

CAMPBELL SOUP CO
Form 10-Q
March 04, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended
January 27, 2008**

**Commission File Number
1-3822**

**New Jersey
State of Incorporation**

**21-0419870
I.R.S. Employer Identification No.**

**Campbell Place
Camden, New Jersey 08103-1799
Principal Executive Offices
Telephone Number: (856) 342-4800**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Yes No

There were 379,586,931 shares of Capital Stock outstanding as of February 28, 2008.

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Certification of Robert A. Schiffner pursuant to Rule 13a-14(a)

Certification of Douglas R. Conant pursuant to 18 U.S.C Section 1350

Certification of Robert A. Schiffner pursuant to 18 U.S.C. Section 1350

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PART I.
ITEM 1. FINANCIAL INFORMATION
CAMPBELL SOUP COMPANY CONSOLIDATED

Statements of Earnings

(unaudited)

(millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	January 27, 2008	January 28, 2007	January 27, 2008	January 28, 2007
Net sales	\$2,218	\$2,064	\$4,403	\$4,115
Costs and expenses				
Cost of products sold	1,329	1,213	2,622	2,406
Marketing and selling expenses	319	300	615	568
Administrative expenses	141	145	282	273
Research and development expenses	25	25	52	50
Other (income) / expense	4	(18)	4	(16)
Total costs and expenses	1,818	1,665	3,575	3,281
Earnings before interest and taxes	400	399	828	834
Interest, net	42	38	84	79
Earnings before taxes	358	361	744	755
Taxes on earnings	98	104	216	231
Earnings from continuing operations	260	257	528	524
Earnings from discontinued operations	14	28	16	52
Net earnings	\$ 274	\$ 285	\$ 544	\$ 576
Per share basic				
Earnings from continuing operations	\$.69	\$.67	\$ 1.40	\$ 1.35
Earnings from discontinued operations	.04	.07	.04	.13
Net earnings	\$.73	\$.74	\$ 1.44	\$ 1.48
Dividends	\$.22	\$.20	\$.44	\$.40
Weighted average shares outstanding basic	377	384	378	389

Per share assuming dilution

Earnings from continuing operations	\$.67	\$.65	\$ 1.36	\$ 1.31
Earnings from discontinued operations	.04	.07	.04	.13
Net earnings	\$.71	\$.72	\$ 1.41	\$ 1.44
Weighted average shares outstanding assuming dilution	386	395	387	400

See Notes to Consolidated Financial Statements.

The sum of the individual per share amounts does not equal net earnings per share due to rounding.

Table of Contents**CAMPBELL SOUP COMPANY CONSOLIDATED****Balance Sheets**

(unaudited)

(millions, except per share amounts)

	January 27, 2008	July 29, 2007
Current assets		
Cash and cash equivalents	\$ 95	\$ 71
Accounts receivable	813	581
Inventories	735	775
Other current assets	112	151
Current assets of discontinued operations held for sale	123	
Total current assets	1,878	1,578
Plant assets, net of depreciation	1,930	2,042
Goodwill	1,933	1,872
Other intangible assets, net of amortization	633	615
Other assets	384	338
Non-current assets of discontinued operations held for sale	118	
Total assets	\$ 6,876	\$ 6,445
Current liabilities		
Notes payable	\$ 976	\$ 595
Payable to suppliers and others	619	694
Accrued liabilities	606	622
Dividend payable	84	77
Accrued income taxes	4	42
Current liabilities of discontinued operations held for sale	71	
Total current liabilities	2,360	2,030
Long-term debt	1,780	2,074
Other liabilities, including deferred income taxes of \$380 and \$354	1,129	1,046
Non-current liabilities of discontinued operations held for sale	12	
Total liabilities	5,281	5,150
Shareowners' equity		
Preferred stock; authorized 40 shares; none issued		
Capital stock, \$.0375 par value; authorized 560 shares; issued 542 shares	20	20
Additional paid-in capital	337	331
Earnings retained in the business	7,451	7,082
Capital stock in treasury, at cost	(6,172)	(6,015)

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Accumulated other comprehensive loss	(41)	(123)
Total shareowners' equity	1,595	1,295
Total liabilities and shareowners' equity	\$ 6,876	\$ 6,445

See Notes to Consolidated Financial Statements.

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Table of Contents**CAMPBELL SOUP COMPANY CONSOLIDATED****Statements of Cash Flows**

(unaudited)

(millions)

	Six Months Ended	
	January 27, 2008	January 28, 2007
Cash flows from operating activities:		
Net earnings	\$ 544	\$ 576
Adjustments to reconcile net earnings to operating cash flow		
Stock-based compensation	39	41
Resolution of tax matters (Note k)	(13)	
Depreciation and amortization	138	132
Deferred income taxes	21	(42)
Gain on sale of businesses (Note b)		(39)
Gain on sale of facility		(23)
Other, net	37	38
Changes in working capital		
Accounts receivable	(241)	(259)
Inventories	3	(3)
Prepaid assets	18	(6)
Accounts payable and accrued liabilities	(50)	48
Pension fund contributions	(38)	(27)
Payments for hedging activities	(4)	(86)
Other	(12)	(22)
Net cash provided by operating activities	442	328
Cash flows from investing activities:		
Purchases of plant assets	(90)	(121)
Sales of plant assets	2	22
Sales of businesses, net of cash divested (Note b)		884
Other, net	2	8
Net cash provided by (used in) investing activities	(86)	793
Cash flows from financing activities:		
Long-term repayments	(40)	(8)
Repayments of notes payable		(300)
Net short-term borrowings (repayments)	60	(83)
Dividends paid	(162)	(153)
Treasury stock purchases	(203)	(842)
Treasury stock issuances	19	81
Excess tax benefits on stock-based compensation	4	11
Net cash used in financing activities	(322)	(1,294)

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Effect of exchange rate changes on cash	8	(1)
Net change in cash and cash equivalents	42	(174)
Cash and cash equivalents beginning of period	71	657
Cash balance of discontinued operations end of period	(18)	
Cash and cash equivalents end of period	\$ 95	\$ 483

See Notes to Consolidated Financial Statements.

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Table of Contents**CAMPBELL SOUP COMPANY CONSOLIDATED
Statements of Shareowners' Equity**

(unaudited)

(millions, except per share amounts)

	Capital Stock		Additional		Earnings Accumulated		Total	
	Issued	In Treasury	Paid-in	Retained	Other	Shareowners'		
	Shares	Amount	Shares	Amount	Capital	in the Business	Comprehensive Income (Loss)	Equity
Balance at July 30, 2006	542	\$20	(140)	\$(5,147)	\$352	\$6,539	\$ 4	\$1,768
Comprehensive income (loss)								
Net earnings						576		576
Foreign currency translation adjustments							(37)	(37)
Cash-flow hedges, net of tax							7	7
Minimum pension liability, net of tax							17	17
Other comprehensive loss							(13)	(13)
Total comprehensive income								563
Dividends (\$.40 per share)						(155)		(155)
Treasury stock purchased			(22)	(814)	(28)			(842)
Treasury stock issued under management incentive and stock option plans			3	112	9			121
Balance at January 28, 2007	542	\$20	(159)	\$(5,849)	\$333	\$6,960	\$ (9)	\$1,455
Balance at July 29, 2007	542	\$20	(163)	\$(6,015)	\$331	\$7,082	\$(123)	\$1,295
Comprehensive income (loss)								
Net earnings						544		544
Foreign currency translation adjustments, net of tax							71	71
Cash-flow hedges, net of tax							8	8
Pension and postretirement benefits, net of tax							3	3
Other comprehensive income							82	82
Total comprehensive income								626
							(6)	(6)

Impact of adoption of FIN 48

(Note k)

Dividends (\$.44 per share)						(169)		(169)
Treasury stock purchased			(6)	(203)				(203)
Treasury stock issued under management incentive and stock option plans			2	46	6			52
Balance at January 27, 2008	542	\$20	(167)	\$(6,172)	\$337	\$7,451	\$ (41)	\$1,595

See Notes to Consolidated Financial Statements.

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CAMPBELL SOUP COMPANY CONSOLIDATED
Notes to Consolidated Financial Statements

(unaudited)

(dollars in millions, except per share amounts)

(a) **Basis of Presentation / Accounting Policies**

The financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the results of operations, financial position, and cash flows for the indicated periods. All such adjustments are of a normal recurring nature. The accounting policies used in preparing these financial statements are consistent with those applied in the Annual Report on Form 10-K for the year ended July 29, 2007, except for the adoption of Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN 48) Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 as of July 30, 2007. See Note (c) and Note (k) for additional information on FIN 48. See also Note (b) for a discussion of Discontinued Operations. Certain reclassifications were made to the prior year amounts to conform with the current presentation. The results for the period are not necessarily indicative of the results to be expected for other interim periods or the full year.

(b) **Discontinued Operations**

On December 20, 2007, the company entered into a Stock Purchase Agreement to sell its Godiva Chocolatier business to Yildiz Holding A.S. for \$850. The Agreement is expected to close in the near future. The company has reflected the results of this business as discontinued operations in the consolidated statements of earnings for all periods presented. The assets and liabilities of this business are reflected as assets and liabilities of discontinued operations held for sale in the consolidated balance sheet as of January 27, 2008. The anticipated proceeds from the sale exceed the carrying value of the business.

On August 15, 2006, the company completed the sale of its businesses in the United Kingdom and Ireland for £460, or approximately \$870, pursuant to a Sale and Purchase Agreement dated July 12, 2006. The United Kingdom and Ireland businesses included *Homepride* sauces, *OXO* stock cubes, *Batchelors* soups and *McDonnells* and *Erin* soups. The Sale and Purchase Agreement provided for working capital and other post-closing adjustments. The company has reflected the results of these businesses as discontinued operations in the consolidated statements of earnings. In the first quarter 2007, the company recorded a pre-tax gain of \$36 (\$22 after tax) on the sale of the businesses. In the second quarter 2007, the post-closing adjustments were finalized. Additional proceeds of \$19 were received and an incremental pre-tax gain of \$3 (\$1 after tax) was recognized. Upon completion of the sale of the United Kingdom and Ireland businesses, the company paid \$83 to settle cross-currency swap contracts and foreign exchange forward contracts which hedged exposures related to the businesses.

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Results of discontinued operations were as follows:

	2008		2007		
	Three Months Ended Godiva		UK/Ireland	Three Months Ended Godiva Total	
Net sales	\$	189	\$	\$ 188	\$ 188
Earnings from operations before taxes	\$	33		\$ 45	\$ 45
Taxes on earnings operations		(14)		(18)	(18)
Gain on sale			3		3
Tax impact of gain on sale			(2)		(2)
Costs associated with pending sale		(9)			
Tax benefit of costs associated with pending sale		4			
Earnings from discontinued operations	\$	14	\$ 1	\$ 27	\$ 28

	2008		2007		
	Six Months Ended Godiva		UK/Ireland	Six Months Ended Godiva Total	
Net sales	\$	303	\$ 16	\$ 290	\$ 306
Earnings from operations before taxes	\$	36	\$	\$ 49	\$ 49
Taxes on earnings operations		(15)		(20)	(20)
Gain on sale			39		39
Tax impact of gain on sale			(16)		(16)
Costs associated with pending sale		(9)			
Tax benefit of costs associated with pending sale		4			
Earnings from discontinued operations	\$	16	\$ 23	\$ 29	\$ 52

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The assets and liabilities of the Godiva Chocolatier business are reflected as discontinued operations in the consolidated balance sheet as of January 27, 2008 and are comprised of the following:

Cash	\$ 18
Accounts receivable	44
Inventories	50
Prepaid expenses	11
Current assets	\$ 123
Property, plant and equipment, net	\$ 97
Intangible assets, net	6
Other assets	15
Non-current assets	\$ 118
Accounts payable	\$ 48
Accrued liabilities	18
Accrued income taxes	5
Current liabilities	\$ 71
Other liabilities	\$ 9
Deferred income taxes	3
Non-current liabilities	\$ 12

(c) Recently Adopted Accounting Pronouncement

In June 2006, the FASB issued FIN 48 Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109. FIN 48 clarifies the criteria that must be met for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. This Interpretation also addresses derecognition, recognition of related penalties and interest, classification of liabilities and disclosures of unrecognized tax benefits. FIN 48 is effective for fiscal years beginning after December 15, 2006. The company adopted FIN 48 as of July 30, 2007. See Note (k) for additional information.

(d) Recently Issued Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157 Fair Value Measurements, which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 establishes a definition of fair value, provides a framework for measuring fair value and expands the disclosure requirements about fair value measurements. SFAS No. 157 as issued is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted. On February 12, 2008, FASB Staff Position No. FAS 157-2 was issued which delays the effective date to fiscal years beginning after November 15, 2008 for certain nonfinancial assets and liabilities. The company is currently evaluating the impact of SFAS No. 157.

In February 2007, the FASB issued SFAS No. 159 The Fair Value Option for Financial Assets and Liabilities Including an amendment of FASB Statement No. 115. SFAS No. 159 allows companies to choose, at specific

election dates, to measure eligible financial

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assets and liabilities at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The company is currently evaluating the impact of SFAS No. 159.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) Business Combinations, which establishes the principles and requirements for how an acquirer recognizes the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquirer at the acquisition date, measured at their fair values as of that date, with limited exceptions. This Statement applies to business combinations for which the acquisition date is after the beginning of the first annual reporting period beginning after December 15, 2008. Earlier adoption is not permitted. The company is currently evaluating the impact of SFAS No. 141 as revised.

In December 2007, the FASB issued SFAS No. 160 Noncontrolling Interests in Consolidated Financial Statements an Amendment of ARB No. 51. SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be recorded as equity in the consolidated financial statements. This Statement also requires that consolidated net income shall be adjusted to include the net income attributed to the noncontrolling interest. Disclosure on the face of the income statement of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest is required. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. Earlier adoption is not permitted. The company is currently evaluating the impact of SFAS No. 160.

(e) Stock-based Compensation

Total pre-tax stock-based compensation recognized in the Statements of Earnings was \$21 and \$24 for the three-month periods ended January 27, 2008 and January 28, 2007, respectively. Tax related benefits of \$8 and \$9 were also recognized for the three-month periods ended January 27, 2008 and January 28, 2007, respectively. Total pre-tax stock-based compensation recognized in the Statements of Earnings was \$39 and \$41 for the six-month periods ended January 27, 2008 and January 28, 2007. Tax related benefits of \$15 were also recognized for the six-month periods ended January 27, 2008 and January 28, 2007. Stock-based compensation associated with discontinued operations was not material.