

Campbell Reports Second-Quarter Fiscal 2021 Results; Provides Fiscal 2021 Guidance

- Earnings Per Share (EPS) from Continuing Operations of \$0.80 increased 43%. Adjusted EPS of \$0.84 increased 17%.
- Earnings Before Interest and Taxes (EBIT) increased 15% to \$401 million. Adjusted EBIT increased 8% to \$393 million.
- Net Sales increased 5% reflecting continued elevated demand for Campbell's brands.
- Fiscal 2021 Adjusted EPS guidance of \$3.03 to \$3.11, reflecting growth of 3% to 5%.

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CAMDEN, N.J.--(BUSINESS WIRE)--Campbell Soup Company (NYSE:CPB) today reported results for its second-quarter fiscal 2021 ended January 31, 2021.

Continuing Operations (\$ in millions, except per share)	Three Months Ended			Six Months Ended		
	Jan. 31, 2021	Jan. 26, 2020	% Change	Jan. 31, 2021	Jan. 26, 2020	% Change
Net Sales						
As Reported (GAAP)	\$2,279	\$2,162	5%	\$4,619	\$4,345	6%
Organic			5%			7%
Earnings Before Interest and Taxes (EBIT)						
As Reported (GAAP)	\$401	\$350	15%	\$862	\$667	29%
Adjusted	\$393	\$364	8%	\$856	\$756	13%
Diluted Earnings Per Share						
As Reported (GAAP)	\$0.80	\$0.56	43%	\$1.82	\$1.12	63%
Adjusted	\$0.84	\$0.72	17%	\$1.86	\$1.51	23%

Note: A detailed reconciliation of the reported (GAAP) financial information to the adjusted financial information is included at the end of this news release.

CEO Comments

Mark Clouse, Campbell's President and CEO, said, "We delivered another quarter of strong results, with top-line growth in both segments—partly tempered by foodservice and supply constraints caused by COVID-19—as well as continued growth in EBIT and EPS. In addition, nearly 75% of our brands grew or held share which was an important goal for the quarter. Given this strong performance, we are providing full-year fiscal 2021 guidance and we are confident in the long-term growth potential of Campbell."

Items Impacting Comparability for Continuing Operations

The table below presents a summary of items impacting comparability in each period. A detailed reconciliation of the reported (GAAP) financial information to the adjusted information is included at the end of this news release.

Diluted Earnings Per Share

	Diluted Earnings Per Share			
	Three Months		Six Months Ended	
	Ended		Six Months Ended	
	Jan.	Jan.	Jan.	Jan.
	31,	26,	31,	26,
	2021	2020	2021	2020
As Reported (GAAP)	\$0.80	\$0.56	\$1.82	\$1.12
Restructuring charges, implementation costs and other related costs associated with cost savings initiatives	\$0.05	\$0.06	\$0.07	\$0.09
Net pension settlement gains	\$(0.08)	\$(0.03)	\$(0.09)	\$(0.03)
Deferred tax charge	\$0.06	\$—	\$0.06	\$—
Charges (gains) associated with divestiture	\$—	\$(0.06)	\$—	\$0.14
Loss on extinguishment of debt	\$—	\$0.19	\$—	\$0.19
Adjusted*	<u>\$0.84</u>	<u>\$0.72</u>	<u>\$1.86</u>	<u>\$1.51</u>

*Numbers may not add due to rounding.

Second-Quarter Results from Continuing Operations

Net sales, both reported and organic, increased 5% to \$2.28 billion driven by gains in both Meals & Beverages and Snacks. The growth was driven by a 4% increase in volume and mix reflecting heightened demand as at-home food consumption remained elevated as a result of the COVID-19 pandemic, partly offset by declines in foodservice and in partner brands within the Snyder's-Lance portfolio. Lower promotional spending net of price and sales allowances contributed a 1% increase to net sales growth.

Gross margin increased from 34.3% to 34.4%. Excluding items impacting comparability, adjusted gross margin decreased 10 basis points to 34.3% as cost inflation, other operational costs and continued COVID-19 related costs were partially offset by the benefits of supply chain productivity improvements and cost savings initiatives, as well as moderated promotional spending.

Marketing and selling expenses decreased 2% to \$232 million. Excluding items impacting comparability in the prior year, adjusted marketing and selling expenses decreased 1% driven by the benefits of cost savings initiatives and lower marketing overhead costs, largely offset by an 8% increase in advertising and consumer promotion (A&C). Administrative expenses increased 7% to \$158 million. Excluding items impacting comparability, adjusted administrative expenses increased by \$17 million, or 13%, to \$152 million driven primarily by higher benefit-related costs and higher general administrative costs, partially offset by the benefits of cost savings initiatives.

Other income was \$45 million compared to other income of \$22 million in the prior year. Excluding items impacting comparability, adjusted other income was \$15 million compared to \$11 million in the prior year.

As reported EBIT increased 15% to \$401 million. Excluding items impacting comparability, adjusted EBIT increased 8% to \$393 million primarily due to higher sales volumes, offset partly by higher adjusted administrative expenses.

Net interest expense was \$54 million compared to \$146 million in the prior year reflecting a loss on the extinguishment of debt in the second quarter of fiscal 2020. Excluding items impacting comparability in the prior year, net interest expense declined 24% from \$71 million to \$54 million, reflecting lower levels of debt. The tax rate was 29.4% as compared to 16.2% in the prior year. Excluding items impacting comparability, the adjusted tax rate decreased 70 basis points to 24.2% from 24.9%.

As reported EPS from continuing operations were \$0.80 per share. Excluding items impacting comparability, adjusted EPS from continuing operations increased 17% to \$0.84 reflecting an increase in adjusted EBIT and lower adjusted net interest expense.

First-Half Results from Continuing Operations

Net sales increased 6% to \$4.62 billion. Organic net sales, which exclude the impact from the sale of the European chips business, increased 7% from the prior year driven by gains in both Meals & Beverages and Snacks.

As reported EBIT increased 29% to \$862 million. Excluding items impacting comparability, adjusted EBIT increased 13% to \$856 million reflecting higher sales volume, improved gross margin performance and higher adjusted other income, offset partly by increased adjusted administrative expenses. Within marketing and selling expenses, a 12% increase in A&C was more than offset by lower selling and other marketing costs.

Net interest expense was \$109 million compared to \$226 million in the prior year. Excluding items impacting comparability in the prior year, adjusted net interest expense decreased 28% from \$151 million in the prior year to \$109 million reflecting lower levels of debt. The tax rate was 26.4% as compared to 22.9% in the prior year. Excluding items impacting comparability, the adjusted tax rate decreased 50 basis points to 24.0% from 24.5%.

The company reported EPS of \$1.82 per share. Excluding items impacting comparability, adjusted EPS increased 23% to \$1.86 per share reflecting the increase in adjusted EBIT and lower adjusted net interest expense.

Cash flows from operations decreased from \$663 million in the prior year to \$611 million primarily due to changes in working capital, which reflect a significant increase in accounts payable in the prior year, partially offset by higher cash earnings. Capital investments were \$132 million compared to \$167 million in the prior year. The decline was primarily due to capital expenditures associated with discontinued operations in the prior year. In line with the company's commitment to returning value to shareholders, the company paid \$215 million of cash dividends.

Cost Savings Program from Continuing Operations

In the second quarter of fiscal 2021, Campbell achieved just over \$20 million in savings under its multi-year cost savings program, inclusive of Snyder's-Lance synergies, bringing total program-to-date savings to approximately \$760 million. Campbell remains on track to deliver annualized savings of \$850 million by the end of fiscal 2022.

Campbell Provides Full Year Fiscal 2021 Guidance

Following strong first half results, Campbell is providing full-year fiscal 2021 guidance that reflects cycling the COVID-19 related surge in demand during the second half of fiscal 2020, and an expected sequential improvement in margin as we progress through the remainder of fiscal 2021. Fiscal 2020 benefited from a 53rd week, which was estimated to be worth 2 percentage points of net sales, and approximately \$0.04 on adjusted EPS.

Based on the foregoing, the company is providing full-year fiscal 2021 guidance as set forth in the table below:

	FY 2020	FY 2021
Continuing Operations	Results	Guidance
(\$ in millions, except per share)		
Net Sales	\$8,691	-3.5% to -2.5%
Organic Net Sales	\$8,515 *	-1.5% to -0.5%
Adjusted EBIT	\$1,449 *	-1% to +1%
Adjusted EPS	\$2.95 *	+3% to +5%
		\$3.03 to \$3.11

* Adjusted - refer to the detailed reconciliation of the reported (GAAP) financial information to the adjusted financial information at the end of this news release.

Note: A non-GAAP reconciliation is not provided for 2021 adjusted EBIT and adjusted EPS guidance as certain amounts are not estimable, such as pension and postretirement mark-to-market adjustments, and these items are not considered to reflect the company's ongoing business results.

Segment Operating Review

An analysis of net sales and operating earnings by reportable segment follows:

Three Months Ended Jan. 31, 2021

(\$ in millions)

	Meals & Beverages	Snacks*	Total
Net Sales, as Reported	\$1,300	\$979	\$2,279
Volume and Mix	5%	3%	4%
Price and Sales Allowances	(1)%	—%	(1)%
Promotional Spending	2%	2%	2%
Organic Net Sales	6%	4%	5%
Currency	—%	—%	—%
% Change vs. Prior Year	6%	4%	5%
Segment Operating Earnings	\$258	\$144	
% Change vs. Prior Year	7%	6%	

*Numbers do not add due to rounding.

Note: A detailed reconciliation of the reported (GAAP) net sales to organic net sales is included at the end of this news release.

Six Months Ended Jan. 31, 2021

(\$ in millions)

	Meals & Beverages	Snacks	Total
Net Sales, as Reported	\$2,642	\$1,977	\$4,619
Volume and Mix	8%	2%	5%
Price and Sales Allowances	(1)%	—%	—%
Promotional Spending	2%	2%	2%
Organic Net Sales	9%	4%	7%
Currency	—%	—%	—%
Divestiture	—%	(1)%	(1)%
% Change vs. Prior Year	9%	3%	6%
Segment Operating Earnings	\$591	\$283	
% Change vs. Prior Year	13%	8%	

Note: A detailed reconciliation of the reported (GAAP) net sales to organic net sales is included at the end of this news release.

Meals & Beverages

Net sales, both reported and organic, in the quarter increased 6% reflecting increases across U.S retail products, including gains in U.S. soup, *V8* beverages, *Prego* pasta sauces and *Campbell's* pasta, partially offset by a decline in foodservice. Volume was favorable in U.S. retail driven by increased demand of food purchases for at-home consumption, offset partly by the negative impact on foodservice which experienced an increase in COVID-19 related restrictions in the quarter. Sales of U.S. soup increased 10% primarily due to volume gains in condensed soups and ready-to-serve soups. Promotional activity was moderated in part due to supply constraints, particularly on broth.

Segment operating earnings increased 7%. The increase was primarily due to sales volume gains, offset partly by lower gross margin performance and higher administrative expenses.

Snacks

Net sales, both reported and organic, in the quarter increased 4% driven by volume gains fueled by the majority of our power brands and lower levels of promotional spending on supply constrained brands. Sales gains were driven by our salty snacks including *Kettle Brand* potato chips, *Late July* snacks, *Cape Cod* potato chips and *Pop Secret* popcorn as well as our fresh bakery, including *Pepperidge Farm* Farmhouse products. These gains were partially offset by declines in partner brands within the Snyder's-Lance portfolio and *Lancesandwich* crackers which faced supply constraints in the quarter.

Segment operating earnings increased 6% driven by sales volume gains and lower selling expenses, partly offset by higher marketing investment, administrative expenses and lower gross margin performance.

Corporate

Corporate income was \$17 million in the second quarter of fiscal 2021 compared to expense of \$21 million in the prior year. Corporate income in the second quarter of fiscal 2021 included pension settlement gains of \$30 million and costs related to cost savings initiatives of \$4 million. Corporate expenses in the second quarter of fiscal 2020 included costs related to cost savings initiatives of \$18 million and pension settlement gains of \$11 million. Excluding these amounts, the remaining decrease in expenses primarily reflects mark-to-market gains on outstanding commodity hedges.

Conference Call and Webcast

Campbell will host a conference call to discuss these results today at 8:00 a.m. Eastern Time. To join, dial +1 (703) 639-1316. The access code is 8366876. Access to a live webcast of the call with accompanying slides, as well as a replay of the call will be available at investor.campbellsoupcompany.com/events-and-presentations. A recording of the call will also be available until 11:59 p.m. ET on March 24, 2021, at +1 (404) 537-3406. The access code for the replay is 8366876.

Reportable Segments

Campbell Soup Company earnings results are reported as follows:

Meals & Beverages includes the retail and foodservice businesses in the U.S. and Canada. The segment includes the following products: *Campbell's* condensed and ready-to-serve soups; *Swanson* broth and stocks; *Pacific Foods* broth, soups and non-dairy beverages; *Prego* pasta sauces; *Pace* Mexican sauces; *Campbell's* gravies, pasta, beans and dinner sauces; *Swanson* canned poultry; *Plumbaby* food and snacks; *V8* juices and beverages; and *Campbell's* tomato juice.

Snacks includes Pepperidge Farm cookies, crackers, fresh bakery and frozen products in U.S. retail, including *Pepperidge Farm* Farmhouse* cookies and bakery products, *Milano** cookies and *Goldfish** crackers; and *Snyder's of Hanover** pretzels, *Lance** sandwich crackers, *Cape Cod** and *Kettle Brand** potato chips, *Late July** snacks, *Snack Factory Pretzel Crisps*, * *Pop Secret* popcorn, *Emerald* nuts, and other snacking products in the U.S. and Canada. The segment also includes the retail business in Latin America. We refer to the * trademarks as our "power brands."

About Campbell Soup Company

Campbell (NYSE:CPB) is driven and inspired by our purpose, "Real food that matters for life's moments." For generations, people have trusted Campbell to provide authentic, flavorful and affordable snacks, soups and simple meals, and beverages. Founded in 1869, Campbell has a heritage of giving back and acting as a good steward of the planet's natural resources. The company is a member of the Standard and Poor's 500 and the FTSE4Good Index. For more information, visit www.campbellsoupcompany.com or follow company news on Twitter via [@CampbellSoupCo](https://twitter.com/CampbellSoupCo).