



NEWS RELEASE

Campbell Reports Third-Quarter Fiscal 2024 Results

6/5/2024

- Completed the acquisition of Sovos Brands, Inc. (Sovos Brands) on March 12, 2024.
- Net Sales were \$2.4 billion, increasing 6%, and were comparable to prior year on an organic basis. On a two-year-compound annual growth rate (CAGR), net sales increased 5% and organic net sales increased 2%.
- Earnings Before Interest and Taxes (EBIT) were \$248 million; Adjusted EBIT was \$354 million, an increase of 13% including the impact of the acquisition.
- Earnings Per Share (EPS) were \$0.44; Adjusted EPS were \$0.75, increasing 10%.
- Updates full-year fiscal 2024 guidance to include Sovos Brands.

CAMDEN, N.J.--(BUSINESS WIRE)-- Campbell Soup Company (NYSE:CPB) today reported results for its third-quarter fiscal 2024 ended April 28, 2024. Unless otherwise stated, all comparisons are to the same period of fiscal 2023. Third quarter and year-to-date financial results include a partial quarter of contribution of the Sovos Brands acquisition.

CEO Comments

“We delivered a solid third quarter with sequential volume improvement, stable organic net sales, double-digit adjusted EBIT and adjusted EPS growth,” said Campbell’s President and CEO, Mark Clouse. “We are excited about the integration of the Sovos Brands business, which already is bringing significant incremental growth to our company as we continue to navigate the pace of consumer recovery.”

(\$ in millions, except per share)

Three Months Ended			Nine Months Ended		
April 28, 2024	April 30, 2023	% Change	April 28, 2024	April 30, 2023	% Change

Net Sales						
As Reported (GAAP)	\$2,369	\$2,229	6%	\$7,343	\$7,289	1%
Organic			—%			(1)%
Earnings Before Interest and Taxes (EBIT)						
As Reported (GAAP)	\$248	\$254	(2)%	\$923	\$1,040	(11)%
Adjusted	\$354	\$313	13%	\$1,125	\$1,125	—%
Diluted Earnings Per Share						
As Reported (GAAP)	\$0.44	\$0.53	(17)%	\$1.91	\$2.29	(17)%
Adjusted	\$0.75	\$0.68	10%	\$2.46	\$2.50	(2)%

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

Items Impacting Comparability

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			
	Three Months Ended		Nine Months Ended	
	April 28, 2024	April 30, 2023	April 28, 2024	April 30, 2023
As Reported (GAAP)	\$0.44	\$0.53	\$1.91	\$2.29
Costs associated with cost savings and optimization initiatives	\$0.05	\$0.08	\$0.17	\$0.12
Costs associated with acquisition	\$0.27	\$—	\$0.33	\$—
Commodity mark-to-market adjustments	\$(0.03)	\$0.02	\$(0.01)	\$0.02
Accelerated amortization	\$0.02	\$—	\$0.05	\$—
Plum litigation expenses	\$—	\$—	\$0.01	\$—
Cybersecurity incident costs	\$—	\$—	\$0.01	\$—
Pension actuarial losses (gains)	\$—	\$0.04	\$—	\$0.07
Adjusted*	\$0.75	\$0.68	\$2.46	\$2.50

*Numbers may not add due to rounding.

Third-Quarter Results

Net sales in the quarter increased 6% driven by the benefit from Sovos Brands acquisition, which is also referred to below as the acquisition. Organic net sales of \$2.2 billion were comparable to the prior year's net sales, with flat volume / mix sequentially improved from the second quarter. On a two-year CAGR basis, reported net sales grew approximately 5% and organic net sales grew approximately 2%, driven by favorable net price realization and brand strength.

Gross profit increased to \$732 million from \$668 million. Gross profit margin was 30.9% compared to 30.0%. Excluding items impacting comparability, adjusted gross profit increased to \$740 million from \$689 million. Adjusted gross profit margin increased 30 basis points to 31.2% driven by supply chain productivity improvements and the benefit from cost savings initiatives, which combined more than offset higher cost inflation and other supply chain costs, and the impact of the acquisition.

Marketing and selling expenses, which represented approximately 9% of net sales, increased 6% to \$206 million, primarily due to the impact of the acquisition. Excluding items impacting comparability in the current year, adjusted marketing and selling expenses increased 2% to \$198 million.

Administrative expenses increased 25% to \$208 million primarily driven by the impact of costs related to the acquisition. Excluding items impacting comparability, adjusted administrative expenses increased 1% to \$156 million.

Other expenses were \$30 million compared to \$23 million, driven in part by costs related to the acquisition. Excluding items impacting comparability, adjusted other expenses were \$8 million compared to \$6 million.

As reported EBIT decreased to \$248 million from \$254 million. Excluding items impacting comparability, adjusted EBIT increased 13% to \$354 million primarily due to higher adjusted gross profit from the contribution of the acquisition and the base business, partially offset by higher adjusted expenses, including marketing and selling, administrative, research and development and other expenses.

Net interest expense increased 43% to \$66 million. Excluding items impacting comparability, adjusted net interest expense was \$64 million compared to \$46 million, primarily due to an increase in interest expense related to higher levels of debt to fund the acquisition. The effective tax rate was 26.9%, an increase of 380 basis points compared to 23.1% driven by non-deductible costs associated with the recent acquisition. Excluding items impacting comparability, the adjusted effective tax rate decreased 80 basis points to 22.8%.

As reported EPS were \$0.44 per share compared to \$0.53 per share. Excluding items impacting comparability, adjusted EPS increased 10% to \$0.75 per share primarily reflecting the increase in adjusted EBIT and lower adjusted effective tax rate, partially offset by higher adjusted net interest expense. The Sovos Brands acquisition was approximately neutral to third quarter adjusted earnings per share.

Nine-Month Results

Net sales increased 1% driven by the benefit of the recent Sovos Brands acquisition. Organic net sales decreased 1% to \$7.2 billion with unfavorable volume / mix mostly offset by the benefit of net price realization. On a two-year CAGR basis, reported net sales grew approximately 6% and organic net sales grew approximately 5%, driven by favorable net price realization and brand strength.

As reported EBIT decreased 11% to \$923 million. Excluding items impacting comparability, adjusted EBIT of \$1.1 billion was flat primarily due to higher adjusted gross profit from the contribution of the acquisition, offset by higher adjusted expenses, including marketing and selling, other expenses and research and development.

Net interest expense increased 17% to \$160 million. Excluding items impacting comparability, adjusted net interest expense was \$158 million compared to \$137 million, primarily due to an increase in interest expense related to higher levels of debt to fund the acquisition of Sovos Brands. The effective tax rate increased 160 basis points to 25.3%. Excluding items impacting comparability, the adjusted effective tax rate increased 10 basis points to 23.9%.

As reported EPS decreased to \$1.91 per share compared to \$2.29 per share. Excluding items impacting comparability, adjusted EPS decreased \$0.04, or 2%, to \$2.46 per share primarily reflecting the increase in adjusted net interest expense, partially offset by a reduction in the weighted average diluted shares outstanding.

Cash flow from operations was \$897 million compared to \$918 million primarily due to costs associated with the acquisition. Capital expenditures were \$376 million compared to \$257 million. In line with Campbell's commitment to return value to its shareholders, the company paid \$334 million of cash dividends and repurchased common stock of approximately \$46 million. At the end of the third quarter, the company had approximately \$301 million remaining under the current \$500 million strategic share repurchase program and approximately \$58 million remaining under its \$250 million anti-dilutive share repurchase program.

Cost Savings Program from Continuing Operations

Through the third quarter, Campbell has delivered \$940 million of total savings under its multi-year cost savings program, inclusive of Snyder's-Lance synergies. The company remains on track to deliver \$1 billion of cost savings by the end of fiscal 2025.

Additionally, the company achieved \$3 million in cost synergies in the quarter related to the Sovos Brands integration plan. The company expects to realize approximately \$50 million in annual ongoing savings by the end of fiscal 2026 once all phases of integration are complete.

Full-Year Fiscal 2024 Guidance:

The company is updating its fiscal 2024 full-year guidance previously provided on March 6, 2024, to reflect the expected performance of the base business and the impact of the recent acquisition.

Full-year reported net sales growth is expected to be in the range of 3% to 4% driven by the incremental impact of the Sovos Brands acquisition. Organic net sales growth is tracking to the midpoint of the updated range of approximately 0% to down 1%, reflecting the current pace of consumer recovery. At the midpoint, this represents about half a point lower than the bottom end of the 0% to 2% organic net sales growth range indicated on the company's second quarter earnings call.

Full-year adjusted EBIT growth for the combined business is expected to be approximately 6.5% to 7% reflecting the partial year contribution of the acquisition, inclusive of integration savings, as well as base business performance including lower adjusted marketing and selling expenses and favorable price realization, productivity and cost savings more than offsetting inflation and other supply chain costs.

Full-year adjusted earnings per share growth for the combined business is expected to be approximately 2% to 3% to \$3.07 to \$3.10, compared to \$3.00 in the prior year. This includes expected dilution from the Sovos Brands acquisition of between \$0.01 and \$0.02 per share.

The company expects to build momentum into the fourth quarter, with continued stabilization of year-over-year volume growth, double-digit growth of both fourth quarter adjusted EBIT and adjusted earnings per share, and continued momentum on the integration of Sovos Brands.

Other additional guidance assumptions can be found in the accompanying investor presentation available at investor.campbellsoupcompany.com/events-and-presentations.

The full-year fiscal 2024 guidance is set forth in the table below:

	FY2023	Previous FY2024	Updated FY2024 Guidance including Sovos Brands
	Results	Guidance	
(\$ in millions, except per share)			
Net Sales	\$9,357	(0.5)% to +1.5%	+3% to +4%
Organic Net Sales ¹	\$9,306*	0% to +2%	(1)% to 0%
Adjusted EBIT ²	\$1,367*	+3% to +5%	+6.5% to +7%
Adjusted EPS ²	\$3.00*	+3% to +5%	+2% to +3%
		\$3.09 to \$3.15	\$3.07 to \$3.10

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

¹ Growth rate adjusted for the Emerald nuts business, which was divested on May 30, 2023 and Sovos Brands, which was acquired on March 12, 2024.

² Adjusted EBIT in fiscal 2023 included approximately \$14 million and adjusted EPS included approximately \$0.04 of litigation expenses related to the Plum baby food and snacks business (Plum), which was divested on May 3, 2021. We are excluding these expenses from our fiscal 2024 adjusted EBIT and adjusted EPS and thereafter as we do not believe that these expenses reflect our underlying operating performance.

Note: A non-GAAP reconciliation is not provided for fiscal 2024 guidance as the company is unable to reasonably estimate the full-year financial impact of items such as actuarial gains or losses on pension and postretirement plans because these impacts are dependent on future changes in market conditions. The inability to predict the amount and timing of these future items makes a detailed reconciliation of these forward-looking financial measures impracticable.

Segment Operating Review

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

	<u>Three Months Ended April 28, 2024</u>		
	(\$ in millions)		
	<u>Meals & Beverages</u>	<u>Snacks</u>	<u>Total*</u>
Net Sales, as Reported	\$1,272	\$1,097	\$2,369
Volume/Mix	1%	(1)%	—%
Net Price Realization	(1)%	—%	—%
Organic Net Sales	—%	(1)%	—%
Currency	—%	—%	—%
Acquisition / (Divestiture) ¹	15%	(1)%	7%
% Change vs. Prior Year	15%	(2)%	6%
Segment Operating Earnings	\$229	\$167	
% Change vs. Prior Year	26%	(7)%	

*Numbers may not add due to rounding.

¹ Reflects the incremental net sales associated with the Sovos Brands acquisition, which was completed on March 12, 2024, and the loss of net sales associated with the divestiture of the Emerald nuts business, which was completed on May 30, 2023.

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

	<u>Nine Months Ended April 28, 2024</u>		
	(\$ in millions)		
	<u>Meals & Beverages</u>	<u>Snacks*</u>	<u>Total*</u>
Net Sales, as Reported	\$4,058	\$3,285	\$7,343
Volume/Mix	(3)%	(2)%	(2)%
Net Price Realization	1%	3%	2%
Organic Net Sales	(2)%	—%	(1)%
Currency	—%	—%	—%
Acquisition / (Divestiture) ¹	4%	(1)%	2%
% Change vs. Prior Year	2%	(1)%	1%
Segment Operating Earnings	\$763	\$489	
% Change vs. Prior Year	—%	1%	

*Numbers may not add due to rounding.

¹ Reflects the incremental net sales associated with the Sovos Brands acquisition, which was completed on March 12, 2024, and the loss of net sales associated with the divestiture of the Emerald nuts business, which was completed on May 30, 2023.

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 in the quarter increased 15% driven by the benefit of the Sovos Brands acquisition. Excluding the acquisition, organic net sales were comparable to the prior year as gains in foodservice were offset by lower net sales of U.S. retail products. Within U.S. retail products, lower net sales in beverages, Campbell's pasta and Swanson canned poultry were partially offset by gains in Prego pasta sauces and U.S. soup. Favorable volume / mix of 1% was offset by slightly lower net price realization of 1%. Sales of U.S. soup increased 2% primarily due to an increase in broth, partially offset by decreases in ready-to-serve soups and condensed soups. On a two-year CAGR basis, Meals & Beverages reported net sales grew approximately 6%, while organic net sales were lower by approximately 1%.

Operating earnings in the quarter increased 26%, primarily driven by the contribution of the acquisition, higher gross profit and lower marketing and selling expenses in the base business. Gross profit margin increased due to supply chain productivity improvements, favorable volume / mix and the benefit of cost savings initiatives, partially offset by higher cost inflation and other supply chain costs, unfavorable net price realization and the impact of the recent acquisition.

Snacks

Net sales in the quarter decreased 2%. Excluding the impact from the divestiture of the Emerald nuts business, organic net sales decreased 1% driven by declines in third-party partner brands, contract manufacturing, frozen products and fresh bakery, partially offset by higher net sales of its 8 power brands, which were up 2%. Sales of power brands benefited from growth in cookies and crackers, primarily Goldfish crackers, and in salty snacks. Volume / mix was slightly unfavorable by 1% and net price realization was neutral. On a two-year CAGR basis, Snacks net sales, reported and organic, grew approximately 5% and 6%, respectively.

Operating earnings in the quarter decreased 7% primarily due to lower gross profit. Gross profit margin decreased due to higher cost inflation and other supply chain costs and unfavorable volume / mix, partially offset by supply chain productivity improvements and the benefit of cost savings initiatives.

Corporate

Corporate expense was \$135 million in the third quarter of fiscal 2024 compared to \$101 million.

Corporate expense in the current quarter included the following:

- \$77 million of costs associated with the acquisition;
- \$23 million of costs related to cost savings and optimization initiatives;
- \$6 million of accelerated amortization; and
- \$13 million of unrealized mark-to-market gains on outstanding undesignated commodity hedges.

Corporate expense in the third quarter of fiscal 2023 included:

- \$27 million of costs related to cost savings initiatives;
- \$17 million of pension actuarial losses; and
- \$9 million of unrealized mark-to-market losses on outstanding undesignated commodity hedges.

After factoring in these items, the remaining decrease in Corporate expense was primarily due to lower general and

administrative expenses.

Conference Call and Webcast

Campbell will host a conference call to discuss these results today at 8:00 a.m. Eastern Time. Participants calling from the U.S. may dial in using the toll-free phone number (888) 210-3346. Participants calling from outside the U.S. may dial in using phone number +1 (646) 960-0253. The conference access code is 2518868. In addition to dial-in, access to a live listen-only audio webcast and accompanying slide presentation, as well as a replay of the webcast, will be available at investor.campbellsoupcompany.com/events-and-presentations.

Reportable Segments

Campbell Soup Company earnings results are reported as follows:

Meals & Beverages, which consists of our soup, simple meals and beverage products in retail and foodservice in 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; V8 juices and beverages; and Campbell's tomato juice; and as of March 12, 2024, Rao's pasta sauces, dry pasta, frozen entrées, frozen pizza and soups; Michael Angelo's frozen entrées and pasta sauces; and noosa yogurts. The segment also includes snacking products in foodservice and Canada.

Snacks, which consists of Pepperidge Farm cookies*, crackers, fresh bakery and frozen products, including Goldfish crackers*, Snyder's of Hanover pretzels*, Lance sandwich crackers*, Cape Cod potato chips*, Kettle Brand potato chips*, Late July snacks*, Snack Factory pretzel crisps*, Pop Secret popcorn, and other snacking products in retail in the U.S. We refer to the * brands as our "power brands." The segment also includes the retail business in Latin America. The segment included the results of our Emerald nuts business, which was sold on May 30, 2023.

About Campbell

For more than 150 years, Campbell (NYSE:CPB) has been connecting people through food they love. Generations of consumers have trusted us to provide delicious and affordable food and beverages. Headquartered in Camden, NJ, since 1869, the company generated fiscal 2023 net sales of \$9.4 billion. Our portfolio includes iconic brands such as Campbell's, Cape Cod, Goldfish, Kettle Brand, Lance, Late July, Milano, Michael Angelo's, noosa, Pace, Pacific Foods, Pepperidge Farm, Prego, Rao's, Snyder's of Hanover, Swanson and V8. Campbell has a heritage of giving back and acting as a good steward of the environment. The company is a member of