



Campbell Soup Co. (CPB)

Updated September 14th, 2021 by Quinn Mohammed

Key Metrics

Current Price:	\$43	5 Year CAGR Estimate:	6.7%	Market Cap:	\$13.1 B
Fair Value Price:	\$46	5 Year Growth Estimate:	2.5%	Ex-Dividend Date¹:	10/07/2021
% Fair Value:	94%	5 Year Valuation Multiple Estimate:	1.3%	Payment Date²:	11/02/2021
Dividend Yield:	3.4%	5 Year Price Target	\$52	Years of Dividend Growth:	1
Dividend Risk Score:	C	Retirement Suitability Score:	B	Last Dividend Increase:	6%

Overview & Current Events

Campbell Soup Company is a multi-national food company headquartered in Camden, N.J. The company manufactures and markets branded convenience food products, such as soups, simple meals, beverages, snacks, and packaged fresh foods. The company's portfolio focuses on two specific businesses: Campbell Snacks, and Campbell Meals and Beverages. Campbell generated annual sales of \$8.5 billion in fiscal 2021 and today has a market capitalization of \$13.1 billion.

Campbell Soup reported fourth quarter and full year fiscal 2021 results on September 1st. Net sales for the fourth quarter came in at \$1.87 billion, down 11% from \$2.11 billion in the prior year when the company experienced a demand surge. Earnings per share from continuing operations were \$0.95, a massive increase over \$0.28 reported in the prior year period. However, adjusted EPS decreased 13% to \$0.55.

For the full fiscal year, Campbell reported net sales of \$8.5 billion, a 2% decrease from \$8.7 billion in 2020, but a 5% increase from 2019. Adjusted diluted EPS grew 1% from \$2.95 in 2020 to \$2.98 in 2021.

In the fourth quarter and the full fiscal year 2021, the company achieved \$25 million and \$80 million in savings for total program-to-date savings of \$805 million with the goal of \$850 million by the end of fiscal 2022. The board of directors approved a \$500 million share repurchase program, which is in addition to the existing \$250 million anti-dilutive share repurchase program announced in the previous quarter. Repurchases would be made from existing cash flow generation.

Leadership provided full-year fiscal 2022 guidance and anticipates the first quarter to be the most challenging in the year. Management estimates that in fiscal 2022, Campbell's adjusted earnings per share would decrease by between 4% and 8%. From the \$2.98 generated in fiscal 2021, the company is estimating to achieve \$2.75 to \$2.85 in fiscal 2022.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$2.44	\$2.48	\$2.53	\$2.65	\$2.94	\$3.04	\$2.87	\$2.30	\$2.95	\$2.98	\$2.80	\$3.17
DPS	\$1.16	\$1.16	\$1.25	\$1.25	\$1.25	\$1.40	\$1.40	\$1.40	\$1.40	\$1.48	\$1.48	\$1.59
Shares³	312.0	312.0	313.0	310.0	308.0	301.0	302.0	301.0	304.0	304.0	303.0	300.0

After a series of divestitures and the major acquisition of Snyder's-Lance, the company has done well to deleverage and is now building on the solid and strong foundation achieved in 2020 and expanded upon in 2021. They are building a brand powerhouse and focusing on North American geographies which represented the largest portion of their total business based on earnings. Campbell Soup has grown its earnings-per-share at an approximate 2.2% average annual rate in the last decade. Earnings for 2019 came up short due to higher adjusted net interest expense and being largely a transition year. Considering the current inflationary challenges faced by Campbell, it is reasonable to expect 2.5% annual

¹ Estimate based on last year

² Estimate based on last year

³ In millions

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earnings-per-share growth over the next five years, from \$2.80 this fiscal year to \$3.17 in 2027. This is significantly more conservative than management's previously expressed long-term expected adjusted EPS growth of 8%+, but we have not been convinced the company can achieve such lofty growth any time soon.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	13.4	16.0	17.1	17.1	19.3	18.9	14.1	20.4	15.1	16.1	15.5	16.5
Avg. Yld.	3.6%	2.9%	2.9%	2.7%	2.2%	2.4%	3.4%	3.0%	2.9%	3.1%	3.4%	3.1%

Campbell Soup is now trading at a price-to-earnings ratio of 15.5, which is 7.7% below its 10-year average of 16.8. If the company stabilizes its performance, it is likely to revert to near recent valuation levels, to roughly 16.5. If this occurs within the next five years, the stock will see a 1.3% tailwind due to the expansion of its valuation level.

Safety, Quality, Competitive Advantage, & Recession Resiliency

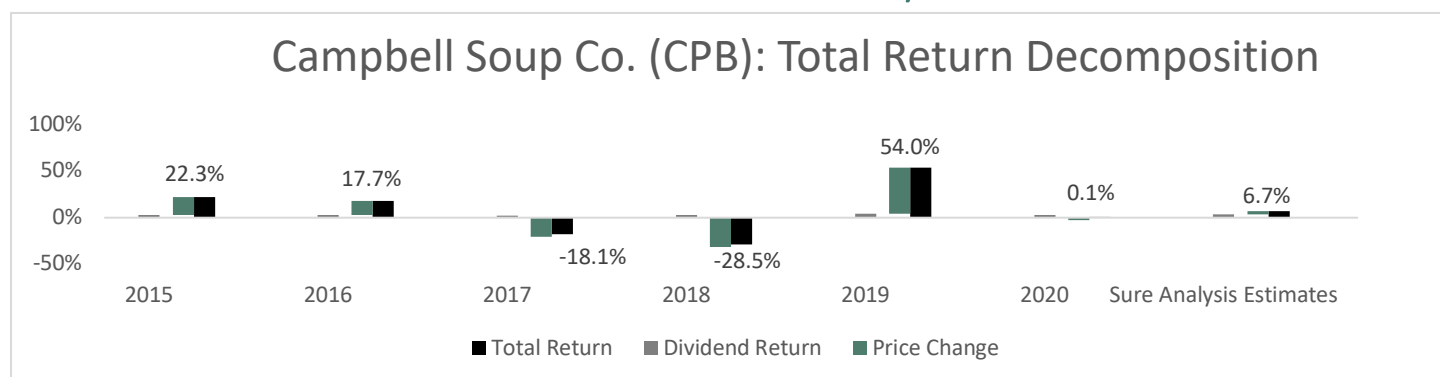
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	45%	48%	47%	49%	47%	43%	46%	49%	61%	47%	53%	50%

Due to its acquisition of Snyder's Lance, Campbell Soup has greatly leveraged its balance sheet. As of end of fiscal 2021, Campbell had total debt of \$5.1 billion, down \$1.1 billion from \$6.2 billion in the prior year as management committed the proceeds of Campbell's divestitures to reduce the debt, and interest rates have declined. As a result, its net interest expense decreased 39% from the prior year's \$342 million to \$209 million for the full year of fiscal 2021. Campbell has a very slight competitive advantage in that it is a widely recognizable name and has a defensive moat, however, competition is extremely fierce in food products; some other reputable names are Kraft-Heinz and General Mills. Campbell's earnings during the 2008 recession were quite stable, and only dropped by 3% from 2008 to 2009. Earnings then proceeded to bounce up in 2010. The ongoing coronavirus pandemic actually increased the demand of Campbell's products, and we expect this company to perform well in this environment.

Final Thoughts & Recommendation

Campbell Soup has failed to grow its earnings for several years and has begun its turn-around story, but it is still stumbling based on its 2022 outlook, and thus carries elevated risk. They have performed well through the COVID-19 pandemic but growth beyond that is uncertain. The stock is likely to offer a 6.7% average annual return over the next five years, consisting of 2.5% earnings growth, the 3.4% dividend yield, and a slight expansion in valuation. We rate Campbell stock a hold as it is currently trading near fair value and thus lacks a margin of safety, however we do believe it has recession resistant qualities.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	7175	8052	8268	8082	7961	5837	6615	8107	8691	8476
Gross Profit	2810	2912	2971	2782	2928	2442	2374	2693	2999	2811
Gross Margin	39.2%	36.2%	35.9%	34.4%	36.8%	41.8%	35.9%	33.2%	34.5%	33.2%
SG&A Exp.	1521	1624	1505	1485	1427	1123	1291	1480	1612	1415
D&A Exp.	262	407	305	303	308	318	394	446	328	317
Operating Profit	1172	1146	1326	1163	1376	1225	972	1074	1251	1312
Operating Margin	16.3%	14.2%	16.0%	14.4%	17.3%	21.0%	14.7%	13.2%	14.4%	15.5%
Net Profit	774	458	866	666	563	887	261	211	1628	1002
Net Margin	10.8%	5.7%	10.5%	8.2%	7.1%	15.2%	3.9%	2.6%	18.7%	11.8%
Free Cash Flow	797	683	552	826	1150	950	898	1014	1097	760
Income Tax	325	275	374	283	286	392	106	151	174	328

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	6530	8323	8113	8077	7837	7726	14529	13148	12372	11734
Cash & Equivalents	335	333	232	253	296	319	49	31	859	
Accounts Receivable	513	576	585	557	554	550	510	525	530	
Inventories	714	925	1016	995	940	902	887	863	871	
Goodwill & Int. Ass.	2509	3318	3608	3549	3415	3233	7528	7432	7336	7220
Total Liabilities	5632	7113	6510	6700	6304	6081	13156	12036	9803	8580
Accounts Payable	571	523	527	544	610	666	705	814	1049	
Long-Term Debt	2790	4451	4014	4081	3531	3528	9516	8450	6186	5010
Shareholder's Equity	898	1217	1615	1381	1525	1637	1364	1103	2563	3154
D/E Ratio	3.11	3.66	2.49	2.96	2.32	2.16	6.98	7.66	2.41	1.59

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	11.6%	6.2%	10.5%	8.2%	7.1%	11.4%	2.3%	1.5%	12.8%	8.3%
Return on Equity	77.9%	43.3%	61.2%	44.5%	38.7%	56.1%	17.4%	17.1%	88.8%	35.1%
ROIC	19.7%	9.8%	15.4%	12.0%	10.7%	17.3%	3.2%	2.1%	17.8%	11.8%
Shares Out.	312.0	312.0	313.0	310.0	308.0	301.0	302.0	301.0	304.0	304.0
Revenue/Share	22.49	25.40	26.16	25.82	25.60	19.01	21.90	26.84	28.59	27.79
FCF/Share	2.50	2.15	1.75	2.64	3.70	3.09	2.97	3.36	3.61	2.49

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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