

29-Aug-2024

# Campbell Soup Co. (CPB)

Q4 2024 Earnings Call

## CORPORATE PARTICIPANTS

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Greetings, ladies and gentlemen, and welcome to the Campbell Soup Company Fourth Quarter Fiscal 2024 Earnings Conference Call. At this time, all participants are in listen-only mode. After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] As a reminder, this conference call is being recorded.

It is now my pleasure to introduce your host, Rebecca Gardy, Chief Investor Relations Officer. Please go ahead.

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**Rebecca Gardy**

*Senior Vice President & Chief Investor Relations Officer, Campbell Soup Co.*

Good morning, and welcome to Campbell's fourth quarter fiscal 2024 earnings conference call. I'm Rebecca Gardy, Chief Investor Relations Officer at Campbell's. And joining me today are Mark Clouse, Chief Executive Officer; and Carrie Anderson, Chief Financial Officer.

Today's remarks have been prerecorded. Once we conclude the prepared remarks, we will transition to a live webcast Q&A session. The slide deck and today's earnings press release have been posted to the Investor Relations section on our website, campbellsoupcompany.com. Following the conclusion of the Q&A session, a replay of the webcast will be available at the same location, followed by a transcript of the call within 24 hours.

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

have provided a reconciliation of each of these measures to the most directly comparable GAAP measure in the appendix of our presentation.

Slide 4 outlines today's agenda. Mark will provide insights into our fourth quarter and full-year performance, as well as our in-market performance by division. Carrie will then discuss the financial results of the fourth quarter and full-year fiscal 2024 in more detail and outline our guidance for the full fiscal year 2025, which we provided this morning. As a reminder, we completed the acquisition of Sovos Brands on March 12, and as such, the full fiscal year 2024 financial results include a partial year contribution from Sovos Brands.

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

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## Mark A. Clouse

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

Thanks, Rebecca. Good morning, everyone, and thank you for joining our fourth quarter fiscal 2024 earnings call. In Q4, we continued to successfully navigate the evolving consumer landscape and delivered solid results, including sequential volume improvement across both divisions, a second consecutive quarter of double-digit year-over-year adjusted EBIT growth and adjusted EPS growth, underpinned by sequentially improving margins on both businesses. It also marks the end of a dynamic year, during which we drove significant progress against our strategic plan. In addition, we continued to see momentum on the Sovos Brands business and advanced the integration of the best growth story in food into our Meals & Beverages business.

In-market performance was still mixed but improved for both divisions, with substantial volume-driven progress on Meals & Beverages and sequential improvement on Snacks. While the Snacks category recovery is unfolding at a somewhat slower pace than we'd like, it continues progressing in the right direction.

Finally, we also introduced fiscal 2025 guidance today, which reflects our expectation of steady progress and incorporates an appropriate level of pragmatism, as we continue to navigate the recovery of Snacks in the first half of the year. Carrie will provide more details in a moment.

While we remain vigilant as we head into fiscal 2025, we have also never been more confident in the strength and long-term trajectory of our business. We remain steadfast in our view that consumer behavior will continue to normalize, and that we are uniquely positioned to deliver sustained and dependable growth with one of the best portfolios in all of food. We look forward to sharing more of this story at our Investor Day on September 10 in New York.

Turning to slide 7, organic net sales in the fourth quarter declined 1% compared to the prior year. As we expected, volume improved sequentially, and both adjusted EBIT and adjusted EPS increased by double digits. The Sovos Brands acquisition was approximately neutral to adjusted EPS, which again exceeded our expectations. In-market consumption was essentially flat compared to the prior year, and the one point of difference in organic net sales versus consumption was primarily driven by headwinds from partner brands and some trade phasing, both of which were in our Snacks business. On a full-year basis, we were down slightly on top line, while growing adjusted EBIT and adjusted EPS. I'd note that adjusted EPS at \$3.08 for the full year put us roughly at the midpoint of our most recent guidance.

As I mentioned, the trend of sequential volume and mix improvement we've experienced over the past two quarters continued in Q4. We were encouraged to see growth in Meals & Beverages of 2%, and Snacks remained stable in the quarter. This trend continues to reflect the improving consumer dynamics, including Total Food's move this quarter into positive territory for both dollars and units.

Strong consumer metrics support this continued progress, including roughly 70% of edible categories growing household penetration, similar to Q3. And for the first time in a while, the recovery is beginning to extend to lower- and middle-income households. The one negative indicator was a modest reversal in consumer confidence in the fourth quarter, signaling the somewhat fragile state of the consumer, and why being prudent on expectations still makes sense. However, overall, as we've said before, we continue to see the recovery of the consumer environment not as a question of if, but rather a question of when.

On slide 9, I want to briefly expand upon the material benefit we're experiencing with the integration of Sovos. While our Q4 net sales declined 1% from the prior year on an organic basis, including the pro forma contribution from Sovos, total company growth would have increased 150 basis points. There's also a 110-basis-point benefit to volume and mix, resulting in an approximately 2% pro forma growth rate on volume and mix for the total company. This growth continues to pace ahead of our initial estimates and reflects the strength and the resilience of the Sovos business' growth, especially the Rao's brand.

Moving to our Meals & Beverages division on slide 10, we achieved growth of 1% in organic net sales in the quarter compared to the prior year. More importantly, that growth was fueled by a 2% volume growth, offset by 1 point of planned net pricing investment. On a pro forma combined basis with the addition of Sovos Brands, Meals & Beverages net sales grew 4%, also fueled by volume/mix growth and consistent with in-market consumption. This is the second quarter of strong performance across our legacy Meals & Beverages businesses and Sovos Brands, both fueled by volume growth, an important indicator that's building confidence in the improving potential of our Meals & Beverages division going forward.

Moving to more good news on page 11, our Soup business also strengthened in Q4 and is building even more momentum in the latest four weeks, with dollar consumption up 2% and 6%, respectively, as we head into soup season. Campbell's wet soup dollar consumption increased 2 points during the fourth quarter, surpassing the category average by approximately 1 point. Notably, we did experience robust share gains in our Swanson broth business, as a major private label supplier was experiencing supply constraints.

It's important to note that although our share was helped by this dynamic, the category trends were also very healthy, up double digits, creating a great opportunity for Swanson to add new households. Underlying category growth continues to benefit from the consumers pulling back on eating meals away from home, in favor of home cooking.

The one remaining area of focus on Soup is ready-to-serve, where we're experiencing category pressure and some trading down. We expect both dynamics to improve as the weather changes and the role of ready-to-serve at lunch becomes more relevant. We're already seeing some stabilization and are confident about our robust pipeline of innovation and marketing across our Chunky, Pacific and Rao's brands.

Overall, this quarter, we also answered a very important question about Soup, can Soup grow volume/mix after COVID and inflation? And it did, up nearly 2%.

Turning to Italian Sauces, slide 12 highlights our two market-leading brands at the forefront of our billion-dollar Sauces portfolio, Rao's and Prego. I could not be happier with the continued strong growth of Rao's with in-market consumption in the high teens range. Rao's complements the steady performance of Prego, which was up 2% in-market. This combination of brands that address different occasions and price points gives us a fantastic ability to grow overall share by meeting multiple consumer needs.

We'll provide more details on our expectations for Rao's at our Investor Day, but we remain very confident in our previously stated ongoing growth rate of mid-single digits, with a high-single-digit growth expectation for fiscal 2025. The team on Sovos has done an excellent job during the integration, not only maintaining the business, but advancing the growth and strategy across the portfolio.

Slide 13 outlines a few reasons why we are confident in the continued growth of Rao's. Despite ranking as the number one Italian sauce brand in terms of dollar share, Rao's has about 50% of the household penetration and 60% of the SKU assortment of Prego. There's also a significant opportunity to continue to build brand awareness as the team readies new marketing and innovation for fiscal 2025. Additionally, the brand is growing share across all economic demographics and is thriving amongst millennial consumers. In fact, Rao's is growing with millennials at a rate 2.8 times faster than the category. We are thrilled to see younger consumers embrace this ultra-distinctive brand and believe this provides a strong foundation for us to build Rao's into a household staple in the future.

Finally, on slide 14, just to remind everyone that our Meals & Beverages division also includes brands like Pace, Pacific, and V8 Energy, all of which represent great opportunities for additional growth as leading brands in their respective advantaged categories or segments.

Turning to our Snacks business on slide 15. Despite the 3% decline for the quarter, we saw many encouraging indicators. We were pleased to see continued improvement in vol/mix as well as in market results compared to Q3. We did see some competitive pressure in salty snacks that we're addressing with targeted plans in place in Q1. It's important to note much of that share pressure is not a result of pricing or promotional activity, but rather new entrants into our elevated segments like Kettle potato chips or organic better-for-you tortilla chips.

Although we continue to see investment in promotion going forward, we expect levels to remain competitive and disciplined. It's important to remember that although managing price gaps is important, growing our elevated snacks brands will be more influenced by the impact of our innovation and marketing efforts. Those plans are particularly robust for fiscal 2025, giving us even more confidence.

On slide 16, I'd like to quickly provide some additional color on the bridge between the in-market 1% decline and our overall 3% decline in organic net sales. There were two key drivers. First, as we expected, there was approximately a 1% reduction, driven by partner and contract brands, which I'll explain a bit more about in a moment. Second, we cycled about a point of favorable trade phasing in Q4 of fiscal 2023 that created some additional pressure on pricing in the quarter. This is a onetime dynamic that we do not expect to repeat in fiscal 2025.

Let me go a bit deeper now on the partner and contract brands headwind. As you will likely recall, we've discussed the role of these partner and contract brands in the past. Partner brands are brands Campbell's does not own that we agree to sell through IDPs to improve the scale of their routes. Contract brands are products that Campbell's manufactures to support the scale of our manufacturing plants and are shipped to another company or customer.

Although these businesses play an important role, on average they have approximately 50% lower variable contribution margin than our power brands and also in many cases support competitors' products. So, as we grow our power brands and optimize our DSD and manufacturing network, our reliance on these businesses has gone down. Although there is a top line headwind in the near term, it is clearly the right strategic decision to focus more on our own brands and improve the mix of our business. We expect this trend to continue in fiscal 2025, but as

you can see we've been working this number down and reduced it by more than a half. We'll provide a bit more detail on our destination for these businesses during Investor Day.

In addition to the rightsizing of partner and contract brands and with a similar objective, we recently announced the sale of our Pop Secret business. Although a very strong brand in the microwave popcorn segment, we do not see the brand or the category as a core focus area for our Snack business. While there will be a modest impact to net sales and EPS this year, we're confident that as we continue to refine our Snacks portfolio, the continued focus will be a further enabler to faster and more profitable growth.

As I mentioned earlier, we did experience some competitive pressure on our power brands in Q4, resulting in dollar consumption that was flat compared to the prior year. On a two-year basis, our power brands did grow 9.5%. Moreover, we continued to see meaningful progress in the quarter on key brands like Goldfish, which continued to drive in-market growth. We believe strongly in the accelerated growth of these brands within our Snacks portfolio and are responding to the near-term pressure by delivering strong innovation, increasing our marketing efforts, and investing at sustainable and disciplined levels, as we continue to make strides towards our long-term goals for the category.

Another important focus area for fiscal 2024 was delivering Snacks margin improvement, and I'm pleased that despite the volatile environment we were able to reach approximately 15% operating margin for the full year. This finish reflects 170 basis points of expansion over the last two years. We remain extremely confident in our savings and productivity road maps for Snacks, but we'll always ensure that we're appropriately supporting our brands given our priority of growth.

As you will hear from Carrie in a moment, we're being measured in our fiscal 2025 guidance for Snacks margin improvement until we fully cycle the consumer and category recoveries. To that end, although we do expect margin progress in fiscal 2025 on Snacks, we're targeting approximately 50 basis points of year-over-year improvement. Again, all savings initiatives remain on track, and this moderation from our originally planned 100 basis points increase simply reflects the acceleration of planned marketing investment into this year, reflecting the competitive environment and a near-term moderate margin headwind from the Pop Secret divestiture. We remain confident in our stated longer-term goal of 17% margins for Snacks, and we'll talk more about that path during Investor Day.

In summary, our fourth quarter performance was a solid close to fiscal 2024, with steady progress across the business and against our strategic plan. We saw stabilizing trends in growth and volumes, compelling earnings with margin improvement, and continued progress integrating Sovos Brands.

I'd like to thank the entire Campbell's team for their hard work and commitment in finding ways to deliver in an ever-evolving consumer environment. I recognize that we're not fully through the consumer recovery yet, but I can clearly see the light at the end of the tunnel. This paired with the tremendous progress we've made in transforming Campbell's business is setting up what I believe will be a very exciting next chapter in our storied history. We look forward to laying out that chapter at our upcoming Investor Day on September 10 in New York.

With that, let me turn it over to Carrie.

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## Carrie L. Anderson

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

Thanks, Mark, and good morning, everyone. I'll begin with an overview of our fourth quarter, including continued strong performance from the Sovos Brands acquisition. Fourth quarter reported net sales were up 11%, driven by

the contribution from Sovos. Organic net sales, excluding the impact of acquisitions, divestitures, and currency decreased 1% compared to the prior year to \$2 billion. Importantly, as Mark mentioned earlier, we continued to show sequential volume improvement, moving into positive territory.

Similar to third quarter, both adjusted EBIT and adjusted earnings per share increased double digits in Q4, with expansion in both adjusted gross margin and adjusted EBIT margin. Adjusted EBIT increased 36%, primarily due to higher adjusted gross profit from the contribution of Sovos and base business performance. Adjusted EPS increased 26% to \$0.63, with the impact of the acquisition approximately neutral in the quarter, which, as Mark mentioned, continued to exceed our expectations.

Turning to slide 23, on a full-year basis, net sales were up 3%, including four and a half months of sales contribution from the Sovos acquisition. Organic net sales decreased 1% compared to the prior year with unfavorable volume and mix, partially offset by the benefit of net price realization. Our organic full-year net sales result was in line with the low end of our guidance range, and we have now delivered two consecutive quarters of stable or growing year-over-year volume and mix.

Full-year adjusted EBIT increased 6%, driven by higher adjusted gross profit from the contribution of the acquisition and base business performance. Adjusted EBIT margin improved 50 basis points, driven primarily by an increase in adjusted gross margin. Full-year adjusted EPS increased 3% to \$3.08, with the impact of the acquisition approximately neutral during the fiscal year.

Moving to slide 24, organic net sales declined slightly in the quarter, as sequential improvement in volume and mix was more than offset by unfavorable net pricing. We did see volumes turn positive in the quarter within our Meals & Beverages division and neutral volumes in Snacks, and both divisions saw volume improvement in the quarter compared to Q3. Looking ahead, we expect volume trends to continue to modestly improve as we move through fiscal 2025. During the quarter, Sovos Brands added 12 percentage points to reported net sales growth, which exceeded our expectations.

On slide 25, fourth quarter adjusted gross profit margin expanded 80 basis points to 31.4%, consistent with Q3 margins and in line with our expectations. Drivers of margin expansion included supply chain productivity, lower other supply chain costs, and favorable mix. These contributors more than offset unfavorable net price realization, moderate cost inflation, and the impact of the Sovos Brands acquisition, which has a lower margin profile than the base business.

Core inflation in the quarter remained in the low-single digit range, consistent with rates we experienced throughout the year and much lower than the 12% we reported for full-year fiscal 2023. We anticipate core inflation to remain in the low-single digit range for fiscal 2025, and we remain focused in areas of the portfolio where we still see higher year-over-year input costs, including olive oil, cocoa, and packaging costs, and other areas of persistent inflation, such as labor costs and warehousing costs.

In fiscal 2024, we delivered \$60 million of enterprise cost savings, reaching a cumulative \$950 million of our \$1 billion multi-year cost savings program. For the full year, our total productivity initiatives and cost savings programs more than offset the impact of inflation.

Turning to slide 26, Q4 other operating items included adjusted marketing and selling expenses, which decreased 4% to \$187 million. The decrease was primarily driven by lower advertising and consumer expenses in the base business, as we lapped significant spending in the prior year. Reductions in advertising and customer expenses on the base business were partially offset by the impact of the Sovos Brands acquisition.

Fourth quarter adjusted administrative expenses modestly increased 1% to \$165 million. The added adjusted administrative costs from the acquisition were partially mitigated by lower incentive compensation costs and approximately \$7 million in cost synergy realization in the quarter from our Sovos integration plan. This brings our total Sovos integration synergy capture to \$10 million for fiscal 2024.

As shown on slide 27, fourth quarter adjusted EBIT increased 36% and adjusted EBIT margin increased 260 basis points to 14.3%. This was primarily due to higher adjusted gross profit from the contribution of the acquisition and base business performance. Lower adjusted marketing and selling expenses were offset by the modest increase in adjusted administrative and R&D costs, and an increase in adjusted other expenses, which were driven by higher amortization of intangible assets related to the acquisition, and lower pension and postretirement benefit income.

On slide 28, adjusted EPS increased double digits to \$0.63, primarily reflecting higher adjusted EBIT, partially offset by higher net interest expense related to higher levels of debt to fund the acquisition. As we mentioned earlier, the acquisition was approximately neutral to adjusted EPS in Q4 and to the full year.

In Meals & Beverages, fourth quarter net sales increased 28%, driven by the contribution of the Sovos Brands acquisition. Pro forma Q4 net sales growth for the division, as if we had owned Sovos for all of Q4 fiscal 2023, would have been approximately 4%, driven by the respective pro forma Q4 growth of Sovos of 14%. Organic net sales increased 1%, driven by gains in US Soup, foodservice and Prego pasta sauces, partially offset by declines in beverages. It was great to see year-over-year volume trends turn positive in the quarter for Meals & Beverages, with favorable volume and mix of 2%, partially offset by lower net price realization of 1%. In US Soup, net sales increased 2%, primarily due to an increase in broth, partially offset by decreases in ready-to-serve and condensed soups.

Additionally, fourth quarter operating earnings increased 60%, primarily driven by the contribution of the Sovos Brands acquisition and higher gross profit in the base business. We were pleased with the Q4 Meals & Beverages operating margin of 17.6%, which improved 350 basis points as compared to the prior year, more than absorbing the impact of the recent acquisition, which, as I mentioned earlier, has a lower margin profile than the base business. For the full year, Meals & Beverages operating margins improved 30 basis points to 18.5%.

Fourth quarter organic net sales in Snacks decreased 3%. Volume and mix trends sequentially improved to flat in the quarter, with roughly 1% growth in power brands and 1% reduction in partner brands. In addition, we saw slightly more than a 2% unfavorable net price realization, of which approximately half was a planned increase in net pricing investment and the balance reflecting the lapping of favorable trade phasing in Q4 of fiscal 2023.

Fourth quarter operating margin for Snacks increased 50 basis points to 14.5%, and full-year margin improved 40 basis points to end the year at 14.8%, generally aligned with our goal of reaching approximately 15% margins for the year, as we navigated the ongoing consumer recovery.

We remain on track with our network and route-to-market initiatives as part of our margin road map. Though as we think about fiscal 2025, we will be a bit more conservative with a margin expectation modestly above 15%, as volume trends continue to normalize and we absorb the near-term impact of the Pop Secret divestiture. This will give us some flexibility to remain competitive while supporting our brands and innovation launches this coming year, while staying focused on our long-term margin goal of 17%.



Turning to slide 31. We generated strong cash flow from operations of nearly \$1.2 billion in fiscal year 2024. This result represented a 4% increase compared to the prior year, despite incurring onetime cash costs associated with the acquisition. Fiscal 2024 capital expenditures were \$517 million, as we continue to prioritize key growth and capability building investments, including capital requirements related to Sovos Brands.

We also remain committed to returning cash to our shareholders, with \$445 million of dividends paid and \$67 million in anti-dilutive share repurchases during the fiscal year. Our net debt to adjusted EBITDA leverage at the end of the fourth quarter was 3.7 times, as expected. We remain committed to investment-grade ratings, and our goal to return to our 3 times net leverage target by the end of year three post close. At the end of Q4, we had approximately \$108 million in cash and cash equivalents and ample liquidity under our revolving credit facility.

Turning to slide 32. Our full-year fiscal 2025 guidance reflects a balance between sequential progress, while also reflecting a reasonable range as we continue to navigate the ongoing consumer recovery. As a reminder, we completed the sale of our Pop Secret business earlier this week. The divestiture is estimated to reduce net sales by approximately 1 percentage point and have a \$0.04 earnings per share dilutive impact in fiscal 2025, which is reflected in our full-year guidance. Fiscal 2025 comprises 53 weeks, 1 additional week compared to fiscal 2024. The benefit of the 53rd week is included in our fiscal 2025 guidance, and it is estimated to be worth approximately 2 points of net sales and adjusted EBIT growth and approximately \$0.06 of adjusted EPS.

Full-year reported net sales are expected to increase approximately 9% to 11%, which reflects a full 12 months of net sales contribution from Sovos Brands and the loss of 11 months of net sales from the divestiture of Pop Secret. As a reminder, Sovos moves into our organic growth calculation starting March 12, 2025. We expect Sovos Brands fiscal 2025 pro forma net sales growth, as if we had owned Sovos for all of fiscal 2024, to be in the high-single-digit range, following a year of double-digit growth. Rao's will lap its more significant distribution gains beginning in January. Moving forward, we still expect long-term Sovos Brands net sales growth to be in the mid-single-digit range.

Full-year organic net sales growth is expected in a range of approximately flat to up 2%, reflecting the variability in the pace of consumer recovery. Our organic net sales [audio gap] (00:28:26) expectations reflect modest positive volume and mix for the year. In terms of phasing, we expect Q1 organic net sales growth to be relatively flat, a modest improvement from Q4. And for the balance of the year, we expect sequential improvement in the consumer environment. Importantly, for the second half, although we expect healthier category trends, we will be cycling the broth net sales benefit in fiscal 2024 that was a result of private label supply constraints.

We expect adjusted EBIT growth of 9% to 11%, including the operating income contribution of Sovos Brands and the impact of the divestiture of Pop Secret. As a reminder, the adjusted EBIT contribution of Sovos in our guidance includes stock-based compensation expense and acquisition-related depreciation and amortization expense, whereas, historically, when Sovos was a stand-alone company, these costs were not included in their adjusted results.

Fiscal 2025 transaction-related depreciation and amortization expense is expected to be approximately \$18 million, in line with our original expectations. We expect full-year core inflation in the low-single-digit range, consistent with fiscal 2024. We also expect productivity improvements of approximately 3% and enterprise cost savings of approximately \$70 million, inclusive of \$10 million in cost synergies related to the integration of Sovos. Of the \$70 million, roughly one-third will benefit gross profit and two-thirds to be realized in the marketing, selling, and general and administrative expense categories.

Additionally, in line with our continued commitment to brand investments, we expect adjusted marketing and selling expense as a percent of net sales to return to our targeted range of 9% to 10%. For Q1, we expect an increase in marketing and selling spend as compared to Q1 fiscal 2024, with the addition of Sovos Brands expenses, as well as other targeted brand investments in the base business.

Total company adjusted EBIT margin is expected to be similar to fiscal 2024, with a modest improvement in adjusted gross margin, offset with the impact of the acquisition as it moves into our base for a full 12 months, as well as the normalization of incentive compensation and higher levels of marketing and selling costs for the base business. As mentioned earlier, Snacks operating margin is expected to be modestly above fiscal 2024. Meals & Beverages operating margin is expected to be modestly lower, reflecting the mix impact of Sovos, partially offset by a modest margin improvement in the base business.

Adjusted earnings per share is expected to increase 1% to 4% and be in a range of \$3.12 to \$3.22, including the \$0.04 impact of the divestiture of Pop Secret. We expect Sovos to be approximately neutral to adjusted EPS in fiscal 2025. To provide a bit more clarity about the phasing of the year, in Q1, we would expect adjusted EPS to be in the mid-to-high \$0.80 range, reflecting modest dilution impacts from the Sovos acquisition and Pop Secret divestiture, as well as brand investments within our targeted 9% to 10% range.

Full-year adjusted net interest expense is expected to be between \$350 million and \$355 million. Net interest expense is higher than fiscal 2024, reflecting a full year of incremental debt related to the acquisition and higher expected interest expense associated with the refinancing of our March 2025 bond maturities, with expected debt issuance timing driven by market conditions.

As I wrap up guidance, capital expenditures are expected to be approximately 5% of net sales. Our priorities for fiscal 2025 include key networking optimization initiatives across both divisions, capital related to the integration of Sovos including IT investments, and completing our growth capacity investments in our Snacks division for Goldfish and Kettle brand chips. We see great opportunity to reinvest into the business in support of growth and improved profitability. This remains very much aligned with our long-term algorithm and capital allocation priorities that we'll talk more about at our upcoming Investor Day.

To wrap up, we were pleased with our fourth quarter results, delivering double-digit growth in both adjusted EBIT and EPS and margin expansion. As we head into fiscal 2025, we remain encouraged by the continued expectation for improving volume trends in the business and sustaining the momentum following our first full quarter with Sovos Brands in our results.

With that, let me turn it over to the operator to begin Q&A.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. We will now begin the question-and-answer session [Operator Instructions] Your first question comes from the line of Andrew Lazar from Barclays. Your line is open.

**Andrew Lazar**

*Analyst, Barclays Capital, Inc.*

Great. Good morning, everybody.

Q

**Mark A. Clouse**

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

Hi, Andrew.

A

**Andrew Lazar**

*Analyst, Barclays Capital, Inc.*

Hi, there. Mark, I'm sure there will be plenty of questions on Snacks. So, maybe I'd like to focus a bit on Meals & Beverages to start. Organic...

Q

**Mark A. Clouse**

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

Okay.

A

**Andrew Lazar**

*Analyst, Barclays Capital, Inc.*

...sales rose 1%, right, 2% gain in volume. So, momentum clearly improving here even without Sovos being in the base. So, I was hoping you could talk just a bit more about sort of the key drivers here, and I guess, more importantly, the sustainability, right, of these improved results, especially in the context of the industry supply in broth coming back later this calendar year.

Q

**Mark A. Clouse**

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

Yeah. So, I think the first thing I just would say is that when we think about the consumer landscape that we're in right now, it's a good time to be in these categories. Meals & Beverages fit very well in a world where consumers are eating more in-home as we continue to see those numbers extremely high, the behavior of cooking, and driving value and affordability along with convenience. We really couldn't have a better fitting set of brands for that, and I think that underpins a lot of the reasons why growth is continuing.

A

I do think it's important, though, that for a lot of investors I – that I've spoken to, I think one of the big questions was, are you going to be able to get volume in the right direction on Soup without mortgaging, if you will, the margin? And I think this was a great quarter to demonstrate that. And even if you look into the latest four weeks as we go into Q1, the momentum on that business is really fairly broad-scaled, fairly universal across all of our segments, a little bit more work to do on ready-to-serve. I think that will – we continue to see consumers kind of choosing based on what the priority of the season is. And so, I do expect ready-to-serve and Chunky to have a stronger first half of the year. But the reality is, those businesses are in strong footing.

On share, there's no doubt that the broth dynamic with private label is helping, and we're seeing significant growth in broth and we have now for a couple of quarters. But I think what's interesting is, even if I account for the fact that we're a bit higher priced than private label in the dollar growth of the category and the volume growth, the category still is very, very healthy. And all of that consumption is now happening with Swanson. So, we feel really good about the trajectory of Soup as we go into the season and into the holiday.

I think, as I pointed out, our Sauce business has been good, right, was good, is good, and absolutely consistent belief that it will continue to do very well. It was great to see both Rao's and Prego growing because I think they are very complementary in nature. You've got a mainstream Prego business that was doing well in the quarter and then, of course, Rao's just continues to be the driver that it's been. The total brand in the fourth quarter for Rao's was up 25%. And as we've talked a lot, we haven't even really started the marketing and the next wave of innovation on that business.

And so, our belief in that continuing to be a driver, albeit moderated as we cycle. You got to remember, this is almost a billion dollar business now, growing at 25% is tough to imagine into perpetuity. But as we said in 2025, we're expecting high-single digit growth and longer term that mid-single, which will continue to contribute and solidify Meals & Beverage as a steady grower. Even if you've got some normalization of Meals & Beverages as you get into the back half of the year, there's still enough going on in that business that gives us a lot of confidence that it can be a positive contributor, and I think that's kind of a new page, if you will, for Meals & Beverage. But as much as I love the Rao's growth continuing, I'd have to say the Soup recovery and it being volume-driven was probably a more meaningful statement of belief in the division for the future.

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**Andrew Lazar**

*Analyst, Barclays Capital, Inc.*

Q

Got it. And then, maybe just super briefly because I know we have a lot to get through. Just you've been very steadfast for a long time now in the broader industry kind of recovering is a more of a when, not if. It's obviously been longer than most would have expected. I think a lot of investors are still maybe somewhat more skeptical in this recovery just because we haven't seen it really in a really perceptible way in the data, broadly speaking, not just Campbell specific. Maybe just really briefly, just your – the rationale behind your belief in that sort of [indiscernible] (00:38:09).

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**Mark A. Clouse**

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

A

Yeah. I know a lot of doom and gloom. I just don't – I'm not seeing it in the numbers, right? If anything, I know we'll talk about Snacks, I'm sure, at a moment. But even where I had some pressure on Snacks, it was far more share driven than category driven. A lot of the categories we're participating in, 75% of them are back to growth. Now, is Snacks all the way back to the historical growth level that I'm anxious for it to be at? No, not overall. But you had Kettle potato chips in the quarter was up 7%, you had pretzels up 4%. Our organic and natural tortillas were up 5%, cookies a little bit less, but still positive. And total snacking, even total salty was up 1%.

And I think the underlying metrics that I look at to determine what to expect coming forward continue to point to me to normalization. I mean, I always try to remind us that on the Campbell's business and Campbell's Snacks right now, we're still cycling near double-digit growth. I think 9% a year ago on total Snacks, 9.5% on the power brands. So, yes, I think there's been a little bit longer runway for this than I would have liked, but I really don't see any indication from the data other than a little bit of a walk back on consumer confidence, which – again, and I don't want to diminish how tough it is for a lot of consumers that are out there. But I feel like we've cycled enough of this that we're beginning to see the normalization.

Again, you got Soup up 6% in the latest four weeks, pasta sauce continues to grow, salsa is growing, really, most of the core businesses for us. So, as I said, Andrew, last quarter and continue to believe a lot of this matters about where you are, right? If you're in certain categories, I'm sure it still looks like recoveries are ways away, but I do think this is not going to be a linear journey as we've said before. And I'm happy that many of our categories are probably a little bit on the upper edge of that curve and recovering. And even in a somewhat depressed recovery for snacking, our subsegments are doing quite well. Now, we've got some share and some new entrants into a couple of different categories we need to address. But I'd rather have that fight than a structural concern around the growth of the category.

**Andrew Lazar**

*Analyst, Barclays Capital, Inc.*

Q

Thank you.

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

**Ken Goldman**

*Analyst, JPMorgan Securities LLC*

Q

Hi, thank you. I wanted to ask about Snacks. Mark, I appreciate that it's not so much promo that's acting as a headwind as much as competition from new entrants.

**Mark A. Clouse**

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

A

Yeah.

**Ken Goldman**

*Analyst, JPMorgan Securities LLC*

Q

But I'm curious, isn't this also a bit of a worry? And the reason I'm asking is, you're attacking the problem with innovation and marketing, it's great to see. But this is a problem across a number of food categories that we're seeing, which is that challenger brands are taking share and intensifying. And yes, but I would rather have competition via innovation than discounting, sure. But I guess, maybe you could walk us through your confidence...

**Mark A. Clouse**

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

A

Yeah.

**Ken Goldman**

*Analyst, JPMorgan Securities LLC*

Q

...that your actions will be able to offset this trend?

**Mark A. Clouse**

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

A

Yeah. So, it's a great question, Ken. I think the – and I certainly wouldn't want to make this sound as if we're not extremely focused and really viewing this as an important area to focus on as we get into 2025. But the way I look at this is, as I go across the places where we're experiencing the pressure and it's really in salty, right? So, you

have a new entrant in pretzels, you have a new entrant in Kettle, and you have a new entrant in what I'd call better-for-you tortilla. All of those are a concern, as you say. But as we look at what have relative to the brands in the portfolio, so I look at pretzels and I say, okay, that one's been there for a while. I've got three brands that live in pretzels, right? I have Snyder's of Hanover, I have Snack Factory, and I've actually got Goldfish that plays a surprising large role in pretzel. I've got all three brands that I can bring to bear in the defense with innovation. And you're going to see when we get to Investor Day a – by the way, for all three of these, we're going to really unpack for you the full kind of attack plan on how we see going after it because it is important for us to do it.

But that's an example of where I feel like the tools we've got. Now, if I'm completely honest, I do think we need to have more marketing support in the plan to support the innovation we're driving, and you see that in our outlook and our guidance as we go into next year. I think, on Kettle, I would say it's a little bit more of a me-too product, and I've got this great two brands, Kettle and Cape Cod, that I need to use more as a portfolio to drive winning in that category. And then, on tortilla, we've got a great story on Late July.

And so, I think you hear me confident really for three reasons: one, I think our brands are well-positioned to defend. Two, I think the innovation and the marketing has not been at its peak while these have come in. So, we've got to react and respond to that very well. And we're resourced for that and we've got the pipeline as we go into next year. And, again, I would say that I do not see these as an attack or a fight on price, but I do think it's quite important that our promotional frequency and then our price gaps remain reasonable. And so, you'll continue to see very modest, under 100 basis points, with modest investment in some areas to ensure that we stay competitive.

So, that's – again, I don't want to over-portray that we've got this thing completely solved, but I do think we're in a really good position to address it. And again, if I'm in a category that's growing 9%, as an example in Kettle, that's not a horrible place to be to fight this fight. So, I'm happy that we're seeing the recovery in our elevated subsegments of snacking. And look, we know how – if this is a level playing field and opportunity for us to win in market, I'll always take that challenge.

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**Ken Goldman**

*Analyst, JPMorgan Securities LLC*

Q

And if I can just, thank you for that, ask a very quick follow-up. You mentioned that certain parts of your guidance or maybe guidance in general is prudent. I won't go into that, but I did want to ask a specific question, which is that, does your guidance assume a reversal in broth share next year? In other words, are you assuming that...

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**Mark A. Clouse**

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

A

It does.

---

**Ken Goldman**

*Analyst, JPMorgan Securities LLC*

Q

...your broth share goes down? It does. Okay. Thank you.

---

**Mark A. Clouse**

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

A

Yeah. In the second half of the year, we're anticipating kind of a normalization of share as – now, having said that, we're going to fight like heck to keep all those households with Swanson. But I think from a prudent standpoint,

we've seen a little bit of this normalization before, historically speaking. And so, we're using that as our kind of guideline for what the plan and then, I know the team is aggressively going after beating that.

**Ken Goldman**

*Analyst, JPMorgan Securities LLC*

Thanks, Mark.

Q

**Mark A. Clouse**

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

Thanks, Ken.

A

**Operator:** Your next question comes from the line of Peter Galbo from Bank of America. Your line is open.

**Peter T. Galbo**

*Analyst, BofA Securities, Inc.*

Hey, guys. Good morning.

Q

**Mark A. Clouse**

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

Hi, Peter.

A

**Peter T. Galbo**

*Analyst, BofA Securities, Inc.*

Mark, maybe if we can actually hone in a bit more on Snacks. I mean, your largest competitor has obviously talked about also just pressure that they're seeing, particularly in unseasoned or more plain potato chips, as well as tortilla chips, and just kind of the interaction you're seeing amongst Late July, Kettle and Cape Cod. And then, maybe as a part B to that question, those three brands, in particular, at least when I think about them, tend to be a bigger presence maybe in club channels. And just is there a store format difference that you're noticing between club and maybe some of the smaller format stores would be helpful.

Q

**Mark A. Clouse**

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

Yeah. So, there's definitely a bit more of bifurcation between what I would call the more mainstream segments and then what I would call the more elevated segments. So, for example, in Q4, I think potato chips as an overall subsegment grew by about 3%, which is not horrible, but about 3% and arguably with a bit more trade-down pressure and a little bit more promotional focus. We do have [indiscernible] (00:47:08), which is our – we call them our allied brands, they're – and Jays Potato Chips. So, we see a little bit of that in a very, very small part of our business. But in the main power brand area, all of those are operating in a more elevated space. And those seem to have been, one, recovering much faster as they do tend to index to a little bit more middle to upper middle and higher-income households, which have been a fair degree more resilient.

A

So, I think where you're playing on that front, it does tend to be more driven by who's bringing the innovation, who's bringing the right marketing. Obviously, promotion plays a very important role and I'm not diminishing that. But at the end of the day, the fight is quite different at those elevated segments than it is in, what I'd call, the more lower and mainstream segments where we do see it a little bit more fight on price. We do see a little bit more traction in private label.

Probably, the category where we have a little bit more of that analog is on pretzels, where our base pretzel is – we see a little bit more pressure there. But even there, I think Snyder's plays at a somewhat elevated level of that, and that helps our business or our portfolio, I think, playing a little more constructive of a way.

**Peter T. Galbo**

*Analyst, BofA Securities, Inc.*

Q

Okay. No, that's helpful. And maybe just as a follow-up to Ken's question, just to clarify on the organic sales guidance for the year. The first quarter being flat, I'm assuming then we should kind of see a step-down potentially in org sales kind of through the middle parts of the year and then, again, maybe that ramp-up just as you hit the 53rd week in 4Q, which, I think, you're including in the organic sales guidance. So, maybe if you could just clarify that. Thanks very much.

**Mark A. Clouse**

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

A

Yeah. So, 53rd week is not in our organic sales.

**Carrie L. Anderson**

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

A

Reported, but not in the organic.

**Mark A. Clouse**

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

A

Right. And maybe, Carrie, talk a little bit about the phasing of the year, but we do not see, like, a Q2 significant drop-off.

**Carrie L. Anderson**

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

A

No. And certainly, as we think about second quarter, you got your benefit of your holiday season and a lot of our innovation starts to launch there. So, I would say that you need to take that into consideration. And then, as you move into the second half, I think the categories are still going to be healthy. So, I still think you'll see that sequential improvement in category health. But what you are going to need to take into consideration, as Mark talked about on M&B, is the cycling of the broth, as our share normalizes in broth. So, you want to make sure that you're putting that into your models.

**Mark A. Clouse**

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

A

Yeah. I think one of the ways to think about this is at the time that you're cycling a little bit of a broth headwind, I'm also expecting the Snacks business to be returning a bit more to normality as far as categories. So, I would plot your course for the year as a little bit more of a gradual improvement as we get into the second quarter and beyond, and then, perhaps a little bit of a swap of who's kind of...

**Carrie L. Anderson**

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

A

Yeah.



**Mark A. Clouse**

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

A

...leading the drive, but in essence, kind of getting both businesses into what I would call a more normal trajectory.

**Peter T. Galbo**

*Analyst, BofA Securities, Inc.*

Q

Thank you.

**Operator:** Your next question comes from the line of Michael Lavery from Piper Sandler. Your line is open.

**Michael S. Lavery**

*Analyst, Piper Sandler & Co.*

Q

Thank you. Good morning.

**Mark A. Clouse**

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

A

Hi, Michael.

**Michael S. Lavery**

*Analyst, Piper Sandler & Co.*

Q

Just wanted to come back to the consumer thinking a little bit, and maybe just try to understand how you've balanced some risks. I know on some of the macro teams across the street, there's a soft landing versus recession debate, and I'll leave all that to them. But it does seem like there's a bias towards some risk as opposed to improvement. And I know you said you're looking at the data, but to some extent, that can also be trailing more than leading. So, just curious maybe how you think about how you'd be positioned in a recession? And if or – if one comes and who even knows, of course, what that might look like exactly. But would you expect to benefit from switches to more food at home or you've got a – now, especially with Sovos, a bit of a premium and some attractive value options for consumers' balance in your portfolio, how do you expect that to net out? Maybe just think about how you've kind of covered those bases?

**Mark A. Clouse**

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

A

Yeah. So, the first thing I would say is, I think that although you hear a perhaps more bullish tone on the consumer landscape than maybe some others or even a bit contrarian to some of the points of view out there, more broadly speaking, I would tell you that we plan the year in a way where we're not expecting some radical, accelerated recovery. In fact, I would say that we're expecting a relatively slow bounce back as it relates to Snacking, a more kind of normalized Meals & Beverages and then a bit of a flip, as I said, in the back half where you'll see some headwinds from broth and perhaps a bit more normalized Meals & Beverage category and a more modest recovery on Snacks. You see that in the 0% to 2% range.

How do I feel if that environment gets a bit worse? I think there's two things that help me kind of calibrate the plan. The first is, it certainly would not suggest that what we're going to be cycling is the same kind of outsized growth and upside that we saw as we were cycling pricing in a variety of other positive, if you will, growth drivers, where your baseline is a relatively muted baseline. So, let's imagine this hangs around a little longer than we would expect, I think, is not going to be perhaps as dramatic as a step-down that we saw after cycling two or three years of just incredibly outsized growth.

I think the second thing that I would point to is, I do think this is a good time to have a portfolio like ours where you've got a variety of different – not an endless, but a variety of different categories that really do match as we've seen over the last year, even now, right, where soup and broth, as people are eating more at home, continue to benefit from that. And certainly, pasta sauce has been fairly resilient in almost any economic environment.

I think Snacks, again, is, historically speaking, notwithstanding a little bit of what we're normalizing through right now. But Snacks has proven over time to be a bit more resilient in economic downturns. And so, I think that the role that our brands play in the portfolio we have would set us up even in a tougher environment to be in a positive position. But I think that combination are both encouraging. But our plan does not assume that we're going to see this kind of more outsized recovery. That's kind of how – that's why we said, look, I will say the consumer confidence to me is a very important metric and that was negative in Q4. And my description of the consumer would be a little bit more biased to positive, but still fragile. And so, I would not want to overestimate the certainty, if you will, of what the underlying dynamics may be pointing to.

**Michael S. Lavery**

*Analyst, Piper Sandler & Co.*

Q

That's great color. And then, I'll just wrap up with a clarification because I want to come back to the 53rd week. I had thought that I understood it and I think your answer just a second ago confuse me because in the release, you say the benefit of the 53rd week is included in the fiscal 2025 guidance below and is estimated to be worth approximately 2 points of growth to both reported and organic net sales and adjusted EBIT, along with \$0.06 to EPS. In the EPS and organic growth numbers, how do we – where is the 53rd week and do we...

**Carrie L. Anderson**

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

A

Yes. Just to clarify, in the organic growth, the benefit of 53rd week has been removed.

**Mark A. Clouse**

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

A

But in the EBIT and in the EPS...

**Carrie L. Anderson**

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

A

It is in there.

**Mark A. Clouse**

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

A

...it is in there.

**Carrie L. Anderson**

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

A

It's just in the organic net sales growth, Michael, that it's been – that it's [indiscernible] (00:56:23)

**Mark A. Clouse**

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

A

Yeah, we don't normally extract an organic EBIT or...

**Carrie L. Anderson**

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

A

That's correct.

**Mark A. Clouse**

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

A

...EPS.

**Michael S. Lavery**

*Analyst, Piper Sandler & Co.*

Q

Okay. Thanks so much.

**Operator:** Your next question comes from the line of Jim Salera from Stephens. Your line is open.

**Jim Salera**

*Analyst, Stephens, Inc.*

Q

Hi, guys. Good morning. Thanks for taking our question. Mark, I wanted to drill down on something you said earlier, talking about innovation in elevated segments and Snacks, which would speak to focus from your peers on middle-to higher-income consumer. But then you also mentioned Rao's is seeing growth across all income segments and that's despite being a premium product. Do you think that's reflective of consumer trade-down from food away from home? So, no matter what they're spending money on, if it's a brand like Rao's, they're still saving money compared to restaurants or are there particular categories that consumers are willing to pay more for if the quality delivers right and they'll cut back elsewhere in their shop?

**Mark A. Clouse**

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

A

Yeah. So, I would say, almost – yeah, you covered the what's in front of that. I absolutely see Rao's – I use this analogy a lot from prior life. I remember launching DiGiorno pizza many, many years ago. And the reality was – is that although that, at the time, seemed like an incredibly expensive frozen pizza as the frame of reference was expanded to include delivery, pizza had all of a sudden became a great value. I think that is very similar to the dynamic of Rao's, where you have this incredible quality that arguably at a much lower rate than a DoorDash order that is a mediocre Italian meal that you're paying \$30, \$40 for, paying \$8 to \$9 for a jar of Rao's and hopefully, a couple more for a package of Rao's pasta, you're having a terrific Italian meal at home. It's incredibly convenient and it is a better value.

And I think that is why you are seeing Rao's experience growth across all of the economic sectors. And I think, to your point, maybe – it's certainly true on Rao's, but I'd say also true on Snacking, is you may be rationalizing some of your spend and the amount that you were buying on Snacks. But you also may decide that as I do that I want to make sure that what I'm buying is something that I'm going to really enjoy. It might be a little bit more permissible, a little cleaner label.

And so, what we've seen is this dynamic where some of the higher-end subsegments are more elevated as we would describe them, to be more resilient. Now, it's not as prolific as Rao's extending into the lower income, but certainly, as we think about mid-income and high-income categories like Kettle potato chips and more natural and organic tortilla chips have – as a category, have held up very well in both of those.

**Jim Salera**

*Analyst, Stephens, Inc.*

Q

That's great. And maybe if I could just sneak in one final question on that. How does that...

**Mark A. Clouse**

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

A

Sure.

**Jim Salera**

*Analyst, Stephens, Inc.*

Q

...dynamic inform some of the marketing spend that you guys are going to be putting in, in 2025 as we expect kind of a return to that 9% to 10% marketing and selling? Where is that incremental...

**Mark A. Clouse**

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

A

Yeah.

**Jim Salera**

*Analyst, Stephens, Inc.*

Q

...going to be put?

**Mark A. Clouse**

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

A

Yeah. So, I think as I've said earlier, I do not want to diminish how tough it is out there for a lot of consumers. So, I think you will continue to see value-centric communication and messaging in many categories. And even on our more premium, it may be a little bit more about value in a different way, right? I mean, again, I think higher price does not preclude one from creating tremendous value.

So, I think you will see that continue to be part of it. But I also think, as you think about where we're seeing pressure from new entrants or for me-too products that are putting some share pressure on businesses, I think what you're going to see is what you should see from us, which is really leading the consumer thinking and bringing new to the world flavors, forms, products, while continuing to market against what makes our brands like Kettle and Cape Cod and Late July so unique and differentiated.

So, I think maybe whereas this year, we went a little bit more all-in on value. I think what you're going to see us as we move into 2025 is balancing that a bit between value, but also really in building, getting back to, I think, a more focused effort on driving the equity and the news and innovation behind the brands. Because in the long run, in those elevated segments, that's going to determine winning, right? I mean, yes, a new product coming into the category puts some near-term pressure on. But as we cycle that distribution, I think we'll get a better impression of how we've done on ensuring that we really drive the equity in the news.

**Operator:** Ladies and gentlemen, we have reached the end of our question-and-answer session. And this does conclude today's conference call. Thank you for your participation. You may now disconnect.

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