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Q2 2019 Campbell Soup Co Earnings Call

EVENT DATE/TIME: FEBRUARY 27, 2019 / 1:30PM GMT

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Campbell Soup Second Quarter 2019 Earnings Call. (Operator Instructions) As a reminder, this conference call may be recorded.

I would now like to introduce your host for today's conference, Mr. Ken Gosnell, Vice President, Finance Strategy and Investor Relations.

Kenneth Gosnell ***Campbell Soup Company - VP of Finance Strategy & IR***

Thank you. Good morning, everyone. Welcome to Campbell's Second Quarter Fiscal 2019 Earnings Call. As usual, we've created slides to accompany our earnings presentation. You will find these slides posted on our website this morning at investor.campbellsoupcompany.com. This call is open to the media who participate in a listen-only mode.

Turning to Slide 2. Today, we will make forward-looking statements which reflect our current expectations. These statements rely on assumptions and estimates which could be inaccurate and are subject to risks. Please refer to Slide 2 or our SEC filings for a list of factors that could cause our actual results to vary materially from those anticipated in forward-looking statements.

Because we use non-GAAP measures, we have provided a reconciliation of these measures to the most directly comparable GAAP measure, which is included in the appendix of this presentation.

On Slide 3, you can see the agenda we will cover today. With us on the call today are Mark Clouse, Campbell's President and CEO; and Anthony DiSilvestro, Chief Financial Officer. Mark will share his early impressions of Campbell and provide his perspective on our performance in the quarter, then Anthony will walk through the financial details of the quarter as well as our fiscal 2019 financial guidance, which we reaffirmed today.

One additional item before we open our discussion of the quarter, we would like to cordially invite analysts and institutional investors to our 2019 Investor Day at Campbell's world headquarters in Camden. This year's event will be held on the afternoon of Thursday, June 13. Please mark your calendars, and I hope everyone can make it. With that, let me turn the call over to Mark.

Mark A. Clouse ***Campbell Soup Company - President, CEO & Director***

Thanks, Ken. Good morning, everyone, and thanks for dialing in today. I'm excited and honored to be here and to be part of the Campbell team. I've long admired Campbell's portfolio of iconic brands, terrific teams and well-defined purpose. Throughout my career, I've had the privilege of working on big iconic brands and leading teams to unlock the full potential of the business by strengthening the consumer relevance of the brands and driving operational excellence. I'm confident in our ability to do both here at Campbell.

Since joining the company last month, I've been spending time with our team and our customers to gain a full understanding of the state of the business. I recognize that we are dealing with some immediate challenges which we are addressing head on, but I'm also seeing clear opportunity to further improve our business, strengthen our execution and create exciting potential for the future. We have a great deal of work to do to deliver this opportunity, but it starts with progress in each and every quarter.

Moving to Slide 6. So where are we today? First, we are doing what we said we would, and in many ways, that is an essential first step in our journey. I'm pleased that we delivered results consistent with our expectations for the second consecutive quarter and that we were able to reaffirm our fiscal 2019 guidance this morning.

We continued to make solid progress against our key strategic priorities including stabilizing our in-market performance, integrating the Snyder's-Lance business, delivering our cost savings agenda, and finally, focusing and optimizing our portfolio.

Organic sales in the quarter were comparable to the prior year. This reflected strength in Global Biscuits and Snacks, driven by performance in Pepperidge Farm and Arnott's, with our Meal and Beverage business seeing some declines but more stable results overall.

As expected, adjusted earnings per share declined compared to a year ago. Adjusted gross margin also declined, down 4.3 points in the quarter. The decline was driven by the negative mix impact of the Snyder's and Pacific actions, cost inflation, transportation and warehousing costs, and finally, the decision to make select investments in promotional programs against key businesses. Those headwinds were partially mitigated by continued strong execution on our base cost savings program and the value capture of the Snyder's-Lance synergies. Both of these areas are progressing very well.

In fact, the team delivered $50 million in savings in the quarter under our multiyear program, including Snyder's-Lance synergies. That brings year-to-date savings to $95 million, which is slightly ahead of what we had planned. We now expect to over-deliver the $120 million in cost savings planned for fiscal 2019. This will help offset cost headwinds we're managing while still delivering our commitments.

Another area of the stepped-up focus is cash flow from operations, which increased to $846 million in the first half, reflecting improvements in working capital. This is another critical area where I was pleased to see progress and effective programs in place across the company. We must continue to drive this increased discipline and effectiveness to optimize our working capital and capital spending going forward.

Turning to a discussion of our segments on Slide 8. Let's start with our Meals and Beverages businesses, where our performance was mixed across our brands. Our results were essentially in line with our expectations for the quarter, but did decline overall. Organic sales were down 1% compared to the declines of 4% a year ago and 5% in the first quarter of fiscal 2019. We drove growth in V8 for the second consecutive quarter behind consumption gains in V8 vegetable juice and V8 + Energy drinks. This was more than offset by declines in Plum, Canada and Prego. Declines in Plum were due to phasing and shipments, with consumption up slightly.

On the U.S. soup business, excluding acquisitions, sales were comparable to a year ago. However, in-market consumption remained down around 5%. This difference was driven by a return to more historical seasonal inventory levels in the quarter following last year's retail challenges as well as favorable timing on new revenue recognition accounting.

We are advancing our plan for 2019 which focuses on improving the value proposition of soup by strengthening the fundamentals, including pricing promotion while adding better marketing and smart innovation around convenience and better-for-you. These actions will help improve the foundation of the business and reflect the focus on controlling the controllables. However, we still have much to do to truly position this business for improved and sustainable results.

I realize that you likely have a lot of questions about our U.S. soup business, including my early impressions of its performance this year and the long-term plans for the business. Let me start by saying it's early days, but I do recognize that to truly change the trajectory of the business will require a holistic approach to building consumer relevance through product, packaging, innovation and marketing, paired with optimizing the network and business model.

It is important that this plan addresses our entire soup portfolio, including our core condensed, broth and ready-to-serve businesses. We are the category leader. We have iconic brands and we possess the best knowledge of the soup business in the industry. We can and we will bring a comprehensive, consumer-driven and financially disciplined approach to how we optimize this very important business for the company and for our retail partners. I'm excited about building on the solid work the team has done to date, and I look forward to sharing more comprehensive plans with you at our June Investor Day.

Turning to our Global Biscuits and Snacks segment. Excluding the benefits of the acquisition of Snyder's-Lance and the impact of currency, organic sales increased 3%, driven by the performance of Pepperidge Farm fresh bakery, Goldfish crackers and Arnott's biscuits. Nearly a year since we completed the acquisition of Snyder's-Lance, the integration of our U.S. snacks business is steadily progressing as we build upon the core strengths of both Pepperidge Farm and Snyder's-Lance. The combined business is delivering strong overall share performance across the portfolio.

Pepperidge Farm continued its strong track record of consistent performance, with the team delivering its 17th consecutive quarter of sales growth. Our largest brand, Goldfish, continued to expand share with a strong quarter, including the launch of new Epic Crunch line. The latest addition to the franchise leverages both organizations' capabilities. It was invented by Pepperidge Farm R&D and made in the Snyder's-Lance bakery.

Additionally, the extension of Pepperidge Farm Farmhouse brand across cookie, bread and rolls collectively drove nearly 25% growth in the quarter. Consumers are responding favorably to the Farmhouse brand positioning and quality, especially the steps we've taken to renovate our fresh bakery portfolio.

Now let's look at the other half of our U.S. snacks business, the Snyder's-Lance portfolio. These brands across chips, pretzels, crackers and nuts are an attractive high-growth spaces and nearly all grew share in the quarter. Over the last 6 months, the snacks team has put in significant work to position these brands for long-term success including building foundational brand insights, unique product positionings, renovation and innovation, and smart new marketing campaigns. We have strong plans in place in the back half of fiscal '19, and I'm looking forward to seeing these brands flourish behind accelerated innovation and increased marketing.

The Snyder's-Lance value capture plans are exactly where we expected it to be in the quarter and slightly ahead of our expectations for the year. Thus far, synergies have come from the elimination of the duplication of public company infrastructure and tighter controls around SG&A. With these changes, the leadership team has created new ways of working and instilled greater discipline across the combined division.

In the quarter, we consolidated our headquarters sales force and back office sales operations. Looking ahead, we expect to continue to deliver synergies in the second half as we realize the savings from the changes in the sales organization and begin to leverage efficiencies and scale in procurement on packaging, commodities and seasonings.

I'm very pleased with the progress we're making in U.S. snacks. We're already seeing the synergistic benefits within our brand portfolio and we're tracking slightly ahead of our synergies target with a clear line of sight to achieving the full value capture.

I'm frequently asked what has surprised me since arriving at the company, and I can honestly say, the strength, progress and position of our snack business. It is a formidable portfolio and a fantastic team. That creates a very exciting combination for our future. Like our plans on soup, I look forward to sharing how we will fuel the growth of our snack business when I see you in June.

Next, on Slide 10. I want to provide a quick update on the divestitures. We continue to make steady progress with the proposed sales of Campbell Fresh and Campbell International. As a reminder, combined, these businesses represent approximately $2.1 billion in annual net sales in fiscal 2018. I met with both the International and Fresh leadership teams during my first few days in the role, and I'm impressed with how they're driving the day-to-day businesses while managing the divestiture processes.

Campbell Fresh is performing consistent with our plans and we're driving improved operational effectiveness in the Bolthouse Farms business. Campbell International had a strong quarter, with solid sales and in-market performance on Arnott's biscuits, fueled by new product innovation. The divestiture processes are moving forward according to plan, with strong interest from strategic and financial buyers.

As you may have seen, we've already announced 3 transactions: the sale of Garden Fresh Gourmet and the Everett, Washington refrigerated soup plant as part of the C-Fresh divestiture process, as well as the sale of Habit. We continue to expect to announce buyers for the remainder of these businesses by the end of the fiscal year, but we'll remain disciplined to ensure that we achieve appropriate value for these attractive assets.

We will use the proceeds from these transactions to significantly pay down debt. Combined with the company's strong free cash flow, we're confident that we will make progress on our goal of achieving meaningful debt reduction.

Before I turn it over to Anthony, I'd like to take a moment to acknowledge and thank Keith McLoughlin for his leadership in serving as interim CEO. Keith stepped in at a pivotal moment for Campbell and leveraged his expertise, knowledge of the company and leadership skills to provide much-needed clarity and stability.

As a result, Campbell is more focused and the entire company is mobilized around our key priorities. I've worked closely with Keith throughout the CEO transition process and I look forward to his continued contributions as a member of that Campbell board.

With that, let me turn it over to Anthony for a detailed discussion of our financial results.

Anthony P. DiSilvestro ***Campbell Soup Company - Senior VP & CFO***

Thanks, Mark. Before getting into the details, I'll make a few comments on our performance this quarter. As Mark mentioned, our overall results were in line with our expectations, and we remain on track to achieve our fiscal year guidance.

Clearly, we have seen pressure on our gross margin in the first half, the negative mix impact of the acquisitions and on the base business from a combination of cost inflation, warehousing and transportation challenges, which are mostly behind us, and higher trade investment. Looking ahead, we expect these trends to improve as we wrap the acquisition of Snyder's-Lance, the higher levels of cost inflation and the flavor-blasted Goldfish recall, as well as execute pricing and promotional actions and drive cost savings and productivity gains.

We continue to achieve our cost savings goals against our program, which includes Snyder's-Lance. We generated $50 million of incremental cost savings in the quarter, bringing the year-to-date total to $95 million and a program-to-date total to $550 million. We are on track to over-deliver our 2019 target of $120 million, which is helping to mitigate additional cost pressures, particularly on warehousing and transportation. We continue to target $945 million of cost and synergy savings by the end of 2022.

Overall, we are pleased with the progress made on acquisitions as the integration of both Snyder's-Lance and Pacific Foods is on track and the financial performance is meeting our expectations. As expected, the acquisitions were slightly dilutive to our adjusted EPS results in the quarter.

In connection with our plan announced August 30, we are working to divest our International business and the Campbell Fresh business. The divestiture processes are well underway, and we have seen significant buyer interest for both businesses.

I'll now review our detailed results. For the second quarter, net sales on an as-reported basis increased 24% to approximately $2.7 billion, reflecting the recent acquisitions of Snyder's-Lance and Pacific Foods. Organic sales, which excludes the negative impact of currency translation and acquisitions, were comparable to the prior year, as gains in Global Biscuits and Snacks, which had a strong quarter, were offset by declines in Campbell Fresh and Meals and Beverages.

As previously discussed, we adopted new rules for revenue recognition in the first quarter. In the second quarter, sales benefited by approximately 50 basis points as a result of the accounting change. The full year impact of revenue recognition is not expected to be material.

Adjusted EBIT of $399 million declined 1% as a 13% decline on the base business was mostly offset by the incremental earnings from the recent acquisitions. Adjusted EPS declined by 23% or $0.23 to $0.77 per share, primarily due to adjusted EBIT declines in the base business, a higher adjusted tax rate and the dilutive impact of the acquisitions. In the quarter, the change in revenue recognition had a positive impact of $0.03 per share.

For the first half, net sales on an as-reported basis increased 25% to $5.4 billion, benefiting from acquisitions, while organic net sales declined 2% compared to the prior year, primarily due to declines in the Meals and Beverages segment. Adjusted EBIT decreased 1% to $811 million and adjusted EPS of $1.57 was down 18%.

Breaking down our net sales performance for the quarter. Organic net sales were comparable to the prior year as higher promotional spending was offset by modest increases in pricing and volume. Promotional spending negatively impacted net sales by 1 point, reflecting investments in key businesses to remain competitive. Within promotional spending, the accounting change on revenue recognition had a 50 basis point positive impact. There was a 1 point negative impact on net sales from currency translation this quarter. And the recent additions of Snyder's-Lance and Pacific Foods to the portfolio added 26 percentage points, bringing our as-reported net sales increase to 24%.

Our adjusted gross margin percentage declined 4.3 percentage points in the quarter. Excluding a 2 point dilutive impact from the acquisitions of Snyder's-Lance and Pacific Foods, our adjusted gross margin percentage declined 2.3 points. While the acquisitions are reducing our overall margins as we add them to the portfolio, we are confident that the margins on these businesses will increase over time as we integrate them into Campbell and achieve targeted costs and synergy savings.

Cost inflation and other factors had a negative impact of 330 basis points, mostly from cost inflation, which, on a rate basis, increased approximately 4.5%, reflecting higher prices on steel cans, vegetables, resins, aluminum and freight. We experienced several onetime costs in the quarter, primarily warehousing and transportation costs, associated with the start-up of the Findlay, Ohio distribution facility mentioned last quarter and higher interplant freight to service our customer requirement early in the quarter. We believe these higher costs from both Findlay and the interplant shipments are now behind us.

Going the other way, our ongoing supply chain productivity program contributed 120 basis points; and our cost savings program, which is incremental to our productivity initiative, added an additional 80 basis points of gross margin. Mix was slightly positive, adding 20 basis points. Net pricing was 30 basis points negative as increased trade investments were partly offset by less pricing actions, primarily in Global Biscuits and Snacks. All in, our adjusted gross margin percentage declined to 30.9%. As I'll describe later, we expect to achieve sequential improvements in our gross margin trends in the second half.

Moving on to other operating items. Adjusted marketing and selling expenses increased 15% in the quarter due primarily to the impact of acquisitions. Excluding the recent acquisitions, marketing and selling expenses decreased, driven primarily by lower marketing overhead and selling expenses, including the benefit from our cost savings initiatives. Excluding acquisitions, spending on advertising and consumer promotion was comparable to the prior year. Adjusted administrative expenses increased 15% to $160 million due primarily to the impact of recent acquisitions.

For additional perspective on our performance, this chart breaks down our adjusted EPS change between our operating performance and below-the-line items. Adjusted EPS decreased $0.23 from $1 in the prior year quarter to $0.77 per share in the current quarter. On a currency-neutral basis, adjusted EBIT had no impact on EPS, reflecting lower EBIT on the base business, offset by the addition of Snyder's-Lance and Pacific Foods.

Net interest expense increased by $60 million, a $0.16 negative impact to EPS, driven by an increase in the debt level to fund our recent acquisitions and reflecting the impact of higher interest rate. Our adjusted EPS was impacted by a higher adjusted effective tax rate, decreasing EPS by $0.05. Our adjusted effective tax rate was 24.1% in the quarter, which increased by 5.2 percentage points as the prior year quarter benefited from a year-to-date impact related to U.S. tax reform.

And lastly, there was a $0.01 negative impact in EPS from currency translation this quarter, completing the bridge to $0.77 per share. Although not shown on the chart, in aggregate, the acquisitions of Snyder's-Lance and Pacific Foods were slightly dilutive to adjusted

EPS.

Now turning to our segment results. In Meals and Beverages, organic sales declined 1%, reflecting mixed results as gains in V8 beverages behind consumption gains in V8 Vegetable Juice and V8 Energy were more than offset by declines in Plum, Canada and Prego pasta sauces.

Excluding the benefit from the acquisition of Pacific Foods, sales of U.S. soup were comparable to the prior year, including a 1 point benefit related to revenue recognition, as gains in ready-to-serve and broth were offset by declines in condensed soup. As Mark stated, we've return to more historical, seasonal retailer inventory levels which benefited U.S. soup sales in the quarter.

Segment operating earnings declined 10% to $255 million. The decrease was driven primarily by the impact of significant cost inflation, higher warehouse and transportation costs and investments in promotional spending, partly offset by lower marketing and selling expenses.

Here's a look at U.S. wet soup category performance and our share results as measured by IRI. For the 52-week period ending January 27, 2019, the category saw the decline, decreasing 2.4%. Our sales in measured channels, including Pacific, declined 5.4%. We had a 58.2% market share for the 52-week period, down 180 basis points from the year-ago period. Private label grew share, increasing 140 basis points, primarily reflecting gains in broth, finishing at 16.3%. All other branded players collectively had a share of 25.5%, increasing 50 basis points.

In Global Biscuits and Snacks, sales were $1,243,000,000 in the quarter including $529 million from the acquisition of Snyder's-Lance. Excluding the benefit from the acquisition and the negative impact from currency translation, organic sales increased 3%. This performance reflects continued growth in Pepperidge Farm, driven by solid consumption gains in Pepperidge Farm fresh bakery products and Goldfish crackers, as well as growth in Arnott's business fueled by innovation.

On Snyder's-Lance, it is important to note that the SKU rationalization and price realization initiatives are continuing to have a negative impact on sales, particularly on the Snyder's of Hanover brand. While SKU rationalization is having a short-term impact, this action will result in a more streamlined and more profitable portfolio going forward. Overall, sales performance of the Snyder's-Lance portfolio was in line with our expectations, with solid consumption and market share gains for the first half of fiscal 2019.

Segment operating earnings increased 35% to $185 million, reflecting a 34-point benefit from the acquisition of Snyder's-Lance. Excluding the impact of the acquisition, segment operating earnings increased slightly, driven primarily by volume gains, partly offset by higher levels of cost inflation.

In the Campbell Fresh segment, overall performance was in line with our expectation. Organic sales declined 7% to $239 million, mostly driven by declines in refrigerated soup. As we've previously discussed, 2 of our private label refrigerated soup customers intend to insource production in 2019.

Sales of Bolthouse Farms refrigerated beverages and Garden Fresh Gourmet also declined, which were partly offset by gains in carrots. Segment operating loss of $14 million compared to a loss of $11 million in the prior year. The decrease was primarily due to declines in refrigerated soup volume, partly offset by improved operational efficiencies on the Bolthouse Farms business.

As disclosed in our non-GAAP reconciliation, in corporate, we recorded noncash impairment charges on the Campbell Fresh segment as we advanced the planned divestiture of the business. As part of the divestiture of the Campbell Fresh division, we recently announced the sale of the Garden Fresh Gourmet business and the refrigerated soup plant in Everett, Washington.

On a company-wide basis, cash from operations increased to $846 million compared to $660 million in 2018, reflecting significant improvements from the company's working capital management efforts and as we wrapped payments last year on the hedges associated with an anticipated debt issuance, partly offset by lower cash earnings. The cash outlay for capital expenditures was $198 million, $66 million higher than the prior year, reflecting the timing of cash payments, as well as investments to support our cost savings initiatives and the addition of Snyder's-Lance and Pacific Foods to the portfolio. We continue to forecast CapEx of approximately $400 million for fiscal 2019.

We paid dividends totaling $212 million compared to $216 million in 2018, reflecting our current quarterly dividend of $0.35 per share. Net debt of $9.3 billion is up $5.5 billion from a year ago, reflecting the impact of the $6.1 billion acquisition of Snyder's-Lance, partly offset by positive cash flow generated by the base business. Since the end of the first quarter, we have reduced our net debt level by almost $400 million. As part of our August 30, 2018 plan, we have initiated divestiture processes, and as we've previously discussed, we will use the proceeds to reduce debt and improve our leverage ratio.

Now I'll review our 2019 guidance, which remains unchanged since August 30. We are providing guidance based on our current outlook, and also on a pro forma basis assuming planned divestitures were completed as of the start of the fiscal year, with proceeds used to reduce debt.

I'll start with the guidance reflecting our current outlook. We expect sales to increase to a range of $9,975,000,000 to $10,100,000,000 as we benefit from the incremental impact of both the Snyder's-Lance and Pacific Foods acquisitions. This top line guidance implies that organic sales are expected to decline slightly.

We expect adjusted EBIT to be in the range of $1,370,000,000 to $1,410,000,000 as declines in our base business are mostly offset by the incremental acquisition impacts of Snyder's-Lance and Pacific Foods. The EBIT decline of the base business reflects the anticipated decline in organic sales, the negative impact of 4% to 5% cost inflation on gross margin and the negative impact from higher incentive compensation, which was significantly reduced in the second half of 2018.

So as we look to the back half, we expect gross margin trends to improve, most notably in the fourth quarter for several reasons: wrapping the Snyder's-Lance acquisition and the Goldfish flavor-blasted recall in Q4, pricing actions we're currently implementing in the marketplace, phasing of productivity gains and some moderation of year-on-year cost inflation. While we anticipate a significant improvement in the second half versus our first half adjusted gross margin decline of 460 basis points, we will not be guiding to a specific target as we want to retain flexibility to manage all lines of the P&L.

Also note, as you think about your models, that in the third quarter, in addition to the incentive compensation headwind, our plan reflects increased marketing support on the U.S. snacks business. We expect adjusted EPS to be in the range of $2.45 to $2.53 per share. The delta between EBIT and EPS performance is primarily driven by the interest expense associated with the acquisition of Snyder's-Lance and Pacific Foods.

We expect interest expense in the range of $375 million to $390 million, and an adjusted tax rate of approximately 25%. Against our cost and synergy target, we are tracking to over-deliver our $120 million target, and this is helping to offset the impact of increased warehousing and transportation costs.

We are also providing forecast for 2019 on a pro forma basis, assuming the planned divestitures were completed as of the beginning in the fiscal year and based on the use of estimated proceeds to reduce debt. As you can see on the chart, our sales base declined to about $8 billion, adjusted EBIT to a range of $1,230,000,000 to $1,270,000,000 and adjusted EPS to a range of $2.40 to $2.50.

The overall anticipated dilution from the divestitures is modest given the current level of profitability of the Campbell Fresh division. As I stated, the divestiture processes are underway for both Campbell International and Campbell Fresh, and we have seen significant buyer interest for both businesses.

That concludes my remarks. And now I'll turn it back to Mark.

Mark A. Clouse ***Campbell Soup Company - President, CEO & Director***

Thanks, Anthony. After my first month, I'm excited about the potential of our great people, brands and the opportunities for the company. We have a lot of work ahead, but the team is already taking action and making progress. We will remain focused on disciplined execution and driving clear ownership of our financial commitments while we also are insuring our plans for the future are robust and delivering improved to sustainable results going forward.

With that, I'll turn the call back over to Ken for Q&A.

Kenneth Gosnell ***Campbell Soup Company - VP of Finance Strategy & IR***

Thanks, Mark. We'll be happy to take your questions. Crystal, let's open the lines and take our first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from Andrew Lazar from Barclays.

Andrew Lazar ***Barclays Bank PLC, Research Division - MD & Senior Research Analyst***

Congratulations, Mark, on your new role.

Mark A. Clouse ***Campbell Soup Company - President, CEO & Director***

Thanks, Andrew.

Andrew Lazar ***Barclays Bank PLC, Research Division - MD & Senior Research Analyst***

So I guess, it would seem that as now investor consensus is really now squarely in the camp that food companies can't really cost up their way to prosperity, particularly in light of events last week, and -- but it really has to be about a return to growth. So I'd love your thoughts on this more broadly. But assuming you agree with this line of thinking, as you did your due diligence ahead of taking on this next challenge at Campbell, either when speaking with customer contacts or your industry contacts, and of course, your own previous experience, I guess, what were the key factors that gave you the confidence that the requisite growth opportunities really exist at Campbell? And do you think the company can accomplish this without more significant portfolio change than has already been discussed?

Mark A. Clouse ***Campbell Soup Company - President, CEO & Director***

Yes. Great. Thanks, Andrew. So maybe a way into the answer is to start a little bit with what my take is on what really a sustainable performance model looks like in our industry. I think there's really 3 ingredients. It's not that ultimately complicated, although a lot more difficult to execute. But I think it starts with great brands and great ideas that are resourced appropriately that enable the company to deliver sustainable, profitable growth going forward. I think that's paired then with great discipline around cost and cash flow as an enabler to drive the fuel that you need for the brands and the investment, while also creating more attractive financial returns. As much as I wish that you could choose one or the other, I think what we've all learned in the industry over time is that you really need the combination of both.

I think the good news is, a lot of people tend to talk about these things somewhat as mutually exclusive items. And the fact of the matter is, a growing business actually has a lot more opportunity or flexibility to improve efficiencies and costs. So the idea that we're striking the right balance between what profitable growth we need, paired with the appropriate pipeline of cost savings and cash flow to fuel that, I think, is critical. And I think the third component then is a high-powered team that's clear and focused on the priorities, that's delivering executional and operational excellence.

And so I guess, when I took a look at Campbell and I started to spend more time with the team on an external perspective, as well as getting to know the internal players as well, I would say that I see opportunity across all 3 of those variables. We have terrific brands that arguably have been under-resourced and perhaps not always focused on the way that I think we can. Inclusive of what my sense is, is a somewhat -- at least as of today, a somewhat underappreciated snacks business that I think has great opportunity going forward. Remember, post divestitures, that business is going to represent close to 50% of our revenue base as a company. And today, it's growing in the low single digits, and I think there's a lot of good opportunity for us to build on that business going forward. And then I think you also have a soup business that arguably we're taking some good actions on in the near term. But as I said in my comments, and we can talk more about this, I think a much more holistic and comprehensive approach to soup, I think, can further optimize that business going forward.

And so as I look at that opportunity, I feel good that we can make improvements on the growth side of our algorithm, while also feeling great about the pipeline of cost. The combination of our own cost initiatives, which I believe are appropriate rationalization and discipline without necessarily cutting to the bone on capabilities and things that I believe we will ultimately need to succeed on the business, while also having the Snyder's-Lance value capture. That combination, along with what I think are some very good working capital programs that are put in place and a stronger discipline, our capital spending overall, along with the divestitures enabling us to reduce debt, I think gives us that fuel that I talked about as a second ingredient.

And then I think the third area, the team, it's interesting when you come in to an organization that has had a relatively difficult past couple of years, sometimes you expect to see a team that might be hanging their head or feeling a little bit [low esteem], and I've got to be honest, I've seen a very different attitude. It's a passion and ownership for the company and the brand, a true belief that we should be performing better and an appetite to make changes to how our focus and our accountability is driven that enables us, I think, to begin to unlock some of that executional excellence that I talked about in point three. I certainly don't want to portray this as simple or an overnight fix. But I think, as I looked at those elements and said, "Is there room and opportunity for improvement?" I felt very good about that. And I think a clear road map, starting with the focus areas that Keith and the team identified coming in, I think positions us well to make steady progress and, I believe, an opportunity to create shareholder value over the future.

Operator

Our next question comes from Ken Goldman from JPMorgan.

Kenneth B. Goldman ***JP Morgan Chase & Co, Research Division - Senior Analyst***

One quick one from me and then a longer follow-up if I can. I know that you talked about the timing of shipments being ahead of consumption and you talked about some inventory. I think there's some speculation in the market that, perhaps, the timing of the early SNAP payment affected some of the companies that are reporting some January numbers right now. I know it's hard to tell, but to the best of your ability, can you determine whether the extra SNAP payment has helped you at all and whether you expect any kind of a reversal, or whether, in your opinion, it's just sort of a nonstory.

Mark A. Clouse ***Campbell Soup Company - President, CEO & Director***

Well, I think, Ken, a little bit over the challenge for us in the quarter is just a variety of moving pieces in this. Part of it is what we're comparing to a year ago as well as some of the dynamics that we're experiencing on where we're infusing investment and how we're thinking about the promotional schedule. I do think the phasing over time was -- to some degree, was affected by it. But I think the bigger drivers for us related to the fact that 1 year ago in this period, as we were navigating some pretty tough retail conversations, we did not reach what I would call the historical level for the seasonal inventory build. I think as we look forward, I think that will normalize over the balance of the quarters. Of course, you'll have a little bit of noise around revenue recognition changes as well. But I think, in general, we'll see a little bit of consumption likely outpacing shipments a bit in Q3 as we normalize that inventory level. But for the year, I expect it to be pretty equal across the board.

Kenneth B. Goldman ***JP Morgan Chase & Co, Research Division - Senior Analyst***

Okay. And then my follow-up is, you reiterated guidance today, obviously. And in your slides, you're reiterating your fiscal '22 saving targets as well. Is the message you're sending that you feel very good that these targets are very reasonable and that you support them? Or is it really just too early for you to make any changes? I guess I'm asking is there's still an expectation or belief that maybe we'll do some sort of rebase ahead and people are curious. Is it just too soon for you? And maybe as you get closer to the numbers, you say, "Wait, we need to take a step back here." Or is this really you, saying, "You know what, I've gone through these numbers and I feel very good about them and there's not going to be any kind of rebase coming?"

Mark A. Clouse ***Campbell Soup Company - President, CEO & Director***

Well, I think, first, let me just start by saying, I think the rigor that went into defining the algorithm and the work that was behind it, especially the '19 guidance I think was very robust. And so what I would tell you, I think given that rigor and the reasonableness of the framework, I feel very good about that direction and I'm very committed, especially delivering on our '19 commitments, but also pursuing what the longer-term algorithm looks like. I think I also feel very good about the strategic framework that was put in place. I mean, our -- as you look at it, the idea of simplifying, focusing and optimizing our portfolio, divesting some noncore businesses to reduce debt and improving our execution speed and efficiency are somewhat hard to argue with and I think are great first steps to address what some of our immediate challenges are.

I think as we go forward, we need to create the completeness of that plan, add more robust elements underneath each of those headers as we really create what I think will be a clearer road map for the future that builds upon what those foundations are. I think in doing that, we've got to understand what the right balance is between the cost savings we can generate as well as the investment we need. But I think living within the guidance that was given certainly is my objective. I do think, in fairness to my time in the seat, I want to spend a little more time making sure that the investment models and the plans that are in place are all consistent with what those -- what I believe we need to have in place to deliver on those objectives. Does that make sense, Ken, to you?

Kenneth B. Goldman ***JP Morgan Chase & Co, Research Division - Senior Analyst***

It does.

Operator

Our next question comes from Bryan Spillane from Bank of America.

Bryan Douglass Spillane ***BofA Merrill Lynch, Research Division - MD of Equity Research***

Mark, I guess my question is really as we've sort of observed the retailers' response to some of the actions that Campbell has made over the years in the soup category specifically, it just seems like retailers have maybe been less enthusiastic about the category and maybe looking at it -- for ways to sort of harvest profits out of it or margins out of it. So I guess, could you talk about, from your perspective so far, how you see the retailers' attitudes around the category and maybe what it would take to get them reengaged with it?

Mark A. Clouse ***Campbell Soup Company - President, CEO & Director***

Yes. Thanks, Bryan. Well, one of the things that was helpful was in the first week I was on the job, we had after my -- in Florida. So I got to spend some good quality time with our retail partners in the first week. And I think, in many ways, their response was pretty consistent, which is, "Hey, we do expect you as the category leader of soup to help us understand the vision and really step up and bring to bear a plan that can optimize the portfolio with hope of being able to improve it going forward." And I think that call to action is a good one for us.

When you think about the role that soup plays within the company, I think it is undeniable that we have got to apply, as I said a bit in my comments, a better, more-holistic plan. Although, I like and believe that the near-term actions we're taking are helping the cause. If you look at the couple of the places where we're supporting the business more directly, like cooking within condensed, you see flat shares on that portion of the business versus decline, overall, in the franchise or a chunky business that we've turned back on support and we're actually growing share on that business for the first time in quite a while. And then continued growth on some of the health and wellness business has done well. Yes, in our broth business, which had also done well. So I feel good about those actions.

But clearly, as you look in our results, we recognize that it's not enough. And so I think what we've got to bring to bear here is a more holistic plan. And what I mean by that is clear definition of portfolio roles for our individual brands across the range, where we're really driving consumer relevance against each one. We get the fundamentals right, so price, package, quality and the support levels, again, disciplined with good ROI. It's not grow-at-all cost, but a good approach to how we provide the right support behind the business and sustainable support behind the business.

And then I think we add innovation that's going to bring relevant opportunities to enter into either new occasions or adjacent formats that I think soup can play perhaps a bigger role in than what we're doing today. And then with that in place, I think we need to articulate a vision for retailers, collaborating with them on how we rethink the shelf and the destination in the store, and that's traditional retailers as well as some of the growth channels, and then backstop that with network optimization and a supply chain model that's going to ensure that we've got a margin architecture that's profitable over the future.

So when I talk about that -- again, it's somewhat early days. I don't -- I would say we've got great work done in many areas, but we need to work the complete plan and we are doing that very rapidly. But I think if we step up and take a full swing on this business with that kind of rigor across the plan, I think that's going to give us our best opportunity to improve the trajectory and also signal the retailers our commitment to this category and the opportunity that, I think, it can represent. Again, not an overnight fix, but I think a steady journey forward on our ability to do that. And as I said, we'll talk more about it when we get to the Investor Day in June.

Operator

Our next question comes from David Driscoll from Citi.

David Christopher Driscoll ***Citigroup Inc, Research Division - MD and Senior Research Analyst***

Mark, welcome to the company, and I appreciate you being on the call today.

Mark A. Clouse ***Campbell Soup Company - President, CEO & Director***

Yes. Thanks, David.

David Christopher Driscoll ***Citigroup Inc, Research Division - MD and Senior Research Analyst***

I want to ask a follow-up to Ken's question. I really just want to understand about the big $945 million multiyear savings program. To me, I got to say, this is -- this looks to me like it should be the #1 item on your list, but I want to hear that from you. I know there's -- it probably feels like there should be a lot of #1 items, but you got to prioritize these items. Have you had enough time to really delve into the details of the program? And I know you partially answered the question a moment ago, but I can't underscore enough how much I think investors are sensitive to it. I mean, what we all want to know desperately is, is this program aggressive in your opinion? Is there -- are there parts of this -- because again, to Andrew's point earlier, I mean, you just saw a spectacularly bad event last week. So then, what does it mean for these types of savings programs? In your initial assessment, would you characterize the savings program as aggressive? And then I have a follow-up, please.

Mark A. Clouse ***Campbell Soup Company - President, CEO & Director***

Yes. So let me hit the first part of that question head on. Absolutely, it is an imperative for us as a company, because regardless of what you may believe or know that we need to do relative to getting the balance right between supporting our brands and improving our top line trajectory, we need the opportunity that is created by the work around the cost agenda. As far as how I would categorize it, I think the good news is it's not one thing or a silver bullet, it's a variety of different initiatives that I think, in each individual case, is appropriately set. The reality is, we have opportunity to improve our discipline and our rigor around a variety of different cost areas as well as what I think is a very well-organized and put-together value capture program for Snyder's-Lance. I've been through a few of these, and really what is important as you start to think about value capture agendas, have you appropriately put ideas, programs and governance around each of the elements that are driving the savings, while also being realistic about where the investments may need to come to support the business going forward. And I think, we are -- we have done a very good job on lining up the elements that will fuel the cost savings program.

And again, I think in some areas, we're more aggressive than others. But I would say in the areas that are related to our ability to perform or drive the business, I think we've taken an appropriate level of balance. I think on the investment side, so post the $945 million of savings, how do we think about the investment? I think we've made a lot of progress on that. But this is where I want to spend a little bit more time with the team and make sure that I'm crystal clear on what our expectations are and what we really believe we need to have in place to support the businesses. But I think it begins, as you say, with really that focus and orientation on generating the cost savings without replicating, perhaps, some of the challenges that we've seen emerge in our industry, where it's about cutting at the expense of our capability or going beyond what we think is appropriate for what our objectives are on the broader business.

David Christopher Driscoll ***Citigroup Inc, Research Division - MD and Senior Research Analyst***

And then a quick one on your sales guidance. So I think you guys added a 1 point negative impact from foreign exchange. The dollar numbers don't change, so organic revenues are up. Your in-market performance is negative 5%. I'm just getting a lot of questions, Anthony, and Mark, if you want to answer, but how do you maintain the dollar guidance with soup down 5% and foreign exchange headwinds coming in? Can you just help us bridge how the full year's going to pace and why the soup performance is okay and able to allow you to reiterate the sales?

Mark A. Clouse ***Campbell Soup Company - President, CEO & Director***

So Anthony, why don't you take the guidance question, and then I'll come back with how do we feel about soup.

Anthony P. DiSilvestro ***Campbell Soup Company - Senior VP & CFO***

Yes. I guess, there's a couple of parts to the guidance, the organic performance, the incremental contribution from the acquisition and currency. So when we came into the year, we thought currency would be about 50 basis points negative. That's turning out to be more like 100 basis points. There was a little bit of a negative inside of that. With respect to the incremental impact from acquisitions, we are tracking spot on where we expected to be in terms of the first half, second half contribution from both Snyder's-Lance and Pacific Foods, so that's on track. And lastly, in terms of our overall organic sales performance, we are tracking where we expected to be. So although soup is down a little bit, we have other parts of the portfolio that are up a bit. And as we look to the second half -- and we need to do about a minus 2% organic to hit the middle of the range and there's some flex plus or minus around that, so we feel pretty good about where we are and hitting the guidance by the end of the year.

Mark A. Clouse ***Campbell Soup Company - President, CEO & Director***

Yes. I think one of the things in the back half that we're excited about is the -- as we come through the integration of the Snyder's-Lance business, the team's done very good job building a pretty robust agenda both on the marketing and innovation funnel as we look at the back half of the year. And I would expect to see some increased investment but also strengthening performance on some of those businesses, which I think will help kind of compensate for what I still would expect to be a somewhat weaker trend on soup that we're working hard to improve on. But I think that balance is how you get to the map that lines up with the guidance.

Anthony P. DiSilvestro ***Campbell Soup Company - Senior VP & CFO***

Yes. One other point is, end of March, we're going to wrap Snyder's-Lance. So for 4 months, we expect to see a positive contribution to our organic sales performance from that business.

Operator

Our final question will come from Robert Moskow from Crédit Suisse.

Robert Bain Moskow ***Crédit Suisse AG, Research Division - Research Analyst***

Nabisco, running a DSD network. The margins on that business were a lot higher than Snyder's-Lance's margins, which are still single digit. And I just want to know what do you think the big differences between the margin structure of these 2 companies. And how do you close the gap?

Mark A. Clouse ***Campbell Soup Company - President, CEO & Director***

Yes. Well, it's a great question. And in fact, I think as we talked before about -- as we start to look closely at our cost agenda and we talked about value capture, it is one of the opportunities that, I think, should give us some confidence, is that disparity in margin architecture and the opportunity to bring it up. Even with the value capture, one of the things that I think we've used is a little bit of a gut check on it. It would still operate below where we are on Pepperidge Farm, which I think is an encouraging opportunity that, even beyond what we see in the value capture, we can improve. So I think a lot of the power of margin architectures on DSD, it revolves around scale, the efficiency of how you're running your network and that you're fueling your innovation and you're spending in a way where you're taking full advantage of your presence in-store.

And I think as you look across those variables, I would suggest we have some opportunities to improve in all of those areas. I think the combination -- although as we talked about today, really the focus of the integration has been more on the sales operation and headquarters, I think the idea that we can use best practices on how we think about optimizing routes, how we think about optimizing impact in-store, how we get the balance right between what is kind of our sweat equity around merchandising through our drivers and what we're truly investing in price, while creating a lot better scale and operational efficiencies in our supply chain, I think, is going to be where the unlocks are. The Nabisco business is a very efficient business and, again, sets a fairly high bar. But I think the idea that we can bring this closer to what our Pepperidge Farm margin architecture is and get closer to that balance as a company as a goal, I think, bodes well for what the opportunity, both again from the integration but also where our focus can be going forward to continue to drive opportunities. Is that good, Rob? Does that give you a little insight?

Robert Bain Moskow ***Crédit Suisse AG, Research Division - Research Analyst***

Yes. Maybe one follow-up. At the start of the year one of the concerns about Snyder's-Lance was that they had entered into some price contracts with customers that were unfavorable. Are those still in place? And is there effort now to renegotiate them higher?

Mark A. Clouse ***Campbell Soup Company - President, CEO & Director***

I think we're cycling through a variety of those initiatives. And I think, again, part of the dynamic here is really going back in and making sure that we're crystal clear on what the right price value equations are, how we navigate price gap. So I think as far as -- if you would -- if you're wondering whether it's a drag on the business going forward, I would say, we feel pretty good about where we are on that journey and how we're set up for the back half of the year.

Operator

Ladies and gentlemen, that does conclude today's conference. Thank you for your participation. And everyone, have a great day.