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# The Campbell's Co. (CPB)

Q4 2025 Earnings Call

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning, and welcome to Campbell's Company's Fourth Quarter Fiscal 2025 Earnings Conference Call. Today's conference is being recorded. All lines will be muted during the presentation portion of the call with an opportunity for questions and answers at the end. [Operator Instructions] I would now like to turn the call over to Rebecca Gardy, Chief Investor Relations Officer at Campbell's.

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**Rebecca Gardy**

*Senior Vice President & Chief Investor Relations Officer, The Campbell's Co.*

Good morning, and welcome to The Campbell's Company fourth quarter fiscal 2025 earnings conference call. I'm Rebecca Gardy, Campbell's Chief Investor Relations Officer. Joining me today are Mick Beekhuizen, our 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. The presentation, a transcript of management's prepared remarks, and today's earnings press release have been posted to the Investor Relations section of our website, [thecampbellscompany.com](http://thecampbellscompany.com). Following the conclusion of the Q&A, a replay of the webcast will be available at the same location, followed by a transcript of the entire call, including the Q&A, within 24 hours.

Slide 2 outlines today's agenda. Mick will provide insights into our fourth quarter performance as well as our in-market performance by division. Carrie will then discuss the financial results of the quarter in more detail, and review our guidance for the full fiscal year 2026. Please note that all references to in-market performance refer to a 13-week period for the fourth quarter and a 52-week period for the full year for comparative purposes.

I would also point out that beginning in fiscal 2026, we will change how we report share of chips for our Cape Cod, Kettle Brand and Late July brands. Cape Cod and Kettle Brand will be compared against the total potato chip category, replacing the current comparison to the kettle-cooked potato chip category. Late July will be compared against the total tortilla chip category, replacing the current comparison to the natural and organic tortilla chip category. We believe these changes will better reflect the in-market performance for our brands, and will highlight their favorable positioning within the chips category.

In addition, beginning in fiscal 2026, the snacking, and meals and beverages retail business in Latin America is managed under our Meals & Beverages segment. 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 risks. 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. And now it is my pleasure to turn it over to our Chief Executive Officer, Mick Beekhuizen. Mick?

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## Mick J. Beekhuizen

*President, Chief Executive Officer & Director, The Campbell's Co.*

Thanks, Rebecca. Good morning, everyone, and thank you for joining our fourth quarter fiscal 2025 earnings call. Our fourth quarter earnings performance was slightly ahead of our expectations, as we continued to successfully navigate the dynamic operating environment. Meals & Beverages in-market consumption continued to outpace the category. Our Snacks business saw sequential improvement in net sales and in-market consumption, along with better sequential share performance across several key brands. Collectively, the in-market performance of our 16 leadership brands was in line with overall category performance.

As we have seen over the last few quarters, consumers remain cautious and intentional with their spending. They continue to seek value in a variety of ways, such as cooking at home, a behavior that fuels growth in our Meals & Beverages business. Consumers are also increasingly seeking flavor-forward offerings, premium experiences, and health and wellness benefits. These trends are the backdrop for exciting innovations and incremental brand support across both divisions.

Finally, as outlined in our press release, we issued fiscal 2026 guidance reflecting the anticipated tariff impact while continuing our commitment to prioritize innovation and increase marketing investments to support our amazing portfolio of brands and deliver increased cost savings. Carrie will provide more details on our guidance in a moment.

Now let's turn to the key highlights from our fourth quarter and full-year results. In-market consumption during the quarter declined 1%, while organic net sales declined 3%, with the bulk of the difference being driven by the favorable shipment timing in the third quarter, reversing in Q4. As a reminder, the organic net sales result excludes a 7-point positive impact from the additional week in the quarter and a 3-point negative impact related to our portfolio optimization strategy, specifically the Pop Secret and noosa divestitures.

Overall results for the quarter were slightly ahead of our expectations, with net sales up 1% and adjusted EBIT and adjusted EPS down 2% versus prior year. On a full year basis, net sales grew 6%, primarily due to the positive impact from the Sovos acquisition, while adjusted EBIT increased 2%. Full year volume declined 1%. But if we had owned Sovos for the full period, pro-forma year-over-year volume would have been flat. Adjusted EPS of \$2.97 included a slightly better than expected impact of \$0.02 due to tariffs. Before reviewing the performance

of our divisions and brands, I wanted to highlight the framework we use to guide how we connect with our consumers across our portfolio.

As consumers become increasingly deliberate in their choices, it's more important than ever that we are equally intentional in how we engage them. Specifically, our portfolio has a right to win across four key areas highlighted on the page here. These are areas where consumer demand is growing and where our brands are well positioned to lead. Capturing this growth requires not only having the right products, but also ensuring we deliver the right innovation and messaging to meet evolving consumer expectations. By leaning into these areas with focus and discipline across our differentiated portfolio, we can create meaningful connections with our consumers and drive outsized growth opportunities.

With the launch of our new growth office, we are focused on meeting these consumer needs to ensure our innovation pipeline is clearly aligned to what matters most. We see this shift reflected in the strong performance of our recent innovation launches, which highlight how consumers are prioritizing health and elevated taste experiences. Just look at our Avocado Oil Kettle Brand Chips and our Pacific flavored bone broths and Pepperidge Farm Milano white chocolate cookies.

In fiscal 2025, innovation contributed approximately 3% to net sales, and we expect this momentum to increase as we continue investing in our brands and creating food and beverages that meet consumers where they are. Another step we're taking is removing FD&C colors from our portfolio. As you may have heard me say before, our use of these colors is limited. In the second half of fiscal 2026, in line with consumer preferences, Campbell's will no longer produce any of our food or beverages with FD&C colors. These are a few examples of how this consumer-led approach informs how we work across our leadership brands in both divisions, ensuring we bring forward offerings that resonate with consumers and their evolving preferences.

Turning to slide 8. The in-market contribution of our 16 leadership brands, representing approximately 90% of total net sales, remained stable in the fourth quarter, with seven of our brands gaining or holding share. As I mentioned earlier, the consumer environment remained relatively consistent in the fourth quarter, with at-home cooking continuing to be one of the ways consumers define value.

This, once again, was a tailwind for our Meals & Beverages business, especially for our condensed cooking soups, broth, and Italian sauces. As a result, our Meals & Beverages leadership brands outpaced category consumption, gaining 0.2 share points, as five of our eight leadership brands grew or held share in the quarter. Our broth business as a whole continued its strong performance, though Swanson share eased in Q4, primarily due to a promotional timing shift.

In total Meals & Beverages, leadership brand consumption increased by 1% in Q4 and 2% for the full year. Conversely, the consumer environment remained a headwind for our categories in Snacks, though our consumption improved sequentially, driven by improvement in half of our Snacks leadership brands during the quarter.

In Snacks, two of our eight leadership brands grew or held share. Pepperidge Farm held share while Snack Factory, which has a presence in both the deli and snack aisles, grew share by 0.7 points. Given the category trends and aggregate share headwinds, our overall snacks leadership brand consumption declined by 2% in the quarter.

In fiscal 2025, the growth in both consumption and share in our Meals & Beverages business offset the consumption and share decline in Snacks, underscoring the strength, resilience, and balance of our combined leadership brands portfolio.

Let's take a closer look at each division, beginning with Meals & Beverages on slide 9. Organic net sales decreased 3% for the quarter, with volume and mix down 4%. This was primarily due to the favorable timing of customer shipments in Q3 reversing in Q4, as I mentioned earlier. Year-over-year consumption grew by 1%, aided by Rao's return to high single-digit consumption growth. On a full-year basis, including the pro-forma contribution from Sovos, organic net sales grew 1%, fueled by volume growth, while dollar consumption grew 2%.

Turning to slide 10, our soup portfolio performed largely in line with the category in Q4. Campbell's total wet soup dollar share declined by 0.8 points, as the discontinuation of our Well Yes! brand more than offset aggregate share gains across the remainder of the portfolio. Similar to prior quarters, consumers continued to cook at home, fueling gains in both dollars and volume for the broth category.

We maintained strong in-market performance with 7% broth consumption growth, driven by increased usage per buyer, particularly among millennials and boomers, segment momentum, and private label service challenges. Our condensed portfolio continued its strong performance with its seventh consecutive quarter of dollar share growth and increases in both dollar and volume consumption, driven by the strength of our condensed cooking soups.

Finally, our ready-to-serve in-market consumption declines were driven by category headwinds, increased competitive promotional intensity, and the discontinuation of our Well Yes! brand product line. Bright spots in our ready-to-serve portfolio included our Chunky, Pacific, and Rao's brands, which all gained share in the quarter.

On slide 11, you can see the dollar consumption in the Italian sauce category grew 2% year-over-year in Q4, similar to the past two quarters. Campbell's Italian sauce portfolio outpaced this mark, growing dollar consumption by 4%. This was driven by strengthen in Rao's, as dollar consumption for the brand returned to high single digit growth in Q4 while Prego dollar consumption was flat. Rao's also grew dollar share by 1.2 points in the quarter, as we continue our focus on increasing distribution, household penetration and awareness of the brand. Our stronghold in the Italian sauce category continues as Rao's, which will soon become our fourth billion-dollar brand, and Prego hold the top two spots in dollar share and we are excited about the prospects for future growth with these great brands.

Turning to slide 12. As I mentioned earlier, consumer preferences continue to evolve and so does our approach to innovation across our portfolio. Campbell's broth and stock have delivered strong performance over the past couple of years, with volume share growth in seven of the past eight quarters. In the fourth quarter, our broth offerings outpaced category growth in both buy rate and trips per buyer. I'll share two examples of great consumer-led innovation driving the continued relevance of our broth portfolio.

In the fourth quarter, we introduced an exciting innovation to drive the ongoing at home cooking trend with Swanson's first ever ramen broth offering. Homemade ramen is one of the fastest growing usages of broth, and our team developed a sensational new product to meet consumer's needs. Additionally, earlier this year in e-commerce channels, we expanded our Pacific flavored bone broth offerings by launching the ginger, turmeric, and black pepper flavor, continuing to provide consumers focused on health and wellness with an excellent and easy way to increase the protein content of their meals.

Now, let's turn to our Snacks business on slide 13. Pressure on Snacking categories remained in the fourth quarter, but we were encouraged that our in-market results improved sequentially, resulting in a 2% consumption decline versus the prior year. Organic net sales declined by 2%, driven by lower volume and mix, but improved versus Q3 due to favorable net price realization. Dollar consumption in the quarter was in line with full year totals, while organic net sales were slightly better.

Turning to slide 14, you can see our Snacks portfolio performed relative to each respective Snacking category. While we saw share losses in parts of the portfolio in Q4, five of our eight leadership brands saw sequential share improvement and four of eight saw sequential dollar consumption gains compared to Q3. In cookies, we gained share as we grew consumption during the quarter, outperforming the category through successful innovation launches, most notably our Milano White Chocolate lineup. We are excited to continue to expand our white chocolate product line with seasonal LTOs, such as the popular Milano Chai Latte flavor, and expect to drive sustained growth in the category with increased innovation.

Although consumption declined during the quarter in our fresh bakery business, we continue to hold share driven by positive momentum in our Farmhouse buns and rolls. This is a great example of consumers selecting premium options, even while their spending habits have become more intentional throughout the year. While our pretzels, chips and crackers businesses experienced share losses in the quarter, we saw several key brands improved sequentially compared to Q3. Snack Factory saw in-market consumption growth and for the second straight quarter, share gains with the successful innovations of Pop'ums and Bites. In chips, we saw sequential improvement in our Kettle and Late July brands, resulting in consumption growth as the attractiveness of better for your offerings resonates with consumers.

Notably, Cape Cod, Kettle Brand, and Late July all gained market share against the broader potato and tortilla chips categories, giving us confidence that our brands are well positioned for growth and reside in advantageous subcategories. In crackers, Goldfish, as one of our flagship billion-dollar brands, continues to exhibit healthy brand fundamentals with sequential improvements in both dollar consumption and dollar share performance in the fourth quarter. New flavors, limited time offerings, and improving multipack performance have helped us to begin reigniting their brand. Though we still have more work to do, I am confident that with incremental marketing support and strategic promotional activity, we will get this important brand back to its historical growth trajectory.

Turning to slide 15. I'm excited to share the impact of our Milano White Chocolate innovation, a fantastic example of how the convergence of premiumization and value is resonating with consumers. It helped drive both incremental improvement in our Cookies business, as well as fuel the entire Cookies category. In the fourth quarter, while the Cookies category declined by 1%, total Milano dollar consumption increased 27% versus prior year and lifted our overall Pepperidge Farm cookies business dollar consumption to 3%.

In fact, over the past two quarters, Milano White Chocolate has been the number one driver of category dollar and volume growth. I'm incredibly proud of the team for the insights that led to this innovation, and how they are building momentum on this early success. Before turning it over to Carrie, I'd like to briefly highlight how we're delivering today while we build for tomorrow.

In this dynamic operating environment, day-to-day execution is critical. We've made great progress over the past couple of years, and will continue to execute our near-term priorities across the organization to deliver results. In fiscal 2026, we plan to increase marketing support and new product innovation across our leadership brands, specifically in Meals & Beverages we'll maintain momentum by investing in brands aligned with the growing at-home cooking trend. In snacks, we are focused on reigniting Goldfish with incremental investment leveraging brand strength.

In addition, we have well-defined and immediate action plans to mitigate more than half of the tariff impact and will continue pursuing additional mitigation opportunities. Finally, we are expanding our organizational capabilities. A key step was establishing the Growth Office, focused on elevating core commercial strengths in consumer insights, integrated marketing, innovation, and revenue growth management. These capabilities will help drive enterprise-wide growth over time and top tier performance. We're also continuing to invest in digital transformation to boost agility, efficiency and effectiveness.

Additionally, as Carrie will discuss, we're expanding our cost savings program to further optimize our cost structure and provide fuel for further investment in our leadership brands. All in, we're driving change to deliver growth. I am confident that our focus on day-to-day execution and the actions we are taking to strengthen our foundation will lead to sustainable, profitable growth.

Let me now turn it over to Carrie to go over the Q4 and full year fiscal 2025 results and fiscal 2026 guidance in more detail.

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## Carrie L. Anderson

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

Thanks, Mick. Turning to our Q4 results. As Mick said earlier, our fourth quarter performance was slightly ahead of our expectations. As a reminder, our Q4 and full year results include the contribution of an additional week in fiscal 2025. Q4 reported net sales increased 1% with the contribution from the additional week. Organic net sales, excluding the impact of the additional week, currency and the Pop Secret and noosa divestitures, decreased 3%, which was driven by the expected reversal of favorable third quarter shipment timing in Meals & Beverages, and continued pressure on snacking categories.

As a reminder, the Sovos acquisition was fully included in organic growth in the fourth quarter following the anniversary date of the acquisition in Q3. Adjusted EBIT decreased 2%, including the benefit of the additional week, with adjusted EBIT margin down 50 basis points, including a 30 basis point impact from tariffs. Adjusted EPS of \$0.62 was lower by 2%, with the additional week contributing \$0.06, partially offset by an approximate \$0.02 headwind from tariffs and an approximate \$0.02 impact from divestitures in the quarter.

Turning to slide 19. For the full year, net sales increased 6%, primarily driven by the contribution of the Sovos acquisition. Organic net sales decreased 1% compared to the prior year, driven by modestly lower volume and mix and net price investment. Full year adjusted EBIT increased 2%, driven by the contribution of the acquisition and the additional week in fiscal 2025, partially offset by lower adjusted EBIT in the remainder of the business.

Adjusted EPS decreased 4%, driven by increased interest expense. The modest Q4 headwind from tariffs and the full year impact of divestitures offset the benefit of the additional week in our full year adjusted EPS results. The Sovos acquisition performed well in fiscal 2025, with Rao's delivering high single digit net sales growth on a pro-forma basis, as if we had owned Rao's for all of fiscal 2024, and we over delivered integration synergies with the acquisition accretive to our fiscal 2025 adjusted EPS.

Moving to slide 20. Organic net sales for the fourth quarter declined 3% due to unfavorable volume and mix, partially offset by higher net price realization. The 1% increase in reported net sales in the quarter reflected a 7-point contribution from the additional week, partially offset by a 3-point impact from divestitures.

On slide 21, fourth quarter adjusted gross profit margin declined 90 basis points to 30.5%, driven by higher cost inflation and other supply chain costs, inclusive of an approximate 30 basis point impact from tariffs. This was

partially offset by supply chain productivity improvements, favorable net price realization, and the benefits from cost savings initiatives.

Turning to slide 22, the total combined dollar spend on adjusted marketing, selling and administrative expenses remained flat at approximately 15% as a percentage of net sales. Advertising and consumer promotion expenses increased 12%, primarily driven by the contribution of the additional week. Adjusted administrative expenses decreased 4% compared to the prior year, as the benefit from our enterprise cost savings initiatives, including benefits from the integration of Sovos and lower incentive compensation, partially offset higher general administrative costs, inflation and the additional week.

As shown on slide 23, fourth quarter adjusted EBIT decreased 2%, primarily due to lower adjusted gross profit and higher adjusted marketing and selling expenses, which were partially offset by lower adjusted administrative and other expenses. On slide 24, adjusted EPS decreased 2% to \$0.62, which is reflective of the lower adjusted EBIT. Higher interest expense due to the additional week in the quarter was offset by lower tax expense from a lower adjusted effective tax rate.

Shifting to segment performance, our Meals & Beverages results are summarized on slide 25. Meals & Beverages reported fourth quarter net sales flat to prior year, which includes the contribution from the additional week and the impact of the noosa divestiture. Excluding these impacts, organic net sales decreased 3%, mainly driven by declines in Rao's pasta sauces and US soup. Lower sales in Rao's were primarily due to the expected reversal of third quarter favorable customer shipment timing in connection with the integration of Sovos into Campbell's ERP system. Declines in US soup were primarily the result of lower consumption and customer inventory reduction in ready-to-serve soups. Lower volume and mix of 4% was partially offset by favorable net price realization of 1%.

Fourth quarter operating earnings in the division decreased 5%, primarily due to lower gross profit. Operating margin was lower by 100 basis points, which was primarily driven by higher inflation and other supply chain costs, inclusive of a 50 basis point impact from tariffs. This was partially offset by supply chain productivity improvements, favorable net price realization, and the benefits from cost savings initiatives.

Turning to slide 26, Snacks reported a 2% increase in net sales, which includes the contribution from the additional week and the impact of the Pop Secret divestiture. Excluding these impacts, organic net sales decreased 2%, driven primarily by lower net sales in third party partner and contract brands, and Snyder's of Hanover Pretzels. Organic net sales were impacted by unfavorable volume and mix of 5% and favorable net price realization of 2%. Snacks' Q4 year-over-year organic net sales improved sequentially from Q3 due to improved net price realization.

Snacks operating earnings in the quarter were comparable to prior year, while operating margin decreased 30 basis points to 14.2%. The margin contraction reflected higher marketing and selling expenses, which offset gains from stronger gross profit and lower administrative and other expenses.

Turning to slide 27, we generated \$1.13 billion in operating cash flow in fiscal 2025, slightly lower than the prior year period driven by changes in working capital, in part due to tariff mitigation strategies. Capital expenditures were \$426 million for the year, 18% lower than prior year. We remain committed to returning cash to shareholders with \$62 million in share repurchases during the year and \$459 million of dividends paid, including a 5% dividend increase that was effective in the third quarter of fiscal 2025.

Our net debt-to-adjusted EBITDA leverage ratio at the end of the fiscal year was 3.6 times, down from 3.7 times at the end of fiscal 2024. At the end of the fourth quarter, the company had approximately \$132 million in cash and cash equivalents and approximately \$1.5 billion available under our undrawn revolving credit facility.

Turning to slide 28, in fiscal 2026, we expect a more significant impact from tariffs. Gross tariffs are projected at approximately 4% of cost of products sold, approximately 60% related to Section 232 steel and aluminum tariffs, and the remainder largely from global IEEPA tariffs. Despite the ongoing uncertainties around the IEEPA tariffs, we are still assuming that they remain in place for the year. We expect to mitigate approximately 60% of this impact in fiscal 2026 through a number of actions, including continued inventory management, supplier collaboration, alternative sourcing opportunities, productivity and cost savings, and where absolutely necessary, surgical and responsible pricing actions.

Moving to slide 29, we are intensifying our focus on additional cost savings initiatives. If you recall, at our Investor Day in September 2024, we announced our \$250 million enterprise cost savings program that runs through fiscal 2028. We refer to this program as PEAK. In fiscal 2025, we delivered approximately \$145 million of cost savings. The majority of these fiscal 2025 savings were driven by accelerated synergies related to our Sovos integration and efficiencies gained through manufacturing and warehouse network optimization initiatives.

Today, we are increasing our cost savings target to \$375 million by the end of fiscal 2028, a 50% increase over the previous estimate. PEAK will continue to focus on four areas: network optimization, integration synergies, technology and organization effectiveness, and indirect spend management.

Turning to guidance on slide 30, as Mick mentioned earlier, consumers are making thoughtful food choices, focusing on elevated experiences, flavor exploration, prioritizing health and wellness, and cooking at home. Our portfolio of brands is well positioned to meet these needs, supported by incremental brand investment and continued innovation.

At the same time, we are in a dynamic operating environment, resulting in input cost pressures primarily driven by tariffs, which, despite significant mitigation efforts, are expected to be headwinds to our earnings outlook for the upcoming fiscal year. However, we do expect to make progress towards sustainable growth in fiscal 2026, while mitigating some of the near-term cost pressures.

With that as context, let me walk you through our guidance for this coming year. Our fiscal 2026 guidance ranges are presented on a comparable basis excluding the additional week in fiscal 2025 to simplify year-over-year comparisons. Guidance also includes the impact of the divestitures of noosa and Pop Secret. The divestiture impact is estimated to be a 1% reduction to both reported net sales and adjusted EBIT and dilutive by \$0.04 to adjusted EPS in fiscal 2026.

Full year reported net sales are expected to be down 2% to flat, inclusive of the impact of the divestitures. Full year organic net sales are expected to be down 1% to up 1%, reflecting continued momentum in Meals & Beverages and stabilization in Snacks in the second half of the year at the midpoint of the range, with modest positive net price contribution compared to fiscal 2025.

We expect adjusted EBIT to decline 9% to 13% and adjusted EPS to be down 12% to 18%, inclusive of the impact of the divestitures. On a comparable 52-week basis, and excluding the divestiture impact, approximately two-thirds of the year-over-year decline in fiscal 2026 adjusted EPS guidance at the midpoint of the range is attributable to the estimated net tariff impact. The remaining one-third is driven by year-over-year changes in the base business.

Our assumptions in the base business reflect the net sales assumptions I've already touched on, increased marketing and selling investment in the range of 9% to 10% of net sales, and a normalization of the one-time benefits realized in fiscal 2025, including a return to targeted payout levels of incentive compensation expense, which is estimated to be a 3-point headwind to the year-over-year change in adjusted EBIT.

We expect full year core inflation, excluding tariffs, to be in the low single-digit range. We are intensifying our focus on productivity with planned initiatives of approximately 5% of cost of products sold, including tariff mitigation actions, and we expect approximately \$70 million of enterprise cost savings.

Moving to items below EBIT. Full year net interest expense is expected to be between \$320 million and \$325 million, and our effective tax rate is assumed at 24%. And finally, capital expenditures are expected to be approximately 4% of net sales.

To wrap up, we believe we are well-positioned to navigate the challenges ahead, including mitigating the impacts of tariffs over time, while continuing to capture opportunities for growth. We are taking a balanced, disciplined approach to protect and expand our market-leading positions across both divisions, while maintaining a focus on execution, delivering continued cost savings, and driving strong cash flow generation with financial rigor. We believe in the strength of our portfolio and our ability to continue to execute our strategic priorities, even in a dynamic environment with the goal to deliver long-term, sustainable value creation.

This concludes our prepared remarks. Operator, let's begin Q&A.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] Thank you. Our first question comes from Peter Galbo from Bank of America. Please go ahead. Your line is open.

**Peter T. Galbo**

*Analyst, BofA Securities, Inc.*

Q

Hey, good morning guys. Thanks for taking the question. Mick, I was hoping you could just maybe dive a little bit deeper into some of the puts and takes on the outlook for fiscal 2026 particularly just factors that may drive you kind of towards the upper or lower ends of the ranges that you've given. And any other additional detail on phasing, maybe from Carrie, as we think about first quarter and then first half versus second half? Thanks very much.

**Mick J. Beekhuizen**

*President, Chief Executive Officer & Director, The Campbell's Co.*

A

Yeah. Great. Good morning, Peter. So, let me quickly dive into guidance, and then Carrie, I'll pass it over to you. You can talk a little bit more about the phasing piece. So as I described during the prepared remarks kind of stepping back for a minute. First of all, of course we're very focused on the overall consumer environment, and how the consumer continues to evolve. We believe that increased brand support, and also innovation is going to be critical. And at the same time, as we allude to the dynamic operating environment that really comes back to a necessity for us to step up productivity and cost savings across the organization.

If you look specifically at our guidance and our guidance ranges, so, maybe first on the top line, a range from minus 1% to plus 1% organically really focusing on the midpoint as I alluded to, continued M&B momentum that's really coming back to we have wind in our back with regard to the overall cooking trends. Our product and our portfolio are very well positioned to continue to benefit from a trend. And at the same time, you also saw the Rao's performance in Q4, and we continue to lean into that brand, and I'm a very big believer of the continued growth within the Rao's.

And then on the Snacks side, we made sequentially some in-market progress. That being said, we are still down year-over-year in Q4. If you go into the fiscal year, and look at our overall guidance, we are assuming that we're starting to stabilize in the second half. So you basically are assuming that recovery of the Snacking business throughout the year, and that's partially predicated on this incremental brand support as well as the innovation.

Then from an overall pricing perspective, we are assuming pricing to be a bit of a positive contributor, which – that's really in order to help offset some of the core inflation pressures that we're seeing, particularly on snacks around items like cocoa. But on the flip side, we obviously also have on the M&B side more exposure of the tariffs that we talk about. And we have a lot of different initiatives around that, that Carrie alluded to earlier. One of them is some surgical pricing activity.

So, that really gives you a little bit of context around the top line investment in marketing is important. Getting to that target of 9% to 10% at the same time, also continuing to lean in into innovation where as you saw we have some great successes.

Now from an EPS perspective, down 18% to down 12% year-over-year, \$0.04 of that is the divestiture impact that we alluded to. It really implies a 16% to 11% decline excluding that divestiture impact, and excluding the 53rd week. So at the midpoint, you're down, give or take \$0.40. Two-thirds of the decline is really because of the net tariff impact that we've talked about. Carrie talked about it earlier in the prepared remarks.

One-third is really coming back to what I just talked about, that top line trajectory that we've assumed, where at the midpoint of the range we're assuming we're getting to 0% organic net sales growth, i.e. overall stabilization for the full year for the total company. And then we're stepping up the productivity cost savings to offset tariffs and other core inflation, but at the same time, we're also making some more marketing investments. And we have some of these, call it, like certain items that we benefited from this past year like lower incentive comp that we're expecting to reset in this coming year.

So, a lot of puts and takes within that, but very focused across the organization on executing and stabilizing that overall top line with a combination of both price, and then probably a little bit of, call it, like volume headwinds still throughout the year.

From a margin perspective, 150 basis points at the midpoint. Margin down year-over-year because of the, call it, 0% organic sales growth at the midpoint of our range. You can basically follow the similar logic that I described earlier, with two-thirds of that margin pressure coming from net tariffs. So, it hopefully gives you a little bit of additional context around the guidance and how we thought about it. And Carrie, I'll kick it over to you to talk a little bit more about the phasing.

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**Carrie L. Anderson**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

A

Thanks, Mick. As you think about the organic net sales phasing, I would ask you to consider looking at what we're lapping in fiscal 2025 as you think about the quarters. But as I look at first half, and second half generally I would

say favorable trends, when you look at it from a half perspective, first half year-over-year, and second half year-over-year.

For Q1 specifically, I would say sequential better trends than Q4, so, year-over-year growth trends sequentially better than Q4. Though still some pressure in Q1 of fiscal 2026, especially considering again the phasing of Snacks recovery, and some M&B lumpiness. That M&B lumpiness is really attributable to promotion timing, some shifts from Q1 into Q2, and then some weather benefits that we're lapping from Q1 of fiscal 2025. So, hopefully that helps you from an organic net sales perspective.

From the margin perspective, as you think about your quarterly phasing, Mick talked about that 150 basis point margin pressure at the midpoint. I would say we're going to see similar margin pressure throughout the year including Q1. So I would say that should help you as you think through your quarterly phasing, Peter.

**Peter T. Galbo**

*Analyst, BofA Securities, Inc.*

Q

Great. Thanks very much, guys. Very helpful. I'll pass it on.

**Mick J. Beekhuizen**

*President, Chief Executive Officer & Director, The Campbell's Co.*

A

Great.

**Operator:** Our next question comes from Tom Palmer from JPMorgan. Please go ahead. Your line is open.

**Thomas Palmer**

*Analyst, JPMorgan Securities LLC*

Q

Good morning and thanks for the question. I wanted to just ask on the Snacks side. The outlook discusses the expected stabilization in the second half of the year. I wondered if you might talk a bit about whether – sorry what you're seeing today across categories, and how you think about the path to stabilization this year, and maybe to what extent you kind of look at it as being more of a category driver versus more company specific initiatives, because in your answer to Peter, you did note a couple of company specific areas like innovation and marketing to help? Thank you.

**Mick J. Beekhuizen**

*President, Chief Executive Officer & Director, The Campbell's Co.*

A

Yeah, yeah. Okay. Great. So, let me quickly give you a little bit of context. And first let me step back with regard to overall Snacking, and then I'll come back to some of the dynamics within our portfolio. When I look at overall Snacking, first of all Snacking occasions are here, and they're here to stay. If anything, they're stable to slightly growing. As we described in our earnings, and in our deck, you saw that we're very focused on the fact that snacking behaviors are evolving. And as a result, we laid out the framework with a focus on premiumization, flavor exploration, as well as health and wellness in order to make sure that we continue to connect and evolve with the consumer.

That's on the one hand with regard to brand activation, because we actually believe our portfolio plays really well within these different trends, and across this overall framework. But on top of it, it informs us how and where to innovate, and for instance, the Milano White Chocolate success is a great example of that. That's really coming back to flavor exploration. And you see that when you really get the innovation right, it really works. And you see that in the Milano numbers with 27% growth. So, why do I feel so confident around our overall portfolio of brands

is actually because if you look across our brands, you see that household penetration is actually relatively stable. If anything, maybe in certain instances over the past 12 months, slightly increasing, so the relevance of our brands is really there. And we need to make sure that we continue to focus to the earlier point on activation as well as innovation so we continue to connect with the consumer.

So, how do I think we're going to win in the overall marketplace? It's really focused on core key areas, which is coming back to on the one hand, that increased brand support that we talked about earlier, the product innovation. We need to continue to evolve our price packs. We talked a little bit about that last time around for instance with Goldfish, making sure that multipacks work, and that we have the right pack sizes of multipacks particularly during the back-to-school time period. It's one of the things that our teams are very focused on executing. That's really important.

And then finally we still have a lot of runway with regard to both distribution as well as in-market execution, and the team is all over it, because that's obviously critical. So that comes back to kind of the bigger picture of Snacking and how our portfolio fits within that. And generally, I'm a very strong believer of us being able to start to get our Snacking portfolio back to sustainable profitable growth. And you're seeing already some of the sequential progress but we still have some work to do going into fiscal 2026. Hence, we are talking about stabilization throughout the year because I expect that really to manifest itself in the second half.

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**Thomas Palmer**

*Analyst, JPMorgan Securities LLC*

Q

Okay. Thanks for the detail there. Carrie, you noted the 150 basis points of operating margin pressure at the midpoint of the outlook, just when thinking between the two segments. Just any help on kind of where we might see that impact greater. I mean, I would assume Meals & Beverages, given some of the tariff commentary, but maybe you could help quantify it? Thank you.

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**Carrie L. Anderson**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

A

Yeah, that is the correct assumption. So, when you think about the tariffs, about 60% of those gross tariffs are coming from Section 232 steel, aluminum tariffs, and that's going to really hit M&B. And then you've also got the IEEPA tariffs that will also impact Rao's imports as well. So the majority of that headwind is going to be sitting in Meals & Beverages.

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**Thomas Palmer**

*Analyst, JPMorgan Securities LLC*

Q

Okay. Thank you.

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**Operator:** Our next question comes from Robert Moskow from TD Cowen. Please go ahead. Your line is open.

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**Robert Moskow**

*Analyst, TD Securities (USA) LLC*

Q

Hi. Thank you. Two questions. One is, Mick, some of your peers who are facing tariffs on steel and aluminum are taking a more aggressive stance on pricing to offset it. I want to know how you thought about the pros and cons of raising prices more emphatically to offset these costs. Is the category just not – is the soup category, in particular, just not ready for it? And then secondly – well, let's go for the first. I'll come back.

**Mick J. Beekhuizen**

*President, Chief Executive Officer & Director, The Campbell's Co.*

A

Yeah, yeah. No, that's good. Okay. So, if you look – I mean, Carrie described all the different initiatives that we're focused on in order to make sure that we help offset the tariffs, including the inventory management, but also working with our suppliers, as well as, as you heard us talk about, increased productivity and cost savings initiatives. Pricing and surgical pricing initiatives are part of that overall equation.

And to your points, Rob, around Meals & Beverages, the soup business is impacted by tariffs because of what Carrie described with the Section 232 steel and aluminum tariffs. So, when I look at overall pricing, pricing is also manifesting itself within that soup portfolio, which is being really surgical about where do we believe we have some opportunity to increase pricing and where not.

**Robert Moskow**

*Analyst, TD Securities (USA) LLC*

Q

Okay. My follow-up was, I think the guidance for fourth quarter was for tariffs to be \$0.03 to \$0.05 of impact, and it ended up being \$0.02. Were the costs lower than you expected, or am I not counting something that happened in maybe third quarter?

**Carrie L. Anderson**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

A

Yeah, I would attribute it more to one of our levers. As we think about all the different levers we're pulling, it is primarily one of inventory management, right. So, working with our suppliers and also inventory – active inventory management there. And so, you'll see that fuller impact, obviously, when we talk about our fiscal 2026, but that's really what helped us in the fourth quarter that coming in lower.

**Robert Moskow**

*Analyst, TD Securities (USA) LLC*

Q

Okay. Thank you.

**Operator:** Our next question comes from Michael Lavery from Piper Sandler. Please go ahead. Your line is open.

**Michael S. Lavery**

*Analyst, Piper Sandler & Co.*

Q

Thank you. Good morning. I just want to follow up on some of the tariff mitigation and, I guess, you just touched on the inventory management. How sustainable was that or is it more just delaying some of the cost that comes later? And when you talk about alternate sourcing, can you help us unpack that a little bit? I know tinplate is, I think, scarcely or maybe not really made in America. Rao's is, of course, coming from Italy or is that where you would imagine maybe potentially shifting that approach? Or help us understand just some of the mitigation approach in a little more detail.

**Carrie L. Anderson**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

A

Yeah, I'll start there and have Mick talk about some of the other levers. But I think in terms of inventory management and supplier collaboration, to me those go very much hand in hand as we have discussions with our partners. And so, I think it will still be a lever that we'll be able to see some of that benefit in the combination of

both of those together as we look at fiscal 2026 and work to find offsets in conjunction – in definite partnership with our supplier partners. Mick, you want to talk a little bit about the alternative sourcing.

**Mick J. Beekhuizen**

*President, Chief Executive Officer & Director, The Campbell's Co.*

A

Yeah. So, let me talk about it in three pieces. So, when I look at alternative sourcing, you're right, for steel, aluminum, there is not an alternative source. Where or how does it impact our business? It's really coming back to food grade tinplate that we need for our cans. And as Rob mentioned – referred to earlier as well, that's particularly within our soup business. There is not enough capacity available in the United States or supply available in the United States.

If it was available, we would buy it locally. We're not able to do that. So, as a result, we have no choice but to import that key raw material for our product. There is, obviously – coming back to tariffs, there is a 50% tariff on that. And that as a result is something that we're mitigating with other alternatives or trying to partially mitigate with other alternatives than an alternative source, because that is not available. So, that is, call it, the steel, aluminum bucket, I'll call it.

Then the second bucket is Rao's. Rao's is made – or the vast majority of the product is made in Italy and we import it. And it is partially the magic of the sauce, actually, that – or the magic of the product that the sauce is made in Italy and that we import it. And as you've heard us say in the past, we're not changing the sauce, and it's absolutely critical for us to make sure that we maintain that elevated product quality. So, again, there we have some flexibility with some production in Georgia, and we're working with the co-manufacturer on that with our partner in Italy. However, there is also only so much we can do around that.

Then the third bucket is what I'll call rest of world IEEPA tariffs, that Carrie mentioned – referred to earlier. There we have some flexibility, because that's really coming back to – in certain instances, we're not, because you have certain raw materials that come from one particular country or from one particular region, and you have only so much choice. However, within that rest of world bucket, there are alternatives and we are pursuing those actively.

However, it's obviously really important that we maintain top quality product for our consumers. So, sometimes that's taking a little bit longer, particularly if you want to switch suppliers, because we want to make sure that we maintain the quality of our product and maintain that consumer proposition. So, that's a little bit of a process that we're going through.

**Michael S. Lavery**

*Analyst, Piper Sandler & Co.*

Q

That's helpful color. Just to follow up on the increased productivity savings target that you've announced. You've got a plan that was already in place. You're pushing that harder. How comfortable are you that you're not putting sort of capabilities at risk or cutting too much, or can you just help us understand maybe how you came to the figure that you felt like it wasn't maybe too aggressive? Or do you feel like it is – can you just help us understand how to think about that?

**Carrie L. Anderson**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

A

Yeah. I would start and say, as we think about fiscal 2025, the savings of our PEAK cost savings program came in much higher than what we initially expected, and a lot of that coming from the acceleration of Sovos integration. There will still be integration savings from Sovos as we move into fiscal 2026. If you recall, we just moved Sovos

into the Campbell's ERP system at the end of Q3, beginning of Q4. So, there is still back-office opportunities and savings on integration as we move into fiscal 2026 that we'll see. There is also some network optimization with Sovos that will continue to refine that with our Meals & Beverages network. So, I think there is still more opportunity there for Sovos.

The other areas are – it's the same levers that we're pulling. And so, whether it's org effectiveness, whether it's IT digital roadmap and driving more productivity through realization of our IT roadmap, whether it's our network optimization which covers certainly broader than just our manufacturing plant, it also covers warehouses or logistics. So, all of those areas plus our indirect procurement team is doing a fantastic job there and identifying opportunities. So, I don't think – and I'll have Mick maybe comment, I don't think that there is anything that we're short changing. I think these are all areas of where I think we can continue to unlock efficiency and effectiveness through the things that we're doing as part of PEAK.

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**Mick J. Beekhuizen**

*President, Chief Executive Officer & Director, The Campbell's Co.*

A

Yeah, I'd add maybe to it the step-up of productivity from historically we've done, call it, about like 3%, this year we're targeting around 5%. Definitely a lot of work across the organization, and I really applaud the team for stepping up the efforts across the board. It is an elevated target compared to what we've done in the past. However, the team is also identifying a lot of opportunities across the company and also collaborating across a lot of different functions in order to make sure that one, we obviously deliver, but two, to your question that we also don't undermine any capabilities or if anything, we actually make ourselves better and stronger so we can continue to deliver and focus on delivering that growth that we're focused on.

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**Michael S. Lavery**

*Analyst, Piper Sandler & Co.*

Q

Okay. Thanks. I'll pass it on.

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**Operator:** Our last question today will come from Jim Salera from Stephens. Please go ahead. Your line is open.

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**Jim Salera**

*Analyst, Stephens, Inc.*

Q

Hey, Mick, hey, Carrie. Thanks for taking our question. I wanted to start with just something you had said in a previous response to, I believe Tom's question, that your brands household penetrations are kind of flat to slightly increasing in certain areas. That would obviously imply that the volume pressure is more from either a frequency or a mix. Can you just talk through what gives you confidence that you can start to see an uplift, either again on mix or volume, if the consumer environment doesn't really improve in 2026.

And are there any brands like – Rao's comes to mind obviously where there is still kind of an awareness opportunity and you expect to get some lift from that on marketing to drive further household penetration. So, maybe the portfolio as a whole and then kind of thoughts on scaling Rao's awareness with the increased marketing?

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**Mick J. Beekhuizen**

*President, Chief Executive Officer & Director, The Campbell's Co.*

A

Yeah, okay. Great. So, you're right. If you look at back to my earlier comment household penetration, slightly increasing means that the buy rate is down a little bit and that comes back to – what we're focused on is, our brands continue to maintain relevance. You see that back to the household penetration reference, they are still

showing up in the households. We need to make sure that we continue to keep or increase that overall buy rate. And by the way, we also still have opportunity to continue that household penetration across the board, right. It's really those two levers, and that's why we come back to what I described earlier that brand support is so important in order to make sure that we maintain or increase that overall awareness.

And then on top of it, innovation can really further support increased buy rate because you're providing more variety that also comes back with, for instance, the price-pack architecture that I mentioned earlier, making sure that we have the right packs available at that proper decision point. Like, for instance, back to school, making sure that we have those Goldfish multipacks available across the store. So, I look at it really as like it is really good at household penetration is flat to stable with potential upside there. And at the same time, we've got to continue to make sure that we focus on the stabilization or growth in overall buy rate with these different initiatives. And that also comes back to that overall consumer framework that the team is using, which I wholeheartedly believe in.

Now, coming back to build on your second part of your question, there are certain brands where there is obviously significant upside potential from an overall household penetration perspective. We talked in the past about Rao's. Rao's is a great example of that. Also, going into this fiscal year, the team is very focused, as I mentioned earlier, on continued growth in Rao's. It's probably going to be a little choppy quarterly because the timing of promotional activity, but overall continue to focus on growth. You saw the 8% consumption growth on sauces in Q4. I expect we've said this in the past, mid to high-single digit growth for the Rao's brand, that's what the team is focused on, and continued increase of household penetration is a key component of that.

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**Jim Salera**

*Analyst, Stephens, Inc.*

Q

Great. And maybe just one real quick follow-up. Can you just give us any thoughts around – you mentioned choppiness with Rao's, any particular quarter we should think about as being kind of high point or low point as we just think about the cadence through the year?

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**Carrie L. Anderson**

*Executive Vice President & Chief Financial Officer, The Campbell's Co.*

A

Yeah. Again, if you think about what we're lapping from fiscal 2025, I think that will be a reference point in Q1. If you go back, we had a pretty nice pro forma growth. We didn't have Sovos in the base 2024, but we had it in the 2025. On a pro forma basis, very nice growth in Q1. So, we're going to see some promotional shifts from Q1 into Q2 for Rao's. And then I think it's important to remember what we're lapping in the second half. We had the SAP implementation that buoyed the Rao's net sales growth in Q3, and then we saw some timing of that come back and reverse out in Q4. So, just as you think about that phasing, just remember what we're lapping in fiscal 2025, Jim.

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**Jim Salera**

*Analyst, Stephens, Inc.*

Q

Great. Thanks, Carrie. I'll hop back in the queue.

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**Operator:** We are out of time for questions today. This will conclude today's conference call. Thank you for your participation. You may now disconnect.

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