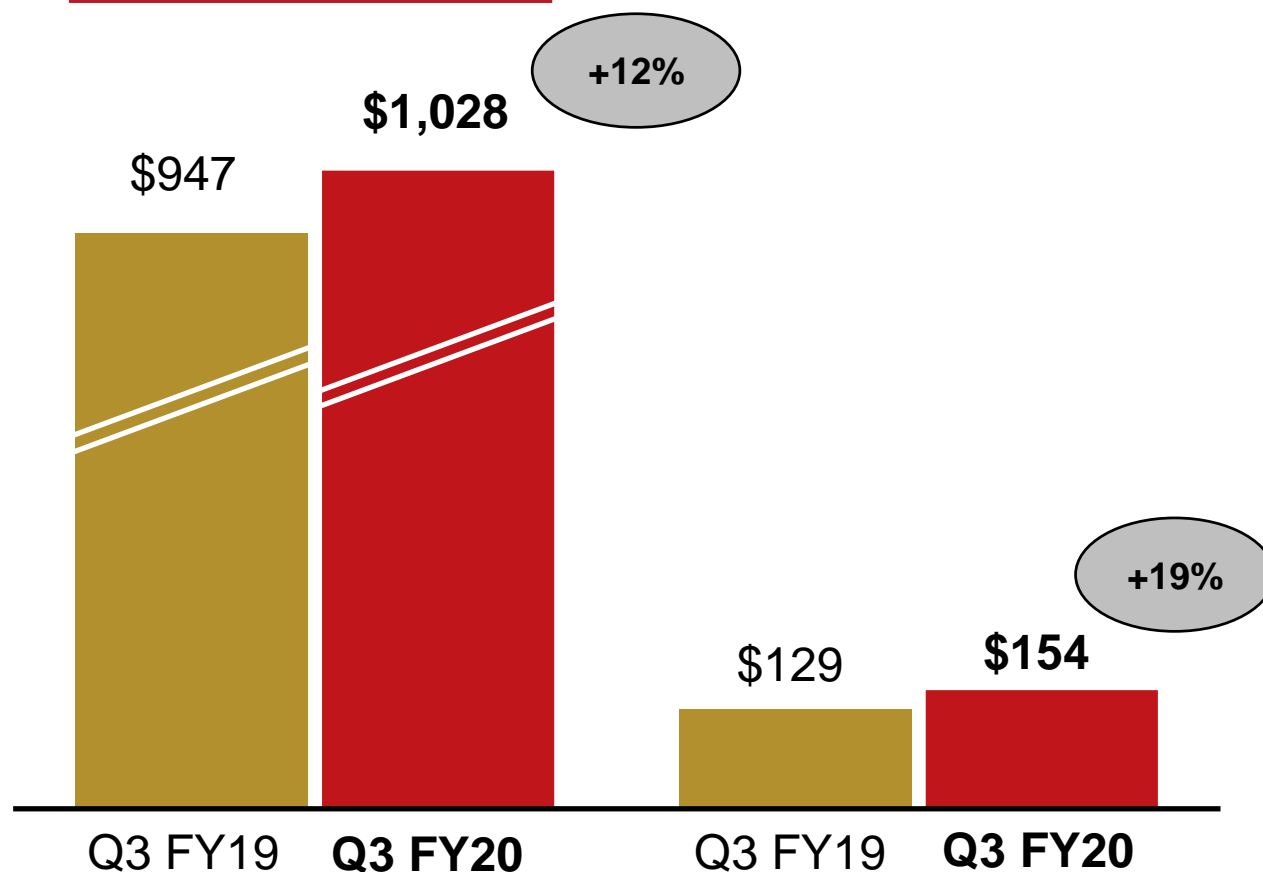
*Real food. Real results.*

# Segment Results

(\$ millions)

**Net Sales &  
Organic Growth Rate\***

**Operating Earnings**

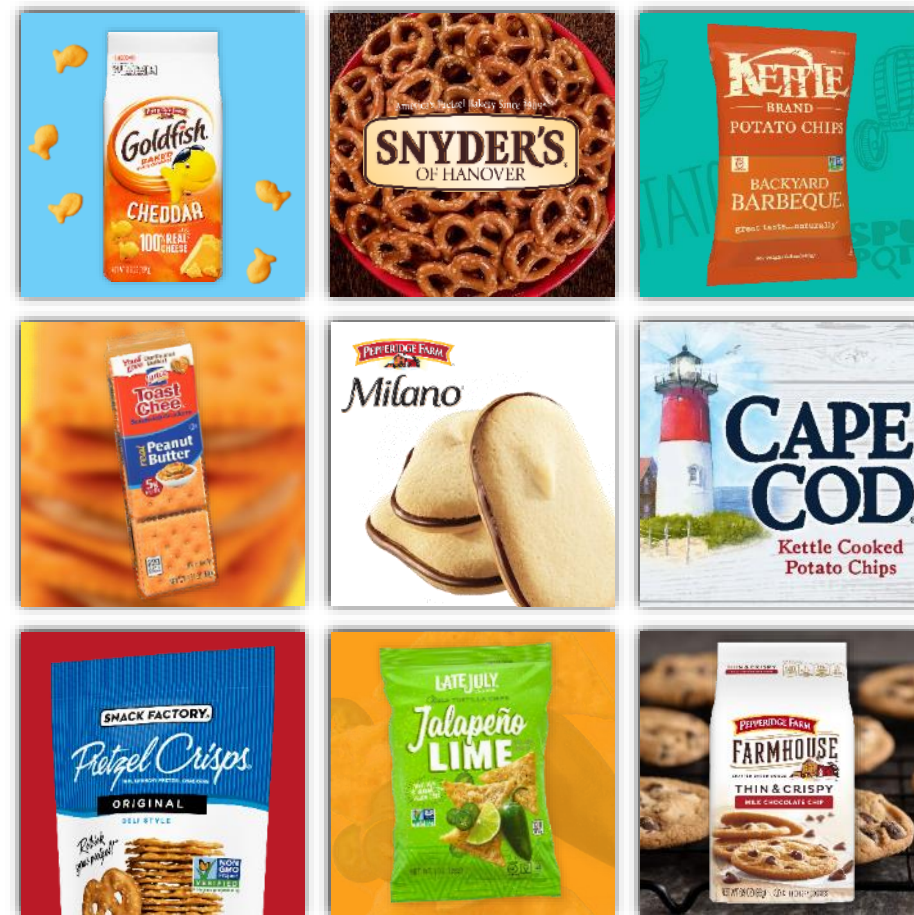


\* See Non-GAAP reconciliation

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# Cash Flow

Total Company (\$ millions)

	YTD FY19	YTD FY20
<b>Net Cash Flows from Operations</b>	<b>\$1,148</b>	<b>\$1,125</b>
<i>Of which changes in working capital (net of acquisition and divestitures)</i>	<i>\$134</i>	<i>\$85</i>
<b>Net Cash Flows from Investing Activities</b>	<b>(\$222)</b>	<b>\$2,318</b>
<i>Of which capital expenditures</i>	<i>(\$274)</i>	<i>(\$220)</i>
<i>Of which sale of businesses (net of cash divested)</i>	<i>\$54</i>	<i>\$2,537</i>
<b>Net Cash Flows from Financing Activities</b>	<b>(\$941)</b>	<b>(\$2,378)</b>
<i>Of which debt repayments*</i>	<i>(\$614)</i>	<i>(\$294)</i>
<i>Of which payments related to debt extinguishment</i>	<i>-</i>	<i>(\$1,768)</i>
<i>Of which dividends paid</i>	<i>(\$318)</i>	<i>(\$320)</i>
<b>Net Change in Cash &amp; Cash Equivalents**</b>	<b>(\$20)</b>	<b>\$1,063</b>

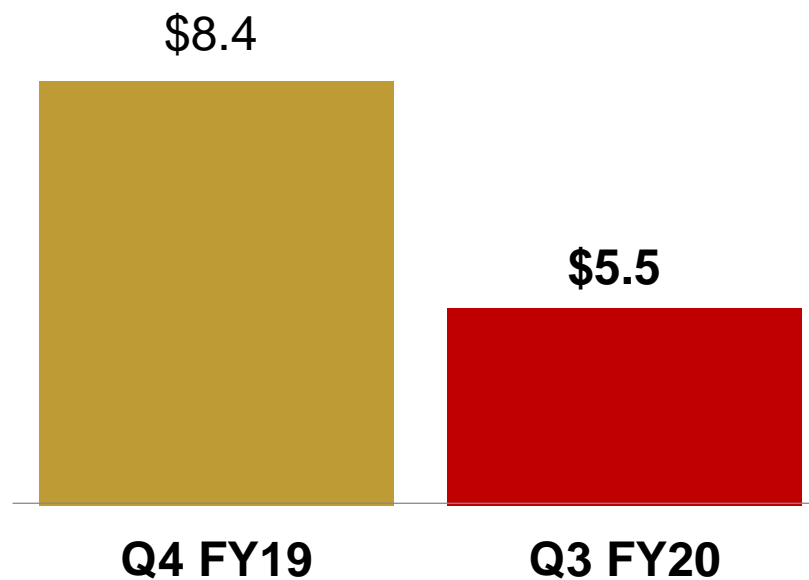
\* Includes long-term debt repayments as well as short-term debt repayments net of borrowings

\*\* Does not add as this item includes the effect of exchange rate changes on cash

# Continued Deleveraging

Continuing Operations (\$ billions)

## Net Debt\*



## Net Debt / Adjusted EBITDA\*

(on trailing twelve-month basis)

5.2x

3.2x

## Key Highlights

- Completed International divestiture in Q2; net proceeds used to reduce debt
- Continued focus on cash flow generation and debt reduction
- Further strengthened liquidity position in Q3 with \$1B bond issuance

# Fiscal 2020 Guidance for Continuing Operations

(\$ millions, except per share)

	2019 Results	Previous 2020 Guidance	Updated 2020 Guidance
<b>Net Sales</b>	\$8,107	-1% to +1%	+5.5% to +6.5%
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<b>Adjusted EPS</b>	\$2.30*	+11% to +13%*** \$2.55 to \$2.60	+25% to +27%*** \$2.87 to \$2.92

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\*\* Organic net sales is net sales outlook less the estimated 2-percentage point impact of the 53<sup>rd</sup> week and an add back for the 2-percentage point impact from the European chips business divestiture

\*\*\* A Non-GAAP reconciliation is not provided for 2020 guidance since certain items are not estimable, such as pension and postretirement mark-to-market adjustments, and these items are not considered to reflect the company's ongoing business results

# Summary: Campbell Well-Positioned for Future

**Strategic Pillars  
Remain Our True North**



**CREATE A  
PROFITABLE  
GROWTH MODEL**



**FUEL INVESTMENTS  
AND MARGINS WITH  
TARGETED COST  
SAVINGS**



**BUILD A WINNING  
TEAM AND  
CULTURE**



**DELIVER ON  
THE PROMISE OF  
OUR PURPOSE**

- 1 | **STRONG EXECUTION, ENHANCED SAFETY**
- 2 | **PREVIOUS ACTIONS FOCUSED  
PORTFOLIO & ORGANIZATION**
- 3 | **CURRENT ENVIRONMENT ADVANCED  
STRATEGY**
- 4 | **ADDRESSING NEW CONSUMER TRENDS**

# Appendix



# Reconciliation of GAAP and Non-GAAP Financial Measures

Continuing Operations (\$ millions)

## Third Quarter

### April 26, 2020

Meals & Beverages

Snacks

**Total Net Sales**

Net Sales, As Reported	Impact of Currency	Organic Net Sales
\$ 1,210	\$ 3	\$ 1,213
1,028	(1)	1,027
<u>\$ 2,238</u>	<u>\$ 2</u>	<u>\$ 2,240</u>

## % Change

Net Sales, As Reported	Organic Net Sales
20%	21%
9%	12%
<u>15%</u>	<u>17%</u>

### April 28, 2019

Meals & Beverages

Snacks

**Total Net Sales**

Net Sales, As Reported	Impact of Divestitures	Organic Net Sales
\$ 1,006	\$ -	\$ 1,006
947	(33)	914
<u>\$ 1,953</u>	<u>\$ (33)</u>	<u>\$ 1,920</u>

# Reconciliation of GAAP and Non-GAAP Financial Measures

Continuing Operations (\$ millions)

## Nine Months

### April 26, 2020

Meals & Beverages

Snacks

**Total Net Sales**

Net Sales, As Reported	Impact of Currency	Organic Net Sales
\$ 3,628	\$ 4	\$ 3,632
2,955	-	2,955
<u>\$ 6,583</u>	<u>\$ 4</u>	<u>\$ 6,587</u>

## % Change

Net Sales, As Reported	Organic Net Sales
5%	5%
3%	5%
<u>4%</u>	<u>5%</u>

### April 28, 2019

Meals & Beverages

Snacks

Corporate

**Total Net Sales**

Net Sales, As Reported	Impact of Divestitures	Organic Net Sales
\$ 3,457	\$ -	\$ 3,457
2,869	(65)	2,804
1	-	1
<u>\$ 6,327</u>	<u>\$ (65)</u>	<u>\$ 6,262</u>



# Reconciliation of GAAP and Non-GAAP Financial Measures

Continuing Operations  
(\$ millions, except per share amounts)

## Third Quarter

	EBIT	EBIT Margin %	Earnings	Diluted EPS*
2020 – As Reported	\$ 273	12.2%	\$ 166	\$ 0.55
Add: Restructuring charges, implementation costs and other related costs	14		11	0.04
Add: Investment losses	45		35	0.12
Add: Pension settlement	54		41	0.13
2020 – Adjusted	<u>\$ 386</u>	<u>17.2%</u>	<u>\$ 253</u>	<u>\$ 0.83</u>
2019 – As Reported	\$ 245	12.5%	\$ 123	\$ 0.41
Add: Restructuring charges, implementation costs and other related costs	21		16	0.05
Add: Pension settlement	28		22	0.07
2019 – Adjusted	<u>\$ 294</u>	<u>15.1%</u>	<u>\$ 161</u>	<u>\$ 0.53</u>
% Change	31%	+210 bps	57%	57%

\* The sum of the individual per share amounts may not add due to rounding.



# Reconciliation of GAAP and Non-GAAP Financial Measures

Continuing Operations  
(\$ millions, except per share amounts)

## Nine Months

	EBIT	Earnings	Diluted EPS*
2020 – As Reported	\$ 940	\$ 506	\$ 1.66
Add: Restructuring charges, implementation costs and other related costs	50	38	0.13
Add: Pension settlement	43	33	0.11
Add: Loss on extinguishment of debt	-	57	0.19
Add: Charges associated with divestiture	64	41	0.13
Add: Investment losses	45	35	0.12
2020 – Adjusted	<u>\$ 1,142</u>	<u>\$ 710</u>	<u>\$ 2.34</u>
2019 – As Reported	\$ 896	\$ 479	\$ 1.59
Add: Restructuring charges, implementation costs and other related costs	90	68	0.23
Add: Pension settlement	28	22	0.07
Add: Tax reform	-	2	0.01
2019 – Adjusted	<u>\$ 1,014</u>	<u>\$ 571</u>	<u>\$ 1.89</u>
% Change	13%	24%	24%

\* The sum of the individual per share amounts may not add due to rounding.



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# Reconciliation of GAAP and Non-GAAP Financial Measures

Continuing Operations (\$ millions)

## Third Quarter

	Gross Margin	GM %	Tax	Tax Rate
2020 – As Reported	\$ 772	34.5%	\$ 52	23.9%
Add: Restructuring charges, implementation costs and other related costs	4		3	
Add: Investment losses	-		10	
Add: Pension settlement	-		13	
2020 – Adjusted	\$ 776	34.7%	\$ 78	23.6%
2019 – As Reported	\$ 655	33.5%	\$ 33	21.2%
Add: Restructuring charges, implementation costs and other related costs	4		5	
Add: Pension settlement	-		6	
2019 – Adjusted	\$ 659	33.7%	\$ 44	21.5%

# Reconciliation of GAAP and Non-GAAP Financial Measures

Continuing Operations (\$ millions)

## Adjusted EBIT Impact from Adjusted Gross Margin Expansion

	Third Quarter
2020 – Reported Net Sales	\$ 2,238
2020 – Adjusted Gross Margin %	34.7%
2019 – Adjusted Gross Margin %	33.7%
Change in Adjusted Gross Margin %	1.0%
Reported Net Sales multiplied by change in Adjusted Gross Margin %	\$ 22

# Reconciliation of GAAP and Non-GAAP Financial Measures

Continuing Operations (\$ millions)

## Third Quarter

	<u>Marketing &amp; Selling Expenses</u>
2020 – As Reported	\$ 239
2019 – As Reported	\$ 215
Deduct: Restructuring charges, implementation costs and other related costs	(2)
2019 – Adjusted	<u>\$ 213</u>
% Change	12%



# Reconciliation of GAAP and Non-GAAP Financial Measures

Continuing Operations (\$ millions)

## Third Quarter

	Administrative Expenses	Research & Development Expenses	Other Expenses / (Income)	Total All Other
2020 – As Reported	\$ 154	\$ 25	\$ 81	\$ 260
Deduct: Pension settlement	-	-	(54)	(54)
Deduct: Investment losses	-	-	(45)	(45)
Deduct: Restructuring charges, implementation costs and other related costs	(10)	-	-	(10)
2020 – Adjusted	<u>\$ 144</u>	<u>\$ 25</u>	<u>\$ (18)</u>	<u>\$ 151</u>
2019 – As Reported	\$ 150	\$ 23	\$ 20	\$ 193
Deduct: Pension settlement	-	-	(28)	(28)
Deduct: Restructuring charges, implementation costs and other related costs	(12)	(1)	-	(13)
2019 – Adjusted	<u>\$ 138</u>	<u>\$ 22</u>	<u>\$ (8)</u>	<u>\$ 152</u>
% Change	4%	14%	n/m	(1)%

n/m – not meaningful



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# Reconciliation of GAAP and Non-GAAP Financial Measures

Continuing Operations (\$ millions)

## Net Debt

	July 28, 2019	April 26, 2020
Short-Term Borrowings	\$ 1,371	\$ 1,504
Long-Term Debt	7,103	5,191
Total Debt	\$ 8,474	\$ 6,695
Less: Cash and Cash Equivalents	(31)	(1,242)
Net Debt	\$ 8,443	\$ 5,453

# Reconciliation of GAAP and Non-GAAP Financial Measures

(\$ millions)	(a) <u>Twelve Months</u> <u>Ended</u> <u>July 28, 2019</u>	(b) <u>Nine Months</u> <u>Ended</u> <u>April 28, 2019</u>	(c) <u>Nine Months</u> <u>Ended</u> <u>April 26, 2020</u>	= (a)-(b)+(c) <u>Trailing Twelve</u> <u>Months Ended (TTM)</u> <u>April 26, 2020</u>
Earnings before interest and taxes, as reported	\$ 979	\$ 896	\$ 940	\$ 1,023
Add: Restructuring charges, implementation costs and other related costs	121	90	50	81
Add: Pension settlement	28	28	43	43
Add: Investment losses	-	-	45	45
Add: Charges associated with divestiture	-	-	64	64
Add: Impairment charges	16	-	-	16
Add: Pension and postretirement benefit mark-to-market	122	-	-	122
Adjusted Earnings before interest and taxes	\$ 1,266	\$ 1,014	\$ 1,142	\$ 1,394
Depreciation and amortization, as reported	\$ 446	\$ 349	\$ 241	\$ 338
Add (Deduct): Restructuring charges, implementation costs and other related costs	(18)	(24)	(2)	4
Deduct: Depreciation and amortization, discontinued operations	(83)	(72)	-	(11)
Adjusted Depreciation and amortization from continuing operations	\$ 345	\$ 253	\$ 239	\$ 331
Adjusted Earnings before interest, taxes, depreciation and amortization	\$ 1,611	\$ 1,267	\$ 1,381	\$ 1,725
Net Debt	\$ 8,443			\$ 5,453
Net Debt to Adjusted EBITDA	5.2			3.2

# Reconciliation of GAAP and Non-GAAP Financial Measures

Continuing Operations  
(\$ millions, except per share amounts)

## Full Year

	Gross Margin	GM %	EBIT	Net Earnings	Diluted EPS
2019 – As Reported	\$ 2,693	33.2%	\$ 979	\$ 474	\$ 1.57
Add: Restructuring charges, implementation costs and other related costs	18		121	92	0.30
Add: Pension and postretirement benefit mark-to-market adjustments	-		122	93	0.31
Add: Impairment charges	-		16	13	0.04
Add: Pension settlement	-		28	22	0.07
Add: Tax reform	-		-	2	0.01
2019 – Adjusted	<u>\$ 2,711</u>	<u>33.4%</u>	<u>\$ 1,266</u>	<u>\$ 696</u>	<u>\$ 2.30</u>

*Campbell's*