Campbell Soup Co. (CPB)

Updated March 9th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	$41	**5 Year CAGR Estimate:**	11.6%	**Market Cap:**	$12 B
Fair Value Price:	$48	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	04/03/2025
% Fair Value:	87%	**5 Year Valuation Multiple Estimate:**	2.8%	**Payment Date:**	04/28/2025
Dividend Yield:	3.7%	**5 Year Price Target**	$64	**Years of Dividend Growth:**	1
Dividend Risk Score:	C	**Retirement Suitability Score:**	B	**Rating:**	Buy

Overview & Current Events

Campbell Soup Company is a multinational 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 $9.6 billion in fiscal 2024 and has a market capitalization of $12 billion.

On March 12, 2024, Campbell closed on its acquisition of Sovos Brands (SOVO) for $23 per share in cash, which represented a total enterprise value of $2.7 billion, and was funded by issuing new debt. Sovos is a leader in high-growth premium Italian sauces, and owns the market-leading Rao's brand. Campbell had the goal of building a $1 billion sauce business, and it achieved that through this acquisition. Sovos was added to Campbell's Meals & Beverages division.

Effective February 1, 2025, Mick Beekhuizen, previously President of Meals & Beverages, became the CEO of Campbell.

On February 24th, 2025, Campbell divested noosa yoghurt (which was acquired as part of Sovos) to Lakeview Farms.

Campbell Soup reported second quarter FY 2025 results on March 5th, 2025. Net sales for the quarter improved by 9% year-over-year to $2.7 billion. This increase was mostly a result of the Sovos Brands acquisition. Adjusted EPS was 8% lower year-over-year at $0.74 for the quarter, which beat expectations by two cents.

The company repurchased $56 million worth of shares in H1. There remains $301 million remaining under the current $500 million share repurchase program, which is in addition to the existing $205 million remaining on its anti-dilutive share repurchase program.

Leadership updated its full-year fiscal 2025 guidance. Management now estimates that in fiscal 2025, Campbell's adjusted earnings per share will be down 1% to 4%. The company now forecasts achieving adjusted EPS of $2.95 to $3.05 (from $3.12 to $3.22 previously).

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.65	$2.94	$3.04	$2.87	$2.30	$2.95	$2.86	$2.85	$3.00	$3.08	***$3.00***	***$4.01***
DPS	$1.25	$1.25	$1.40	$1.40	$1.40	$1.40	$1.48	$1.48	$1.48	$1.48	***$1.56***	***$1.72***
Shares[1]	310	308	301	302	301	304	303	301	299	298	***297***	***295***

With high inflation impacting consumers, they appear to be reaching for Campbell's lower priced products on the grocery shelves. The company has increased its prices with only a small decline in volumes, which illustrates its pricing power. On the bright side, volume improved and then stalled in the four most recent quarters.

Campbell is building a brand powerhouse and focusing on growing its North American business. Campbell Soup has grown its earnings-per-share at an approximate 1.7% average annual rate since 2015. Earnings for 2019 came up short due to higher adjusted net interest expense and being largely a transition year. Considering the company's leaner cost structure, and new businesses, it is reasonable to expect 6.0% annual earnings-per-share growth over the next five

[1] In millions

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years, from $3.00 this fiscal year to $4.01 in 2030. And after a series of divestitures and the major acquisition of Snyder's-Lance, the company reduced its debt and deleveraged somewhat. However, the Sovos acquisition has once again flexed the company's leverage ratio as it has issued new debt. Its net debt to adjusted EBITDA ratio now stands at 3.7X, and the company only expects to return to its target ratio of 3.0X three years post-close.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	17.1	19.3	18.9	14.1	20.4	15.1	16.1	16.4	17.2	16.6	***13.9***	***16.0***
Avg. Yld.	2.7%	2.2%	2.4%	3.4%	3.0%	2.9%	3.1%	3.1%	3.2%	3.4%	***3.7%***	***2.7%***

Campbell Soup is now trading at a price-to-earnings ratio of 13.9, which is lower than its 5-year average of 16.3. The company is successfully combating inflationary pressures on its business, and we see fair value for the business near this average. If the company reaches this valuation level within the next five years, the stock will see a 2.8% annual tailwind due to the expansion of its valuation level.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	47%	43%	46%	49%	61%	47%	52%	52%	49%	48%	***52%***	***43%***

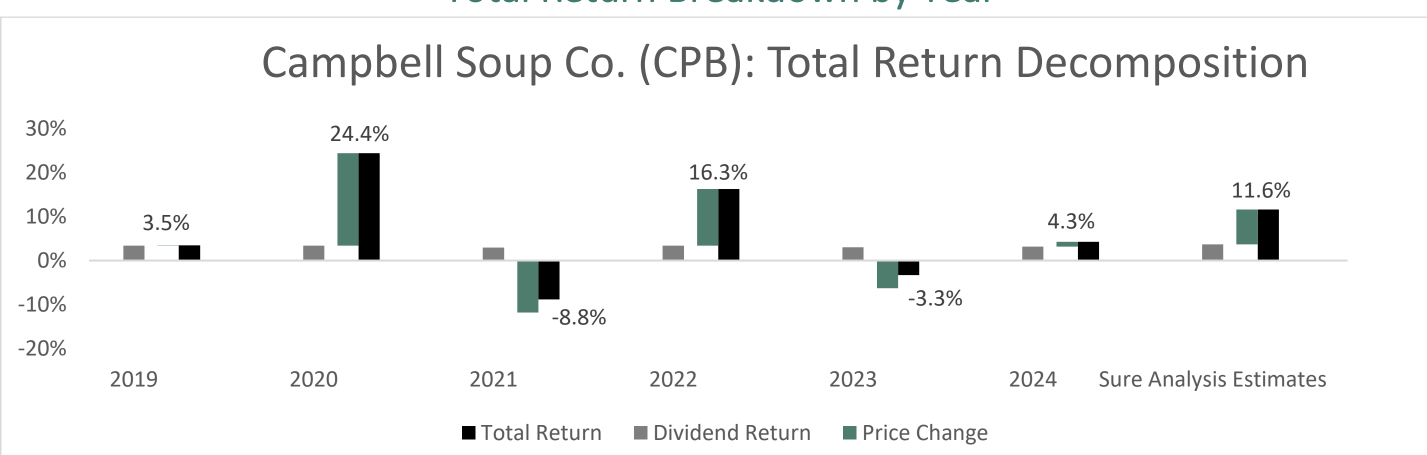
Due to its acquisition of Sovos Brands, Campbell Soup has greatly leveraged its balance sheet. At the end of Q2 2025, Campbell had total debt of $7.7 billion, up $3.16 billion from $4.5 billion in the prior year. As a result, its net interest expense increased 74% from the prior year quarter's $46 million to $80 million for the most recent quarter.

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 coronavirus pandemic actually increased the demand of Campbell's products, and we expect this company to perform well in the current environment.

Final Thoughts & Recommendation

Campbell Soup's new products are resonating with customers, and price increases have not been met with a significant decline in volume. The stock is likely to offer an 11.6% average annual return over the next five years, consisting of 6.0% earnings growth, a 3.7% dividend yield, and 2.8% P/E multiple expansion. We rate Campbell stock as a buy; and believe it has recession resistant qualities.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	8082	7961	5837	6615	8107	8691	8476	8562	9357	9636
Gross Profit	2782	2928	2442	2374	2693	2999	2811	2627	2917	2971
Gross Margin	34.4%	36.8%	41.8%	35.9%	33.2%	34.5%	33.2%	30.7%	31.2%	30.8%
SG&A Exp.	1485	1427	1123	1291	1480	1612	1415	1351	1465	1570
D&A Exp.	303	308	318	394	446	328	317	337	387	411
Operating Profit	1163	1376	1225	972	1074	1251	1312	1189	1360	1299
Operating Margin	14.4%	17.3%	21.0%	14.7%	13.2%	14.4%	15.5%	13.9%	14.5%	13.5%
Net Profit	666	563	887	261	211	1628	1002	757	858	567
Net Margin	8.2%	7.1%	15.2%	3.9%	2.6%	18.7%	11.8%	8.8%	9.2%	5.9%
Free Cash Flow	826	1150	950	898	1014	1097	760	939	773	668
Income Tax	283	286	392	106	151	174	328	218	270	190

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	8077	7837	7726	14529	13148	12372	11734	11892	12060	15240
Cash & Equivalents	253	296	319	49	31	859	69		189	108
Accounts Receivable	557	554	550	510	525	530	544			
Inventories	995	940	902	887	863	871	933			
Goodwill & Int. Ass.	3549	3415	3233	7528	7432	7336	7220	7177	7107	9793
Total Liabilities	6700	6304	6081	13156	12036	9803	8580	8559	8395	11440
Accounts Payable	544	610	666	705	814	1049	1070			
Long-Term Debt	4081	3531	3528	9516	8450	6186	5028	3996	4498	0
Shareholder's Equity	1381	1525	1637	1364	1103	2563	3152	3333	3663	3796
LTD/E Ratio	2.96	2.32	2.16	6.98	7.66	2.41	1.60	1.20	1.22	0.00

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.2%	7.1%	11.4%	2.3%	1.5%	12.8%	8.3%	6.4%	7.2%	4.2%
Return on Equity	44.5%	38.7%	56.1%	17.4%	17.1%	88.8%	35.1%	23.3%	24.5%	15.2%
ROIC	12.0%	10.7%	17.3%	3.2%	2.1%	17.8%	11.8%	9.8%	10.5%	9.4%
Shares Out.	310.0	308.0	301.0	302.0	301.0	304.0	304.0	301.0	301.0	300.0
Revenue/Share	25.82	25.60	19.01	21.90	26.84	28.59	27.79	28.35	31.09	32.12
FCF/Share	2.64	3.70	3.09	2.97	3.36	3.61	2.49	3.11	2.57	2.23

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