

# Campbell Soup Company (CPB)

Rating	<b>NEUTRAL*</b>
Price (11 Jul 11, US\$)	34.59
Target price (US\$)	35.00 <sup>†</sup>
52-week price range	37.47 - 32.77
Market cap. (US\$ m)	11,103.25
Enterprise value (US\$ m)	13,855.49

\*Stock ratings are relative to the relevant country benchmark.  
†Target price is for 12 months.

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## COMPANY UPDATE

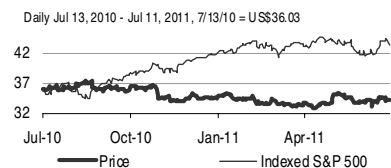
## Strategy Makes Sense, But Campbell Has A Long Way To Go. Remain Neutral

**The strategy makes sense.** CEO Denise Morrison laid out the basic building blocks today for Campbell's new strategy for achieving profitable top-line growth. While the day lacked the specifics that investors were hungry for, Morrison was successful on many important counts: She took responsibility for past mistakes, provided some rational explanations for what caused them, reiterated the big areas for investment, and highlighted Campbell's core competency in shelf-stable, vegetable-based processed foods. She lowered the EPS base (down 4-6%) and established reasonable, achievable targets for growth. Strategy is the art of making hard choices, and they have done that by exiting Russia and closing their Marshall, Michigan plant. She is fortunate to have a very patient board of directors on her side.

**Reducing estimates.** We are raising our fiscal 2011 EPS estimate by \$0.04, to \$2.49, and lowering our FY 12 estimate by \$0.08, to \$2.37, which is the middle of management's guidance.

**It is too soon to make a call as to whether Campbell will succeed.** They don't yet have a robust pipeline of breakthrough simple meals ideas. They don't have a plan yet for targeting Hispanics and Millennials. They have only brought one new outsider into the organization to provide new perspective, and he didn't make a presentation. In addition, the company is basically starting all over again in emerging markets at a time when some of their most historically provincial U.S. peers already have legitimate platforms in China with credible growth objectives.

### Share price performance



Quarterly EPS	Q1	Q2	Q3	Q4
2010A	0.87	0.74	0.54	0.33
2011E	0.82	0.71	0.57	0.37
2012E	0.78	0.66	0.57	0.36

### Financial and valuation metrics

Year	07/10A	07/11E	07/12E	07/13E
EPS (CS adj.) (US\$)	2.47	2.49	2.37	2.51
Prev. EPS (US\$)	—	2.45	2.45	2.65
P/E (x)	14.0	13.9	14.6	13.8
P/E rel. (%)	96.7	111.8	131.3	138.6
Revenue (US\$ m)	7,676.0	7,689.5	7,869.5	8,066.3
EBITDA (US\$ m)	1,611.0	1,577.7	1,507.8	1,554.6
OCFPS (US\$)	3.07	3.39	3.20	3.41
P/OCF (x)	11.7	10.2	10.8	10.2
EV/EBITDA (current)	8.5	8.8	9.2	9.0
Net debt (US\$ m)	2,526	2,752	2,779	2,827
ROIC (%)	26.68	26.19	23.71	23.98
Number of shares (m)	321.00	IC (current, US\$ m)		3,455.00
BV/share (current, US\$)	2.1	EV/IC (x)		4.0
Net debt (current, US\$ m)	2,752.2	Dividend (current, US\$)		1.16
Net debt/tot. cap. (current, %)	24.8	Dividend yield (%)		3.4

Source: Company data, Credit Suisse estimates.

**DISCLOSURE APPENDIX CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, INFORMATION ON TRADE ALERTS, ANALYST MODEL PORTFOLIOS AND THE STATUS OF NON-U.S. ANALYSTS.** U.S. Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

**Campbell's soup business has not kept up with evolving consumer tastes.** Per capita consumption of soup is actually rising. Take a visit to Whole Foods grocery stores and you will find gourmet soups in steaming hot kettles for immediate consumption and in the refrigerated sections all around the store. Consumers have shifted to fresher, higher quality, and more exotic experiences that Campbell can't provide when confined to the steel can in the middle of the store. Management recognizes that they need to introduce more "cutting edge" packaging presentations and varieties. But at the end of the day, shelf stable products only emulate the experience of freshly prepared food; they can't match it. We hope to be proved wrong here.

**Trying to shift to a pull business, rather than push.** Campbell's core users have reduced their purchase frequency of the Campbell brand, and management identified a \$300 million opportunity if they can restore it. Campbell plans to invest \$100 million in consumer marketing this year largely to restore advertising levels back to where they were two years ago. They plan to double their new products by 2015. Soup pricing taken in June will stick, and promotion levels for ready-to-serve will remain muted.

**Growth targets make sense, but they aren't very exciting either.** Campbell's goal is to exceed its peers in total shareholder return, but how will they achieve this if they can only grow EPS 5-7% per year? And will the 5-7% EPS growth actually prove too challenging in fiscal 2013 once the company inevitably dilutes its gross margin with expensive "outside-the-can" new product introductions and international acquisitions?

**Valuation looks full.** Given all the challenges ahead, we are surprised that the stock is holding up as well as it is. According to our discount cash flow model, the stock valuation already bakes in the assumption that the company can grow EBIT at the mid-point of management's long-term 4-6% guidance. But if the company stagnates, the stock is only worth \$22! We don't foresee such a thing, but we are surprised that the market is essentially assigning it a zero probability.

**Maintain target price at \$35.** We apply a 14X P/E against our FY13 EPS estimate of \$2.51 to arrive at our 12-month target price. This is a 7% discount to the group's average of 15x. The market assumption of 5% medium-term EBIT growth is also slightly below the food group average of 5.4% according to our discount cash flow framework.

## Exhibit 1: CPB Quarterly Earnings

	2010A					2011E					2012E					
	Oct.09	Jan.10	Apr.10	Jul.10		Oct.10	Jan.11	Apr.11	Jul.11		Oct.11	Jan.12	Apr.12	Jul.12		
	Q1A	Q2A	Q3A	Q4A	2010A	Q1A	Q2A	Q3A	Q4E	2011E	Q1E	Q2E	Q3E	Q4E	2012E	2013E
Campbell Soup																
Net sales	2,203	2,153	1,802	1,518	7,676	2,172	2,127	1,813	1,577	7,689	2,250	2,194	1,837	1,588	7,870	8,066
Change	-2.1%	1.5%	6.9%	-0.7%	1.2%	-1.4%	-1.2%	0.6%	3.9%	0.2%	3.6%	3.2%	1.3%	0.7%	2.3%	2.5%
Cost of sales	1,280	1,282	1,059	905	4,526	1,278	1,289	1,081	970	4,619	1,335	1,327	1,093	949	4,704	4,792
Gross income	923	871	743	613	3,150	894	838	732	607	3,071	915	868	744	639	3,166	3,274
Gross margin	41.9%	40.5%	41.2%	40.4%	41.0%	41.2%	39.4%	40.4%	38.5%	39.9%	41.2%	39.4%	40.4%	38.5%	40.2%	40.6%
SG&A	445	480	439	426	1,790	450	479	425	404	1,758	517	527	450	445	1,939	2,017
as % of sales	20.2%	22.3%	24.4%	28.1%	23.3%	20.7%	22.5%	23.4%	25.6%	22.9%	23.0%	24.0%	24.5%	28.0%	24.6%	25.0%
Marketing & Selling	284	301	252	221	1,058	277	291	243	220	1,031						
Administrative	133	149	156	167	605	140	154	148	190	632						
R & D	29	28	31	35	123	31	31	34	-6	90						
Operating income	478	391	304	187	1,360	444	358.5	307	204	1,313	398	341	294	194	1,227	1,258
% growth	10.6%	7.7%	8.2%	-5.6%	6.8%	-7.1%	-8.3%	1.0%	8.8%	-3.5%	-10.4%	-4.9%	-4.2%	-4.6%	-6.6%	2.5%
% margin	21.7%	18.2%	16.9%	12.3%	17.7%	20.4%	16.9%	16.9%	12.9%	17.1%	17.7%	15.5%	16.0%	12.2%	15.6%	15.6%
Interest expense, net	(27)	(26)	(27)	(26)	(106)	(30)	(31)	(24)	(27)	(112)	(29)	(29)	(29)	(29)	(116)	(116)
Other income, net																
Pretax income	451	365	277	161	1,254	414	327	283	177	1,201	368	312	265	165	1,111	1,142
Income tax	151	112	93	48	404.1	135	89	98	56	378.6	120	101	86	54	360.9	370.8
tax rate	33.5%	30.7%	33.5%	30.0%	32.2%	32.6%	27.4%	34.5%	32.0%	31.5%	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%
Net income	300	253	184	113	850	279	238	185	120	822	249	211	179	112	750	771
Diluted Shares out	346	344	342	341	344	338	332	323	321	331	319	317	315	313	316	307
Adjusted EPS	\$0.87	\$0.74	\$0.54	\$0.33	\$2.47	\$0.82	\$0.71	\$0.57	\$0.37	\$2.49	\$0.78	\$0.66	\$0.57	\$0.36	\$2.37	\$2.51
	12.6%	13.8%	11.1%	8.6%	12.1%	-4.9%	-3.5%	6.5%	13.2%	0.6%	-5.4%	-6.9%	-0.9%	-4.6%	-4.7%	6.0%
Vol/Mix	(4)	(2)	4	0	(0.7)	1	0	(2)	(2)	(0.7)	(1)	(1)	(0)	(0)	(0.8)	1.3
Price	2	1	0	0	1.3	0	0	1	1	0.7	1	1	1	1	1.2	1.3
Promo	(1)	(2)	(3)	(2)	(2.3)	(3)	(2)	(0)	0	(1.5)	1	1	0	0	0.6	
Currency	1	4	5	1	2.8	1	0	2	4	1.8	2	2	1	0	1.4	
Acquisitions	0	0	0	0	0.1	(0)	0	0	0	(0.1)	0	0	0	0	0.0	
Extra week																
Total Sales	(2)	1	7	(1)	1.1	(1)	(1)	1	4	0.2	4	3	1	1	2.3	2.5

Source: Company data, Credit Suisse estimates

## Exhibit 2: CPB Segment Earnings

	Oct.09	Jan.10	Apr.10	Jul.10		Oct.10	Jan.11	Apr.11	Jul.11		Oct.11	Jan.12	Apr.12	Jul.12	
	Q1A	Q2A	Q3A	Q4A	2010A	Q1A	Q2A	Q3A	Q4E	2011E	Q1E	Q2E	Q3E	Q4E	2012E
<b>Net Sales</b>															
US Soup, Sauces and Beverages	1,140	1,068	848	644	<b>3,700</b>	1,103	1,022	778	618	<b>3,521</b>	1,103	1,027	774	615	<b>3,519</b>
Baking and Snacking	530	489	477	479	<b>1,975</b>	544	526	527	532	<b>2,129</b>	594	562	550	549	<b>2,256</b>
Int'l Soup & Sauces (West Eur, CA)	374	437	331	281	<b>1,423</b>	372	421	354	309	<b>1,456</b>	394	443	356	304	<b>1,497</b>
NA Foodservice	159	159	146	114	<b>578</b>	153	158	154	118	<b>583</b>	158	163	156	120	<b>598</b>
Total	2,203	2,153	1,802	1,518	<b>7,676</b>	2,172	2,127	1,813	1,577	<b>7,689</b>	2,250	2,194	1,837	1,588	<b>7,870</b>
					<b>6,253</b>										
<b>Sales Growth</b>															
US Soup, Sauces and Beverages	-4.8%	-5.3%	5.0%	-0.9%	<b>-2.2%</b>	-3.2%	-4.3%	-8.3%	-4.0%	<b>-4.8%</b>	0.0%	0.5%	-0.5%	-0.5%	<b>-0.1%</b>
Baking and Snacking	4.1%	11.1%	10.7%	2.8%	<b>7.0%</b>	2.6%	7.6%	10.5%	11.1%	<b>7.8%</b>	9.3%	6.8%	4.4%	3.2%	<b>5.9%</b>
Int'l Soup & Sauces (West Eur, CA)	-1.6%	11.8%	11.4%	-2.8%	<b>4.9%</b>	-0.5%	-3.7%	6.9%	9.9%	<b>2.3%</b>	5.9%	5.1%	0.7%	-1.6%	<b>2.8%</b>
NA Foodservice	-2.5%	-2.5%	-2.7%	-7.3%	<b>-3.5%</b>	-3.8%	-0.6%	5.5%	3.6%	<b>0.9%</b>	3.4%	3.1%	1.6%	1.6%	<b>2.5%</b>
Total	-2.1%	1.5%	6.9%	-0.7%	<b>1.2%</b>	-1.4%	-1.2%	0.6%	3.9%	<b>0.2%</b>	3.6%	3.2%	1.3%	0.7%	<b>2.3%</b>
<b>Operating Profits</b>															
US Soup, Sauces and Beverages	331	259	214	139	<b>943</b>	295	220	193	138	<b>846</b>	254	202	180	130	<b>766</b>
Baking and Snacking	100	73	76	73	<b>322</b>	100	81	82	80	<b>343</b>	100	81	82	80	<b>343</b>
Int'l Soup & Sauces (West Eur, CA)	44	74	37	6	<b>161</b>	51	69	41	7	<b>168</b>	49	68	41	7	<b>165</b>
NA Foodservice	26	17	9	3	<b>55</b>	23	21	22	10	<b>76</b>	23	21	22	10	<b>76</b>
Total															
Unallocated Corporate Expenses	(23)	(32)	(32)	(34)	<b>(121)</b>	(25)	(32)	(31)	(32)	<b>(120)</b>	(28)	(31)	(31)	(33)	<b>(123)</b>
EBIT	478	391	304	187	<b>1,360</b>	444	359	307	204	<b>1,313</b>	398	341	294	194	<b>1,227</b>
Check	478	391	304	187	<b>1,360</b>	444	359	307	204	<b>1,313</b>					
<b>Operating Profits Growth</b>															
US Soup, Sauces and Beverages	5.4%	-4.1%	9.7%	3.7%	<b>3.3%</b>	-10.9%	-15.3%	-9.8%	-0.5%	<b>-10.3%</b>	-14.0%	-8.0%	-6.5%	-6.0%	<b>-9.4%</b>
Baking and Snacking	20.5%	32.7%	31.0%	5.8%	<b>21.5%</b>	0.0%	11.0%	7.9%	10.0%	<b>6.6%</b>	0.0%	0.0%	0.0%	0.0%	<b>0.0%</b>
Int'l Soup & Sauces (West Eur, CA)	15.8%	48.0%	27.6%	-68.4%	<b>18.4%</b>	15.9%	-6.8%	10.8%	15.0%	<b>4.3%</b>	-4.0%	-1.0%	-1.0%	-1.0%	<b>-1.9%</b>
NA Foodservice	44.4%	6.3%	-50.0%	0.0%	<b>5.8%</b>	-11.5%	23.5%	144%	0.0%	<b>38.2%</b>	0.0%	-1.0%	0.0%	1.0%	<b>-0.1%</b>
EBIT growth	<b>10.6%</b>	<b>7.7%</b>	<b>8.2%</b>	<b>-5.6%</b>	<b>6.8%</b>	<b>-7.1%</b>	<b>-8.3%</b>	<b>1.0%</b>	<b>8.8%</b>	<b>-3.5%</b>	<b>-10.4%</b>	<b>-4.9%</b>	<b>-4.2%</b>	<b>-4.6%</b>	<b>-6.6%</b>
<b>Operating Margins</b>															
US Soup, Sauces and Beverages	29.0%	24.3%	25.2%	21.6%	<b>25.5%</b>	26.7%	21.5%	24.8%	22.4%	<b>24.0%</b>	25.0%	22.9%	22.0%	15.5%	<b>21.8%</b>
Baking and Snacking	18.9%	14.9%	15.9%	15.2%	<b>16.3%</b>	18.4%	15.4%	15.6%	15.1%	<b>16.1%</b>	18.0%	16.7%	15.0%	14.0%	<b>15.2%</b>
Int'l Soup & Sauces (West Eur, CA)	11.8%	16.9%	11.2%	2.1%	<b>11.3%</b>	13.7%	16.4%	11.6%	2.2%	<b>11.5%</b>	12.7%	11.0%	10.0%	9.0%	<b>11.0%</b>
NA Foodservice	16.4%	10.7%	6.2%	2.6%	<b>9.5%</b>	15.0%	13.3%	14.3%	8.5%	<b>13.0%</b>	14.0%	13.0%	12.0%	10.0%	<b>12.7%</b>
Total	21.7%	18.2%	16.9%	12.3%	<b>17.7%</b>	20.4%	16.9%	16.9%	12.9%	<b>17.1%</b>	17.7%	15.5%	16.0%	12.2%	<b>15.6%</b>

Source: Company data, Credit Suisse estimates

## Exhibit 3: CPB Quarterly Balance Sheet

	2010A					2011E					2012E					
	Oct.09	Jan.10	Apr.10	Jul.10		Oct.10	Jan.11	Apr.11	Jul.11		Oct.11	Jan.12	Apr.12	Jul.12		
	Q1A	Q2A	Q3A	Q4A	2010A	Q1A	Q2A	Q3A	Q4E	2011E	Q1E	Q2E	Q3E	Q4E	2012E	2013E
Cash & Short-Term Investments	76	113	80	254	254	291	325	449	259	259	260	262	263	264	264	269
Total Accounts Receivable	790	679	543	512	512	805	712	604	513	513	516	519	522	525	525	538
Inventories	839	700	639	724	724	838	703	639	739	739	742	746	749	752	752	767
Other Current Assets	147	140	169	197	197	190	174	150	197	197	198	198	199	197	197	197
<b>Total Current Assets</b>	<b>1,852</b>	<b>1,632</b>	<b>1,431</b>	<b>1,687</b>	<b>1,687</b>	<b>2,124</b>	<b>1,914</b>	<b>1,842</b>	<b>1,708</b>	<b>1,708</b>	<b>1,716</b>	<b>1,724</b>	<b>1,732</b>	<b>1,738</b>	<b>1,738</b>	<b>1,771</b>
Net Property, Plant & Equipment	1,985	1,969	1,995	2,051	2,051	2,042	2,018	2,060	2,061	2,061	2,072	2,083	2,094	2,105	2,105	2,131
Gross Property, Plant & Equipment	0	0	0	5,043	5,043	0	0		5,318	5,318				5,643	5,643	5,966
Accumulated Depreciation	0	0	0	2,992	2,992	0	0		3,257	3,257				3,538	3,538	3,834
Intangible Assets	2,494	2,442	2,457	2,428	2,428	2,538	2,535	2,684	2,428	2,428	2,428	2,428	2,428	2,428	2,428	2,428
Net Goodwill	1,966	1,926	1,945	1,919	1,919	2,016	2,015	2,147	1,919	1,919	1,919	1,919	1,919	1,919	1,919	1,919
Net Other Intangibles	528	516	512	509	509	522	520	537	509	509	509	509	509	509	509	509
Other Assets	100	109	103	110	110	114	113	114	110	110	110	110	110	110	110	110
<b>Total Assets</b>	<b>6,431</b>	<b>6,152</b>	<b>5,986</b>	<b>6,276</b>	<b>6,276</b>	<b>6,818</b>	<b>6,580</b>	<b>6,700</b>	<b>6,307</b>	<b>6,307</b>	<b>6,326</b>	<b>6,346</b>	<b>6,365</b>	<b>6,382</b>	<b>6,382</b>	<b>6,440</b>
ST Debt Incl Curr Portion of LT	656	400	945	835	835	1,134	1,184	674	835	835	835	835	835	835	835	835
Accounts Payable	594	512	430	545	545	577	538	431	556	556	559	561	564	566	566	577
Income Tax Payable	88	49	76	30	30	101	23	74	68	68	68	68	68	66	66	60
Other Current Liabilities	646	672	663	655	655	667	670	658	655	655	655	655	655	655	655	655
<b>Total Current Liabilities</b>	<b>1,984</b>	<b>1,633</b>	<b>2,114</b>	<b>2,065</b>	<b>2,065</b>	<b>2,479</b>	<b>2,415</b>	<b>1,837</b>	<b>2,114</b>	<b>2,114</b>	<b>2,117</b>	<b>2,119</b>	<b>2,122</b>	<b>2,122</b>	<b>2,122</b>	<b>2,127</b>
Long-Term Debt	2,249	2,250	1,542	1,945	1,945	1,946	1,937	2,431	2,176	2,176	2,184	2,192	2,200	2,208	2,208	2,261
Deferred Taxes and Investment	287	289	297	258	258	300	347	352	258	258	258	258	258	258	258	258
Other Liabilities	956	954	937	1,079	1,079	989	989	1,009	1,079	1,079	1,079	1,079	1,079	1,079	1,079	1,079
<b>Total Liabilities</b>	<b>5,476</b>	<b>5,126</b>	<b>4,890</b>	<b>5,347</b>	<b>5,347</b>	<b>5,714</b>	<b>5,688</b>	<b>5,629</b>	<b>5,628</b>	<b>5,628</b>	<b>5,638</b>	<b>5,649</b>	<b>5,659</b>	<b>5,668</b>	<b>5,668</b>	<b>5,725</b>
Accum. Minority Interest 0 R	0	0	0	0	0	0	0		0	0				0	0	0
Total Common Equity	952	1,023	1,093	926	926	1,101	889	1,062	677	677	685	694	703	711	711	711
<b>Total Shareholders' Equity</b>	<b>952</b>	<b>1,023</b>	<b>1,093</b>	<b>926</b>	<b>926</b>	<b>1,101</b>	<b>889</b>	<b>1,062</b>	<b>677</b>	<b>677</b>	<b>685</b>	<b>694</b>	<b>703</b>	<b>711</b>	<b>711</b>	<b>711</b>
Accum. Minority Interest - Non	3	3	3	3	3	3	3	9	3	3	3	3	3	3	3	3
<b>Total Equity</b>	<b>955</b>	<b>1,026</b>	<b>1,096</b>	<b>929</b>	<b>929</b>	<b>1,104</b>	<b>892</b>	<b>1,071</b>	<b>680</b>	<b>680</b>	<b>688</b>	<b>697</b>	<b>706</b>	<b>714</b>	<b>714</b>	<b>714</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>6,431</b>	<b>6,152</b>	<b>5,986</b>	<b>6,276</b>	<b>6,276</b>	<b>6,818</b>	<b>6,580</b>	<b>6,700</b>	<b>6,307</b>	<b>6,307</b>	<b>6,326</b>	<b>6,346</b>	<b>6,365</b>	<b>6,382</b>	<b>6,382</b>	<b>6,440</b>

Source: Company data, Credit Suisse estimates

## Exhibit 4: CPB Quarterly Value Drivers

Campbell Soup	Oct.09	Jan.10	Apr.10	Jul.10		Oct.10	Jan.11	Apr.11	Jul.11		Oct.11	Jan.12	Apr.12	Jul.12		
	Q1A	Q2A	Q3A	Q4A	2010A	Q1A	Q2A	Q3E	Q4E	2011E	Q1E	Q2E	Q3E	Q4E	2012E	2013E
Cash	76	113	80	254	254	291	325	449	259	259	260	262	263	264	264	269
Inventory	839	700	639	724	724	838	703	639	739	739	742	746	749	752	752	767
A/R	790	679	543	512	512	805	712	604	513	513	516	519	522	525	525	538
A/P	594	512	430	545	545	577	538	431	556	556	559	561	564	566	566	577
Working Capital	1,035	867	752	691	691	1,066	877	812	696	696	699	703	707	711	711	728
Cap Ex	(44)	(59)	(74)	(138)	(315)	(27)	(47)	(59)	(142)	(275)	(81)	(81)	(81)	(81)	(325)	(323)
D&A	60	62	63	66	251	65	64	65	71	265	70	70	70	70	281	297
Intangibles	2,494	2,442	2,457	2,428	2,428	2,538	2,535	2,684	2,428	2,428	2,428	2,428	2,428	2,428	2,428	2,428
Total Assets	6,431	6,152	5,986	6,276	6,276	6,818	6,580	6,700	6,307	6,307	6,326	6,346	6,365	6,382	6,382	6,440
Current Liabs	1,984	1,633	2,114	2,065	2,065	2,479	2,415	1,837	2,114	2,114	2,117	2,119	2,122	2,122	2,122	2,127
Total Liabilities	5,476	5,126	4,890	5,347	5,347	5,714	5,688	5,629	5,628	5,628	5,638	5,649	5,659	5,668	5,668	5,725
SE	955	1,026	1,096	929	929	1,104	892	1,071	680	680	688	697	706	714	714	714
Current Debt	656	400	945	835	835	1,134	1,184	674	835	835	835	835	835	835	835	835
Total Debt	2,905	2,650	2,487	2,780	2,780	3,080	3,121	3,105	3,011	3,011	3,019	3,027	3,035	3,043	3,043	3,096
Net Debt	2,829	2,537	2,407	2,526	2,526	2,789	2,796	2,656	2,752	2,752	2,759	2,766	2,773	2,779	2,779	2,827
Invested Capital	5,027	4,806	4,737	4,792	4,792	5,182	5,024	5,088	4,769	4,769	4,784	4,800	4,815	4,831	4,831	4,879
EBIT	478	391	304	187	1,360	444	359	307	204	1,313	398	341	294	194	1,227	1,258
NOPAT	318	271	202	131	922	299	260	201	138	899	268	230	198	131	828	849
<b>ROIC</b>	<b>25.3%</b>	<b>22.6%</b>	<b>17.1%</b>	<b>10.9%</b>	<b>19.2%</b>	<b>23.1%</b>	<b>20.7%</b>	<b>15.8%</b>	<b>11.6%</b>	<b>18.8%</b>	<b>22.4%</b>	<b>19.2%</b>	<b>16.5%</b>	<b>10.9%</b>	<b>17.1%</b>	<b>17.4%</b>
EBITDA	538	453	367	253	1,611	509	423	372	274	1,578	468	411	364	264	1,508	1,555
Op Cash Flow	(36)	532	363	198	1,057	(29)	512	375	262	1,120	253	253	253	253	1,013	1,045
Free Cash Flow	(80)	473	289	60	742	(56)	465	316	120	845	172	172	172	172	688	723
Share Repo	(94)	(119)	(102)	(157)	(472)	(156)	(417)	(123)	(29)	(725)	(88)	(88)	(88)	(88)	(350)	(380)
Dividends	(88)	(87)	(95)	(95)	(365)	(94)	(94)	(96)	(90)	(374)	(99)	(99)	(99)	(99)	(395)	(421)
Div/Share	\$ 0.25	\$ 0.28	\$ 0.28	\$ 0.28	\$ 1.08	\$ 0.28	\$ 0.28	\$ 0.29	\$ 0.29	\$ 1.13	\$ 0.29	\$ 0.32	\$ 0.32	\$ 0.32	\$ 1.25	\$ 1.37

Source: Company data, Credit Suisse estimates

**Exhibit 5: CPB Annual Earnings**

	2005A	2006PF	2007A	2008A	2009A	2010A	2011E	2012E	2013E	2014E	2015E
Net sales	7,548	7,343	7,867	7,997	7,586	7,676	7,689	7,870	8,066	8,349	8,641
% Growth	6.2%		7.1%	1.7%	-5.1%	1.2%	0.2%	2.3%	2.5%	3.5%	3.5%
Cost of sales	4,491	4,284	4,571	4,820	4,536	4,526	4,619	4,704	4,792	4,967	5,141
Gross income	3,057	3,059	3,296	3,177	3,050	3,150	3,071	3,166	3,274	3,381	3,500
Gross margin	40.5%	41.7%	41.9%	39.7%	40.2%	41.0%	39.9%	40.2%	40.6%	40.5%	40.5%
Total SG&A	1,847	1,921	2,046	1,898	1,776	1,790	1,758	1,939	2,017	2,061	2,113
Marketing and Selling	1,185	1,221	1,322	1,162	1,077	1,058					
Administrative	571	592	624	608	591	605					
R & D	95	103	112	115	114	123					
Total SG&A as % of sales		26.2%	26.0%	23.7%	23.4%	23.3%	22.9%	24.6%	25.0%	24.7%	24.5%
EBITA	1,162	1,138	1,250	1,279	1,274	1,360	1,313	1,227	1,258	1,321	1,387
EBITA margin	15.4%	15.5%	15.9%	16.0%	16.8%	17.7%	17.1%	15.6%	15.6%	15.8%	16.0%
EBITA growth			9.8%	2.3%	-0.4%	6.8%	-3.5%	-6.6%	2.5%	5.0%	5.0%
Interest income											
Interest expense	(182)	(171)	(148)	(159)	(106)	(106)	(112)	(116)	(116)	(155)	(158)
Other income, net	0	0	0	0	0	0	0	0	0	0	0
Pretax income	1,028	967	1,102	1,120	1,168	1,254	1,201	1,111	1,142	1,166	1,228
Income tax	323	284	331	351	374	404	379	361	371	379	399
Tax rate	31.4%	29.4%	30.0%	31.4%	32.1%	32.2%	31.5%	32.5%	32.5%	32.5%	32.5%
Net income	705	683	771	769	794	850	822	750	771	787	829
Basic/Diluted Shares	414	397	396	382	358	344	331	316	307	298	288
<b>CASH EPS</b>	<b>\$1.64</b>	<b>\$1.72</b>	<b>\$1.95</b>	<b>\$2.08</b>	<b>\$2.21</b>	<b>\$2.47</b>	<b>\$2.49</b>	<b>\$2.37</b>	<b>\$2.51</b>	<b>\$2.64</b>	<b>\$2.88</b>
% Growth	3.7%	5.2%	13.2%	6.9%	5.9%	12.1%	0.6%	-4.7%	6.0%	5.2%	8.9%

Source: Company data, Credit Suisse estimates

**Exhibit 6: CPB Annual Balance Sheet**

	2005A	2006A	2007A	2008A	2009A	2010A	2011E	2012E	2013E	2014E	2015E
Cash & Short-Term Investments	40	657	71	81	51	254	259	264	269	279	289
Cash required for operations	40	657	71	81	51	254	259	264	269	279	289
Extra cash	-	-	-	-	-	-	-	-	-	-	-
Total Accounts Receivable	509	494	581	570	528	512	513	525	538	557	576
Inventories	782	728	775	829	824	724	739	752	767	795	822
Other Current Assets	181	233	151	213	148	197	197	197	197	197	197
<b>Total Current Assets</b>	<b>1,512</b>	<b>2,112</b>	<b>1,578</b>	<b>1,693</b>	<b>1,551</b>	<b>1,687</b>	<b>1,708</b>	<b>1,738</b>	<b>1,771</b>	<b>1,827</b>	<b>1,884</b>
Net Property, Plant & Equipment	1,987	1,954	2,042	1,939	1,977	2,051	2,061	2,105	2,131	2,152	2,166
Gross Property, Plant & Equipment	4,511	4,497	4,809	4,766	4,893	5,043	5,318	5,643	5,966	6,300	6,645
Accumulated Depreciation	2,524	2,543	2,767	2,827	2,916	2,992	3,257	3,538	3,834	4,148	4,479
Intangible Assets	3,009	2,361	2,487	2,603	2,423	2,428	2,428	2,428	2,428	2,428	2,428
Net Goodwill	1,950	1,765	1,872	1,998	1,901	1,919	1,919	1,919	1,919	1,919	1,919
Net Other Intangibles	1,059	596	615	605	522	509	509	509	509	509	509
Other Assets	268	1,443	338	239	105	110	110	110	110	110	110
<b>Total Assets</b>	<b>6,776</b>	<b>7,870</b>	<b>6,445</b>	<b>6,474</b>	<b>6,056</b>	<b>6,276</b>	<b>6,307</b>	<b>6,382</b>	<b>6,440</b>	<b>6,517</b>	<b>6,589</b>
ST Debt Incl Curr Portion of LT Debt	451	1,097	595	982	378	835	835	835	835	835	835
Accounts Payable	624	691	694	655	569	545	556	566	577	598	619
Income Tax Payable	251	202	42	9	14	30	68	66	60	62	63
Other Current Liabilities	676	972	699	757	667	655	655	655	655	655	655
<b>Total Current Liabilities</b>	<b>2,002</b>	<b>2,962</b>	<b>2,030</b>	<b>2,403</b>	<b>1,628</b>	<b>2,065</b>	<b>2,114</b>	<b>2,122</b>	<b>2,127</b>	<b>2,150</b>	<b>2,172</b>
Long-Term Debt	2,542	2,116	2,074	1,633	2,246	1,945	2,176	2,208	2,261	2,333	2,394
Deferred Taxes and Investment Tax Cr	342	463	354	354	237	258	258	258	258	258	258
Other Liabilities	620	561	692	766	1,217	1,079	1,079	1,079	1,079	1,079	1,079
<b>Total Liabilities</b>	<b>5,506</b>	<b>6,102</b>	<b>5,150</b>	<b>5,156</b>	<b>5,328</b>	<b>5,347</b>	<b>5,628</b>	<b>5,668</b>	<b>5,725</b>	<b>5,820</b>	<b>5,903</b>
Accum. Minority Interest 0 Redeemable	0	0	0	0	0	0					
Total Common Equity	1,270	1,768	1,295	1,318	728	926	677	711	711	693	682
<b>Total Shareholders' Equity</b>	<b>1,270</b>	<b>1,768</b>	<b>1,295</b>	<b>1,318</b>	<b>728</b>	<b>926</b>	<b>677</b>	<b>711</b>	<b>711</b>	<b>693</b>	<b>682</b>
Accum. Minority Interest - Non-Redeem	-	-	-	-	0	3	3	3	3	3	3
<b>Total Equity</b>	<b>1,270</b>	<b>1,768</b>	<b>1,295</b>	<b>1,318</b>	<b>728</b>	<b>929</b>	<b>680</b>	<b>714</b>	<b>714</b>	<b>696</b>	<b>685</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>6,776</b>	<b>7,870</b>	<b>6,445</b>	<b>6,474</b>	<b>6,056</b>	<b>6,276</b>	<b>6,307</b>	<b>6,382</b>	<b>6,440</b>	<b>6,517</b>	<b>6,589</b>

Source: Company data, Credit Suisse estimates



**Exhibit 7: CPB Annual Cash Flow**

	2005A	2006A	2007A	2008A	2009A	2010A	2011E	2012E	2013E	2014E	2015E
Net Income	707	755	823	671	732	844	822	750	771	787	829
Depreciation & Amortization	279	289	283	294	264	251	265	281	297	314	331
Deferred Taxes	47	29	10	29	144	54	0	0	0	0	0
Non-Cash Items	2	(6)	(180)	119	106	(175)					
<b>Funds From Operations</b>	<b>1,035</b>	<b>1,067</b>	<b>936</b>	<b>1,113</b>	<b>1,246</b>	<b>974</b>	<b>1,087</b>	<b>1,031</b>	<b>1,068</b>	<b>1,100</b>	<b>1,160</b>
Extraordinary Item	0	11	31	(204)	4	0					
Changes in Working Capital	(45)	148	(293)	(143)	(84)	83	34	(18)	(22)	(24)	(25)
Accounts Receivable	(10)	(18)	(68)	(53)	27	21	(1)	(12)	(13)	(19)	(19)
Inventories	6	(2)	(29)	(91)	(14)	105	(15)	(14)	(14)	(28)	(28)
Accounts Payable	(24)	168	(128)	23	(125)	(34)	11	10	11	21	21
Loss (Gain) - Sale of PPE	0	0	(65)	0	0	0					
Other Asset/Liabilities	(17)	0	(3)	(22)	28	(9)	38	(2)	(6)	2	1
<b>Net Operating Cash Flow</b>	<b>990</b>	<b>1,226</b>	<b>674</b>	<b>766</b>	<b>1,166</b>	<b>1,057</b>	<b>1,120</b>	<b>1,013</b>	<b>1,045</b>	<b>1,076</b>	<b>1,135</b>
Total Capital Expenditures	(332)	(309)	(334)	(298)	(345)	(315)	(275)	(325)	(323)	(334)	(346)
Acquisition of Business	0	0	0	(9)	(66)	0					
Sale of Fixed Assets & Businesses	11	2	23	3	1	13					
Net Purchase/Sale of Investments	0	0	0	0	0	0					
Net Other Investing Activities	7	13	914	835	32	2					
<b>Net Investing Cash Flow</b>	<b>(314)</b>	<b>(294)</b>	<b>603</b>	<b>531</b>	<b>(378)</b>	<b>(300)</b>	<b>(275)</b>	<b>(325)</b>	<b>(323)</b>	<b>(334)</b>	<b>(346)</b>
Cash Dividends Paid	(275)	(292)	(308)	(329)	(350)	(365)	(374)	(395)	(421)	(437)	(452)
Net Sale/Repurchase of Stock	(39)	(270)	(975)	(856)	(455)	(333)	(698)	(320)	(350)	(368)	(388)
Repurchase of Common & Pref Stock	(110)	(506)	(1,140)	(903)	(527)	(472)	(725)	(350)	(380)	(399)	(419)
Sale of Common & Pref Stock	71	236	165	47	72	139	27	30	30	31	31
Net Issuance/Reduction of Debt	(354)	233	(605)	(123)	(20)	135	231	32	53	72	61
Excess Tax Benefit of Stock Options	0	11	25	8	18	11					
Net Other Financing Activities	0	0	0	0	(7)	(4)					
<b>Net Financing Cash Flow</b>	<b>(668)</b>	<b>(318)</b>	<b>(1,863)</b>	<b>(1,300)</b>	<b>(814)</b>	<b>(556)</b>	<b>(840)</b>	<b>(683)</b>	<b>(718)</b>	<b>(733)</b>	<b>(779)</b>
Foreign Exchange Effects	0	3	0	13	(4)	2					
<b>Net Change in Cash</b>	<b>8</b>	<b>617</b>	<b>(586)</b>	<b>10</b>	<b>(30)</b>	<b>203</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>10</b>	<b>10</b>

Source: Company data, Credit Suisse estimates

**Exhibit 8: CPB Annual Value Drivers**

	2005A	2006A	2007A	2008A	2009A	2010A	2011E	2012E	2013E	2014E	2015E
Cash	40	657	71	81	51	254	259	264	269	279	289
Inventory	782	728	775	829	824	724	739	752	767	795	822
A/R	509	494	581	570	528	512	513	525	538	557	576
A/P	624	691	694	655	569	545	556	566	577	598	619
Working Capital	667	531	662	744	783	691	696	711	728	753	780
Cap Ex	(332)	(309)	(334)	(298)	(345)	(315)	(275)	(325)	(323)	(334)	(346)
D&A	279	289	283	294	264	251	265	281	297	314	331
Intangibles	3,009	2,361	2,487	2,603	2,423	2,428	2,428	2,428	2,428	2,428	2,428
Total Assets	6,776	7,870	6,445	6,474	6,056	6,276	6,307	6,382	6,440	6,517	6,589
Current Liabs	2,002	2,962	2,030	2,403	1,628	2,065	2,114	2,122	2,127	2,150	2,172
Total Liabilities	5,506	6,102	5,150	5,156	5,328	5,347	5,628	5,668	5,725	5,820	5,903
SE	1,270	1,768	1,295	1,318	728	929	680	714	714	696	685
Current Debt	451	1,097	595	982	378	835	835	835	835	835	835
Total Debt	2,993	3,213	2,669	2,615	2,624	2,780	3,011	3,043	3,096	3,168	3,229
Net Debt	2,953	2,556	2,598	2,534	2,573	2,526	2,752	2,779	2,827	2,890	2,941
Invested Capital	5,185	5,348	4,939	4,972	4,755	4,792	4,769	4,831	4,879	4,923	4,963
EBIT	1,162	1,138	1,250	1,279	1,274	1,360	1,313	1,227	1,258	1,321	1,387
NOPAT	797	804	875	878	866	922	899	828	849	891	936
<b>ROIC</b>	<b>15.4%</b>	<b>15.0%</b>	<b>17.7%</b>	<b>17.7%</b>	<b>18.2%</b>	<b>19.2%</b>	<b>18.8%</b>	<b>17.1%</b>	<b>17.4%</b>	<b>18.1%</b>	<b>18.9%</b>
EBITDA	1,441	1,427	1,533	1,573	1,538	1,611	1,578	1,508	1,555	1,634	1,717
Op Cash Flow	990	1,226	674	766	1,166	1,057	1,120	1,013	1,045	1,076	1,135
Free Cash Flow	658	917	340	468	821	742	845	688	723	742	789
Share Repo	(110)	(506)	(1,140)	(903)	(527)	(472)	(725)	(350)	(380)	(399)	(419)
Dividends	(275)	(292)	(308)	(329)	(350)	(365)	(374)	(395)	(421)	(437)	(452)
Div/Share	\$ 0.68	\$ 0.72	\$ 0.80	\$ 0.88	\$ 1.00	\$ 1.08	\$ 1.13	\$ 1.25	\$ 1.37	\$ 1.47	\$ 1.57

Source: Company data, Credit Suisse estimates

**Companies Mentioned** (Price as of 11 Jul 11)

Campbell Soup Company (CPB, \$34.59, NEUTRAL, TP \$35.00)

General Mills (GIS, \$36.86, NEUTRAL, TP \$40.00)

The Hershey Company (HSY, \$57.01, OUTPERFORM, TP \$64.00)

## Disclosure Appendix

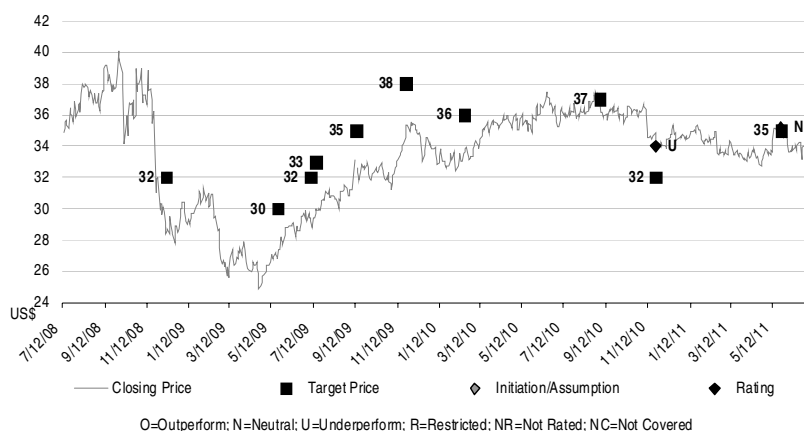
**Important Global Disclosures**

I, Robert Moskow, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

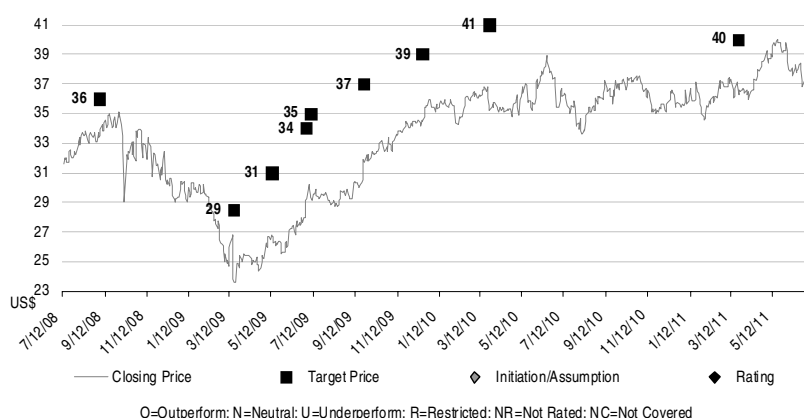
See the Companies Mentioned section for full company names.

**3-Year Price, Target Price and Rating Change History Chart for CPB**

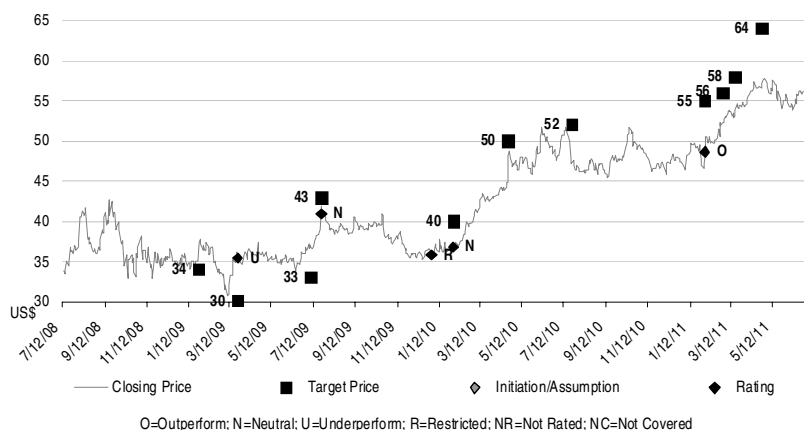
CPB	Closing Price	Target Price	Initiation/
Date	(US\$)	(US\$)	Rating Assumption
12/10/08	28.37	32	
5/22/09	27.35	30	
7/8/09	29.42	32	
7/16/09	30.03	33	
9/13/09	32.67	35	
11/24/09	35.4	38	
2/17/10	33.62	36	
9/3/10	36.21	37	
11/23/10	34	32	U
5/24/11	35.2	35	N

**3-Year Price, Target Price and Rating Change History Chart for GIS**

GIS	Closing Price	Target Price	Initiation/
Date	(US\$)	(US\$)	Rating Assumption
9/4/08	33.465	36	
3/18/09	23.815	28.5	
5/13/09	26.73	31	
7/2/09	29.25	34	
7/8/09	29.43	35	
9/24/09	31.725	37	
12/18/09	34.475	39	
3/25/10	35.575	41	
3/23/11	36.24	40	
7/5/11	37.16		N

**3-Year Price, Target Price and Rating Change History Chart for HSY**

HSY	Closing Price	Target Price	Initiation/
Date	(US\$)	(US\$)	Rating Assumption
1/27/09	37.48	34	
3/24/09	35.41	30	U
7/8/09	37.01	33	
7/24/09	40.97	43	N
12/31/09	35.79		R
2/1/10	36.81	40	N
4/22/10	48.08	50	
7/23/10	47.21	52	
2/2/11	48.61	55	O
2/28/11	52.32	56	
3/18/11	53.87	58	
4/26/11	57.27	64	



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\*Relevant benchmark by region: As of 29<sup>th</sup> May 2009, Australia, New Zealand, U.S. and Canadian ratings are based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe\*\*, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. Some U.S. and Canadian ratings may fall outside the absolute total return ranges defined above, depending on market conditions and industry

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<b>Underperform/Sell*</b>	10%	(52% banking clients)
<b>Restricted</b>	2%	

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**Price Target:** (12 months) for (CPB)

**Method:** Our 12-month target price of \$35 based on a 14x P/E against our calendar 2013 EPS estimate of \$2.51.

**Risks:** Major risks to our \$35/share target price for Campbell Soup include competitive pressure in simple meals, inflationary pressure in major input costs like energy, steel, resins, and soybean oil, and the cost of failure if new product introductions do not resonate with consumers or retail customers.

**Price Target:** (12 months) for (GIS)

**Method:** Our 12-month price target of \$40 reflects a group P/E multiple of 14x against our calendar 2012 EPS estimate of \$2.86.

**Risks:** Our \$40 target price would be at risk if General Mills does not meet our assumptions that the company can grow sales at a rate faster than the packaged food industry average by introducing successful new products, leveraging its strong brands, and participating in fast-growing categories like yogurt and snack bars, and that productivity savings help offset rising input costs.

**Price Target:** (12 months) for (HSY)

**Method:** Our 12-month target price of \$64/share implies a 20x P/E multiple against our 2012 EPS estimate of \$3.20. The 20x multiple is in-line with the company's 10-year average

**Risks:** The risks that HSY and our \$64 target price could face include: 1) execution risk in the growing premium/dark chocolate category; 2) volatile cocoa, nuts and dairy commodity input costs; and 3) the risk of competitive incursion in chocolate from Mars.

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