



MINERVA
Investment Management
Society

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Management Society

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CAMPBELL SOUP CPB

Equity Research

Key Points:

Business

Campbell Soup Company is a global food company headquartered in Camden, N.J., listed in New York Stock Exchange. The company produces and distributes a range of high-quality soups and simple meals, beverages, snacks and packaged fresh foods. In 2018 it recorded revenues of €8,685 billions, with a slight 0.89% decrease from the previous year.

The company has the right capabilities to take advantage of many trends currently going on in its market, such as bio-food, but is currently facing major threats, mainly due to its costs and competitors. Management is prioritizing the long-term net sales and aims to increase the growth rate of the business by reshaping internal cost structure and by redesigning the geographical focus of the company.

Valuation

Our valuation conducted through DCF model from Asset side By forecasting free cash flow to the firm and equity in the next 5 years, we discount the cash flow by WACC and Cost of Equity respectively. Besides, we assume the perpetual growth rate would be 1% after 2023 in order to calculate the terminal value.

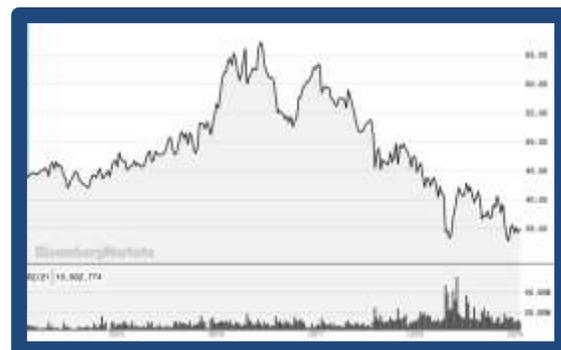
Investment risk

The Main Investment risks for Campbell Soup are operational risks. The company's success is highly dependent on its intended product portfolio adjustment. Campbell Soup also incurred around \$6.2billion indebtedness when it acquired Snyder's-Lace. Campbell Soup intends to reduce its debt by divesting within the international biscuits and snacks operating segment. Moreover, Campbell Soup must effectively integrate Snyder's-Lace. On top of this, Retail Grocery (which Campbell Soup is focused in) has experienced slower growth than other retail channels.

Campbell Soup NYSE: CPB

NYSE – P 37.85,
Currency in USD

Price Target: 42.25



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Key Statistics

Sector	Cons. Defensive
Industry	Packaged Food
Full Time Employees	23,000
Volume (3 month)	2.75M
Market Cap (intraday)	10.54B

Earnings History

	1/31/2018	04/31/2018	7/31/2018	10/31/2018
EPS Est.	0.81	0.60	0.24	0.70
EPS Actual	1.00	0.70	0.25	0.79
Difference	0.19	0.10	0.04	0.09
Surprise %	23.09%	15,82%	3.01%	12.50%

Recommendation: NEUTRAL

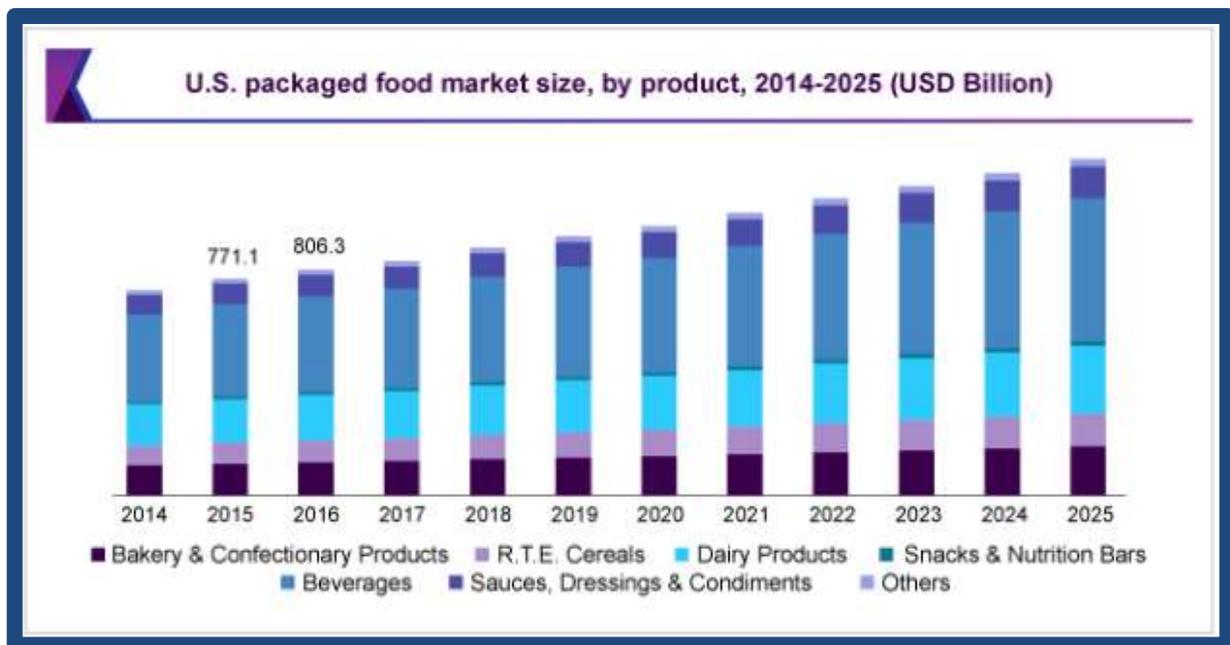
Business description

1. Company background

Led by the iconic *Campbell's* brand, the firm's portfolio is deeply diversified and consists of three main business divisions: **American Simple Meals and Beverages**, **Global biscuits and snacks** and **Campbell Fresh**. The first category includes Campbell's retail and food service businesses in the U.S. and Canada, as well as products like *Campbell's*, *Swanson*, *Prego*, *Pace*, *Plum*, *V8* and *Pacific Foods*; the second one is based on *Pepperidge Farm*, *Arnott's* and *Kelsen* businesses, on *Snyder's-Lance* brands and on the company's simple meals and shelf-stable beverages business in Australia, Asia Pacific and, starting from 2018, in Latin America; the last branch includes the portfolio of products branded by *Bolthous Farm* and *Garden Fresh Gourmet* and the *Campbell's* U.S. refrigerated soup business.

2. Industry analysis

The U.S. packaged food market size was estimated at USD 806.3 billion in 2016 although projections show a progressive increase with a CAGR of 4.5% from 2018 to 2025. The U.S. packaged food market is highly **fragmented** and **competitive** in order to satisfy one of the largest customer base industry. The market players mainly focus on packaging which keeps the food preserved as well as is attractive enough to grab the attention of the buyer. Major market players include Coca-Cola Co., Nestlé S.A., The Kellogg Company, Conagra Foods Inc., General Mills Inc., etc and are involved in the production and distribution of products.



The optimistic outlook for the *US Packaged Foods* has been confirmed by the 2017 report by *Moody's Investors Service* which claims that although cutting costs will remain a key strategy for packaged food companies over the next 12 to 18 months, there is a large spectrum of opportunities for doing good and to lead a boost of the cash flow in the short run.

The main drivers of the positive trends can be summarized into the changing living and food habits of masses, the value growth in health and wellness areas and the rise of the consumption of convenience food.

As a consequence of the larger awareness of consumers, the demand of products, which are high in nutrition, have fewer preservatives and are cholesterol & fat free, is soaring by leading the main players of the industry to develop new and innovative products to fulfil the desires and the need of the masses. Besides, it relevant to highlight the demand of organic food produced by methods that comply with the standard of organic farming and supposed to obtain special certification from the national government to be sold.

3. Strategic analysis

In order to develop its core business and expand into faster-growing spaces, the primary intention of Campbell's is to move in the direction of health and well-being, since these food categories are proactive in building greater trust with customers through real food, transparency and sustainability. The reshaping project is called Real food that matters for life's moments and is aimed at creating a sustainable brand able to mix up the long-time tradition of the brand and the centrality of healthy food in daily life for current customers. Besides, Campbell's has thrived to diversify its business by adding innovative products to its portfolio and focusing on healthy food, considered as the best way to promote health and well-being. As a matter of fact, in 2015, the company announced that it plans to remove all artificial colors and flavors from its products made in North America by the end of 2018. The choice is driven by the desire to increase the popularity of the brand among new generations since Campbell is not quite as strong among millennials as it is among Gen Xers and baby boomers, but possible drawback of the strategy could be the increment in the product price and the consequent drop of the "key" customers, the older generations, who like lower prices in spite of ingredients.

In order to maintain their market size, firms have to interpret the changes caused by the generational breakdown from baby boomers to Millennials and Generation Z. In detail, Millennials desires convenient and less-time intensive food since they prefer to "text rather than talk", as the recent increase of sales in food-delivery and grab-and-go services illustrates. As an effect, Campbell's is increasing its presence in the faster-growing snacking category so as to increase its sales by differentiating its portfolio and targeting different customer segments for food tastes, age and lifestyle.

It is relevant to highlight how consumers also are attracted by innovative and attention-grabbing packaging, incentivizing firms to design creative and visionary packaging as well as maintaining high standard in food. In particular, Millennials tend to purchase the most *instagrammable* products, enhancing the centrality of color, creativity and diversity in the packaging of food. Concurrently, they are conscious of the social and environmental impact of their actions and are likely to prefer recyclable and sustainable packaging.

Along with the increasing costs for innovative packaging, the industry is subject to the risk of the increase of raw materials prices. In detail, the weather changes and global warming have led some raw material such as carrots and tomatoes to soar their prices, by generating several cost fluctuations for firms.

With regard to the cost structure of the company, in the Annual Report 2018 the management announced to boost long-term net sales and increase the growth rate of the business by developing the internal cost structure and redesigning the geographical focus of the company.

In order to implement these changes, the company is supposed to divest not-specified non-core business and use the proceeds to dip the amount of debt and, consequently, strengthening the balance sheet, to increase the asset efficiency, by setting up a more agile enterprise. As a result, Campbell has engaged Goldman Sachs and Centerview Partners to commence a process to divest its Campbell International and Campbell Fresh businesses in a manner that maximizes value. Besides, the management decided to become a more focused company in North America, which historically represents a core market for Campbell.

In addition to the described measures, the further cost savings target is \$150 million and is supposed to derive from achieve these additional savings by streamlining the company's organizational structure, expanding its zero-based budgeting efforts and continuing to optimize its manufacturing network. These savings are in addition to the company's prior target of \$500 million and the previously announced \$295 million in target synergies and run-rate cost savings from Campbell's integration of Snyder's-Lance. Combined, these programs should bring Campbell's total cost savings target to \$945 million by the end of fiscal 2022.

SWOT analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Large customer base • Global presence since Campbell's operates in more than 120 countries • Strong brand portfolio for the main players of the industry 	<ul style="list-style-type: none"> • Profitability is low • Decreasing brand value of the main players • Packaged food is made from agricultural or livestock production. As result of the weather changes and global warming, raw materials such as carrots and tomatoes are increasing their price and it has led to numerous cost fluctuations for firms • Enlargement and consolidation of niches and local retailers, focused on sustainable food and recyclable packaging (ex. organic grocery)
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Positive trend in the sales of grocery food and convenience food. Consumers in some countries are eating fewer meals at home, which means less demand for some Campbell's products. • Increasing customer attention to organic food • Development of online retailing channels • Introduction of tailor-made food programs 	<ul style="list-style-type: none"> • Amazon's increasing market share through Amazon Prime and Amazon Fresh • Low adoption rates of new products as it might lead to heavy promotional and marketing spends thus reducing margins • Consumers changing preferences due to generational breakdown • A growing suspicion of prepackaged foods as unnatural and unhealthy in Europe and North America is becoming common. This increases the demand for fresh and natural foods in some markets. It also increases the demand for organic and other alternatives

Financial analysis

1. Annual statements

Balance Sheet	2016	2017	2018	
Total assets	7,837	7,726	14,529	100%
Current assets	1,908	1,900	2,296	16%
Inventories	940	902	1,199	8%
Prepayments	-	-	-	0%
Trade and other receivables	626	605	785	5%
<i>Account receivables</i>	566	561	734	5%
<i>Doubtful accounts</i>	(12)	(11)	(20)	0%
<i>Receivables - Other</i>	72	55	71	0%
Other non-financial assets	46	74	86	1%
<i>Deferred items</i>	-	-	-	0%
<i>Other assets</i>	46	74	86	1%
Cash and cash equivalents	296	319	226	2%
Non current assets	5,929	5,826	12,233	84%
Intangible assets	3,415	3,233	8,776	60%
<i>Trademarks, licences & others</i>	1,152	1,118	4,196	29%
<i>Goodwill</i>	2,263	2,115	4,580	32%
Property, plant, equipment	2,407	2,454	3,233	22%
<i>Buildings</i>	1,488	1,553	1,870	13%
<i>Land</i>	58	64	122	1%
<i>Plant and machinery</i>	4,042	4,231	4,751	33%
<i>Assets under construction</i>	176	195	211	1%
<i>Accumulated Depreciation</i>	(3,357)	(3,589)	(3,721)	
Financial assets	47	69	92	1%
Deferred tax assets	41	36	30	0%
Pension Benefits - Overfunded	-	-	61	0%
Other	19	34	41	0%
Total liabilities and equity	7,837	7,726	14,529	100%
Current liabilities	2,555	2,395	3,594	25%
Accrued Expenses	588	518	671	5%
Income tax liabilities	22	20	22	0%
Dividends Payable	100	111	107	1%
Accounts Payable	610	666	893	6%
Borrowings	817	884	1547	11%
Current portion of LT Debt	402	153	349	2%
Other current liabilities	16	43	5	0%
Non current liabilities	3,757	3,694	9,571	66%
Long Term Debt	2306	2492	7991	55%
Capital Lease Obligations	8	7	7	0%
Minority Interest	8	8	9	0%
Reserves	17	2	24	0%
Other Liabilities	1022	695	545	4%
Deferred tax liabilities	396	490	995	7%
Equity	1,525	1,637	1,364	9%
Common Stock	12	12	12	0%
Issued capital	354	359	349	2%
Treasury Stock-Common	-664	-1066	-1103	-8%
Other equity	-104	-53	-118	-1%
Accumulated profit	1927	2385	2224	15%

INCOME STATEMENT	2016	2017	2018
REVENUE	7961	7890	8685
YoY Growth %	-1.50%	-0.89%	10.08%
COST OF GOODS SOLD	5181	4912	5771
YoY Growth %	-1.82%	-5.19%	17.49%
GROSS INCOME	2780	2978	2914
YoY Growth %	-0.89%	7.12%	-2.15%
SELLING & MARKETING EXPENSE	893	846	899
YoY Growth %	1.71%	-5.26%	6.26%
SG&A EXPENSE	1658	1351	1453
YoY Growth %	12.71%	-18.52%	7.55%
GENERAL & ADMIN EXPENSE	641	505	554
YoY Growth %	8.09%	-21.22%	9.70%
R&D EXPENSE	124	109	110
YoY Growth %	9.73%	-12.10%	0.92%
STOCK BASED COMPENSATION	64	60	61
YoY Growth %	12.28%	-6.25%	1.67%
EBITDA	1775	1810	1802
YoY Growth %	16.62%	1.97%	-0.44%
DEPRECIATION	308	299	360
YoY Growth %	7.69%	-2.92%	20.40%
AMORTIZATION	20	19	34
YoY Growth %	17.65%	-5.00%	78.95%
DEPRECIATION & AMORTIZATION	308	318	394
YoY Growth %	1.65%	3.25%	23.90%
EBIT	1467	1492	1408
YoY Growth %	20.34%	1.70%	-5.63%
OPERATING PROFIT	-	-	-
YoY Growth %	-	-	-
INTEREST EXPENSE	111	107	215
YoY Growth %	5.71%	-3.60%	100.93%
TAX PROVISION	-286	447	325
YoY Growth %	-195.65%	256.29%	-27.29%
TAX RATE	33.68%	32.4%	27.24%
YoY Growth	2.69%	-1.29%	-5.16%
NET INCOME	914	932	868
YoY Growth %	18.86%	1.97%	-6.87%

2. Income Statement Forecasts

INCOME STATEMENT	2019E	2020E	2021E	2022E	2023E
Revenue	8,914	9,137	9,366	9,600	9,840
Cost of goods sold	5,915	6,063	6,215	6,370	6,529
Depreciation	-	-	-	-	-
Gross profit	2,999	3,074	3,151	3,230	3,311
Other operating expenses	1,195	1,225	1,256	1,287	1,319
Operating income	1,804	1,849	1,895	1,943	1,991
Interest paid	-	-	-	-	-
Other non-operating income	4	4	4	4	5
Pretax income	1,808	1,853	1,900	1,947	1,996
Tax	125	389	399	409	419
Extraordinary items					
Net income	1,683	1,464	1,501	1,538	1,577
Dividends	422	422	422	422	422
Retained earnings	1,261	1,042	1,079	1,116	1,155

The acquisition of Snyder's-Lence has been the largest ever completed by Campbell's, which paid \$50.00 per share for a total consideration of \$6,112. The total consideration paid included the repayment of \$1,100 of Snyder's-Lence indebtedness.

The major impact that this operation had on the company's balance sheet is the large increase in intangible asset. The excess amount paid over the estimated fair value has been \$2,866 and it is mainly related to future growth opportunities, synergies and intangible asset that could not be separately recognized.

Moreover, the acquisition resulted in an increase of other intangible assets, mainly related to the trademarks in the portfolio of Snyder's-Lence. These have been registered for a total amount of \$2,131, whereas the remaining identifiable intangible assets were relationship with customers, for a total value of \$808.

Not only had the acquisition an impact on the asset side of the balance sheet. Campbell's financed the operation by issuing on 16th March 2018 \$5,300 senior notes as well as borrowing \$900 under a single draw 3-year senior unsecured term loan. The securities issued while start maturing within three years and about half of the amount will not mature before seven years, not posing threats to the company's fragile liquidity.

This issuance of debt had a strong impact on the leverage of Campbell's, whose Debt to Equity ratio jumped from 2.16 to 7.25 in 2018.

The company is also planning a major divestiture of non-core assets, for a value of roughly \$2.1B. This is part of the commitment to focus on its main market, North America, as well as reducing its indebtedness. The sale proceeds will therefore be used to pay down debt and improve the solvency profile of the company.

3. Balance Sheet Forecasts

BALANCE SHEET	2019E	2020E	2021E	2022E	2023E
Cash and equivalents	304	87	1,441	1,264	1,087
Short term investments	-	-	-	-	-
Other current assets	1,516	1,554	-	-	-
Net fixed assets	2,368	2,427	-	-	-
Long term investments	-	-	-	-	-
Other long term assets	9,000	9,000	9,000	9,000	9,000
Total assets	13,188	13,069	10,441	10,264	10,087
Short term debt and Current portion of LTD	1,517	1,417	1,317	1,217	1,117
Other current liabilities	1,244	1,275	-	-	-
Long term debt	7,918	7,839	7,760	7,683	7,606
Other long term liabilities	1,146	1,174	-	-	-
Stock	(1,091)	(1,091)	(1,091)	(1,091)	(1,091)
Cumulated retained earnings	2,455	2,455	2,455	2,455	2,455
Non controlling interests	-	-	-	-	-
Total liabilities and equity	13,188	13,069	10,441	10,264	10,087

4. Financial ratios

Performance indicators	2016	2017	2018
EBITDA	1775	1810	1802
EBIT	1467	1492	1408
Net income	914	932	868
Tax Rate	33.69%	32.40%	27.24%

Development ratios	2016	2017	2018
Revenue growth rate	-1.50%	-0.89%	10.08%
Cost of materials growth rate	-1.82%	-5.19%	17.49%
EBITDA growth rate	16.62%	1.97%	-0.44%
EBIT growth rate	20.34%	1.70%	-5.63%
Net income growth rate	18.86%	1.97%	-6.87%
Total assets growth rate	(3.0%)	(1.4%)	88.1%
Total equity growth rate	10.4%	7.3%	(16.7%)

Campbell Soup faced difficult times over the last few years and, as can be retrieved from the above-tables the company. The Net Income suffered a decrease of roughly 5.36% signalling the strong positive reduction in the tax rate between 2017 and 2018 has not been enough to counteract the large increase in the cost of goods sold. The tax rate decreased from 32.4% to 27.24% as a consequence of the implementation of the tax reform approved by the Trump administration.

The decrease in net income and the strong increase in the cost of goods sold strengthens the importance of the commitment shown by the management during the 2018 annual reporting to reduce costs and improve asset efficiency.

Solvency ratios

Solvency Ratios	2016	2017	2018
Debt/Equity	2.32	2.16	7.25
Liabilities/Equity	4.14	3.72	9.65
Net Debt to EBITDA	1.36	1.28	4.5

Solvency ratios underline the company ability to repay its debt in the long run, and as can be observed in the table quite a large change occurred during FY2018. The issuance of debt related to the acquisition of Snyder's-Lence caused the increase in all the solvency ratios calculated and worsened the solvency position of Campbell-Soup. This had a direct consequence on the rating of the company's securities. In March 2018 Moody's downgraded them from A3 to Baa2, with a constant outlook. As a matter of fact, if we use the EBITDA as a proxy for the company's cash flow, it has not suffered a large decrease during 2018 and is expected to grow by roughly 2% over the next three years. This signals that the company should be able to produce stable cash flows supporting the company liquidity and allowing it to maintain its deleveraging objectives for the years to come. The management has announced that it plans to reduce the Net Debt to EBITDA back to 3.0 by 2021. This reduction will be sustained, according to the management, by the stronger focus on North America, the cost reduction and the divestiture of non-core business, whose proceeds will be used to pay down debt and strengthen the balance sheet. Such commitments are crucial in order to maintain a stable outlook and an investment grade profile.

Liquidity ratios

Liquidity ratios	2016	2017	2018
Quick Ratio	0.33	0.37	0.27
Current Ratio	0.75	0.79	0.63
Net Working Capital	605	407	171

As can be inferred from the table, the company liquidity is not extremely reassuring as the quick ratio which should be, as a rule of thumb around 1 is just 0.26 in 2018 and the current ratio is just 0.63, when it should usually be around 2. Moreover, the company registered negative net working capital over the last three years, due to the large amount of debt maturing and the commitment to decrease working capital by reducing trade receivables and inventories. Nonetheless, we do not deem these metrics to be worrying given that Campbell's business is not affected by cyclicalities, it is able to generate stable cash-flows and it has direct access to short-term borrowings such as commercial papers and bank credit lines. Therefore, we hold that the company has a sustainable liquidity profile, that will allow it to meet debt repayments in the near future.

Profitability ratios

Profitability ratios	2016	2017	2018
Gross Margin	34.92%	37.74%	33.55%
EBITDA Margin	18.41%	18.79%	19.08%
Return on Equity	41.75%	56.93%	63.64%

In terms of profitability, Campbell has suffered a decrease in the gross margin over the last year, having therefore a negative impact on the company's net income. Conversely the EBITDA margin remained stable over the period analysed. As far as the ROE is concerned, it is considerably higher than the industry average, mainly because of the different capital structure that Campbell enjoys. In fact, the main source of financing comes from debt rather than equity, with a Debt to Equity ratio exceeding 7 in 2018.

Valuation

Our valuation conducted through DCF model from Asset side. By forecasting free cash flow to the firm and equity in the next 5 years, assuming an average growth rate of 2.5%, we discount the cash flow by WACC. Moreover, we assume the perpetual growth rate would be in line with the US GDP growth rate and equal to 1% after 2023 in order to calculate the terminal value. We defined 2018 as year 0, and consequently 2023 as year 5. From asset side, after discounting all the free cash flow, we get the enterprise value of the company, which is 22.8 billion, and the next step we did is deduct the net debt of company from EV so that the equity value we got from the asset side is 13.1 billion.

Discount factor

We first calculated the beta for Campbell as the unlevered industry beta to which we applied the company's leverage. We based the estimate of the unlevered industry beta on a set of five comparable companies, namely General Mills, Kellogs, Mondelez, Kraft-Heinz, Archer Daniels Midlands.

We therefore obtained a levered beta of 0.81 and used it to estimate the cost of equity according to the CAPM formula.

$$K_l = r_f + \beta * ERP$$

We considered the yield on the 10-years US government bond. The equity risk premium is the one indicated by Fernandez for the US in 2018.

The cost of debt has been estimated according to the methodology suggested by Damodaran, therefore considering the yield on the 10 years government bond as the risk free rate, to which we applied a default spread, reflecting the rating of Campbell's securities which is BBB- and obtaining a cost of debt of 4.65%.

Risk Free Rate	2.65%
Re-Levered Beta	0.81
Market Return	5.55%
Cost of Equity (Levered)	7.12%
Default Spread	2%
Cost of Debt	4.65%
Tax Rate	21%
WACC	5.55%

	2018	2019E	2020E	2021E	2022E	2023E
Net Income	866.00	1061.90	933.40	966.42	1000.13	1034.57
+ Net Interest*(1-T)	179.33	222.86	218.63	214.41	210.22	206.04
+ Depreciation	376.00	385.40	395.04	404.91	415.03	425.41
+ Change in Net Working Capital	-710.00	388.50	109.53	109.77	110.02	110.27
+ Change in Capital Expenditure	1097.00	456.82	468.25	479.95	491.95	504.25
Free Cash Flow to the Firm	1034.33	824.83	969.29	996.02	1023.42	1051.51

TV	
g (TV)	1%
Revenues	9938.26
Ebitda Margin	0.20
TV Ebitda	2011.19
Depreciation	425.00
TV EBIT	1586.19
Tax	333.10
ΔNWC	15.38
TV	1237.71

After discounting the future cash flow, we get two equity value from two method. We consider the target price would be the average price we derived from DCF model, which is 43.70\$.

Here is the summary of valuation we obtained to derive the equity value from two perspectives.

Summary	
	DCF Asset Side
Enterprise Value	22823.37
(Net Debt)	9668.00
Equity Value	13155.37
Number of Shares	301.03
Estimated Share price	43.70
Current Share Price	38.01
RECCOMANDATION	NEUTRAL

Results. We finally compare our results with the market price indicated by investing.com on the 2nd April 2019 and we strongly recommend staying neutral on this stock. This is in line with our expectations. Campbell Soup is a solid company which has recently expanded through a series of acquisitions and it is now planning to improve its financial structure by slowly reducing its debt exposure. Nonetheless, given that its core businesses are mostly independent from the current market condition, we do not believe that there is currently much room for large improvement in the company's profitability and growth. We also believe that in order to attract investors Campbell should implement a strategy that follows the increasing attention of consumers to healthy and sustainable food.

Market Multiples Analysis

This kind of valuation has been associated to the APV method, in order to have an immediate comparison between FCF method and the market sentiment in this actual moment and a projection of the value of Campbell Soup in the future.

Selected in terms of business model and dimensions (EBITDA), the peers have been the following: Archer-Daniels-Midland Company, General Mills, The Kraft Heinz Company and Mondelez International.

Description of the selected companies

Archer-Daniels-Midland Company is a processor of oilseeds, corn, wheat, cocoa and other agricultural commodities. The Company manufactures protein meal, vegetable oil, corn sweeteners, flour, biodiesel, ethanol, and other food and feed ingredients. The Company's segments include Agricultural Services, Corn Processing, Oilseeds Processing, Wild Flavors and Specialty Ingredients, Other and Corporate. Its geographical segments include the United States, Switzerland, Cayman Islands and Germany.

General Mills, Inc. is a manufacturer and marketer of branded consumer foods and pet food products sold through retail stores. The Company is a supplier of branded and unbranded consumer food products to the North American foodservice and commercial baking industries. It also provides pet food products through its subsidiary Blue Buffalo Pet Products Inc. The Company has four segments: U.S. Retail, International, Pet operating, and Convenience Stores and Foodservice. The Company offers a range of food products with a focus on categories, including ready-to-eat cereal; convenient meals, including meal kits, ethnic meals, pizza, soup, side dish mixes, frozen breakfast and frozen entrees; snacks, including grain, fruit and savory snacks, nutrition bars and frozen hot snacks; yogurt, and super-premium ice cream.

The Kraft Heinz Company (Kraft Heinz) is a food and beverage company. The Company is engaged in the manufacturing and marketing of food and beverage products, including condiments and sauces, cheese and dairy, meals, meats, refreshment beverages, coffee and other grocery products. The Company's segments include the United States, Canada and Europe. The Company's remaining businesses are combined as Rest of World. The Rest of World consists of Latin America and Asia, Middle East and Africa (AMEA). The Company provides products for various occasions whether at home, in restaurants or on the go.

Mondelez International, Inc. is a snack company. The Company manufactures and markets snack food and beverage products for consumers. The Company operates through four segments: Latin America, Asia, Middle East, and Africa (AMEA), Europe and North America. As of December 31, 2016, its brands spanned five product categories, including Biscuits (including cookies, crackers and salted snacks); Chocolate; Gum and candy; Beverages (including coffee and powdered beverages), and Cheese and grocery. The Company's portfolio includes various snack brands, including Nabisco, Oreo, LU and beVita biscuits; Cadbury, Milka, Cadbury Dairy Milk and Toblerone chocolate; Trident gum; Halls candy, and Tang powdered beverages.

Methodology and results

Firm	EV/Revenues		
	2018	2019	2020
Campbell Soup	2,1	2	2,1
Archer-Daniels-Midland	0,5	0,4	0,4
General Mills	2,4	2,6	2,5
Kraft Heinz Company	3,2	2,7	2,7
Mondelez International	3	3,4	3,3
AVERAGE	2,28	2,28	2,23
MEDIAN	2,7	2,65	2,6

Firm	EV/EBITDA		
	2018	2019	2020
Campbell Soup	10,80	11,00	11,00
Archer-Daniels-Midland	8,40	8,30	8,00
General Mills	11,50	12,50	12,10
Kraft Heinz Company	11,70	10,80	10,70
Mondelez International	15,00	16,60	15,90
AVERAGE	11,65	12,05	11,68
MEDIAN	11,60	11,65	11,40

Firm	P/E		
	2018	2019	2020
Campbell Soup	12,20	14,40	13,90
Archer-Daniels-Midland	11,70	12,10	11,40
General Mills	12,60	14,80	14,10
Kraft Heinz Company	12,20	11,40	11,00
Mondelez International	16,30	19,00	17,60
AVERAGE	13,20	14,34	13,60
MEDIAN	12,40	14,40	13,90

The mean and the median of the tables above do not consider Campbell from the calculation, in order to provide a better summary measure of the pull of peers found.

The analysis has been conducted through forecasted multiples in three different years, 2018-2019-2020, in order to incorporate the expected evolution in the close future of the sector. The industry is not expected to experience significant changes as far as the players are concerned, being the chemicals sector quite robust in terms of barriers to entry. The growth rate of the sector is influenced by the global demand of chemical products (determined by the production rate in sectors related to this materials), by commercial agreements and environmental restrictions.

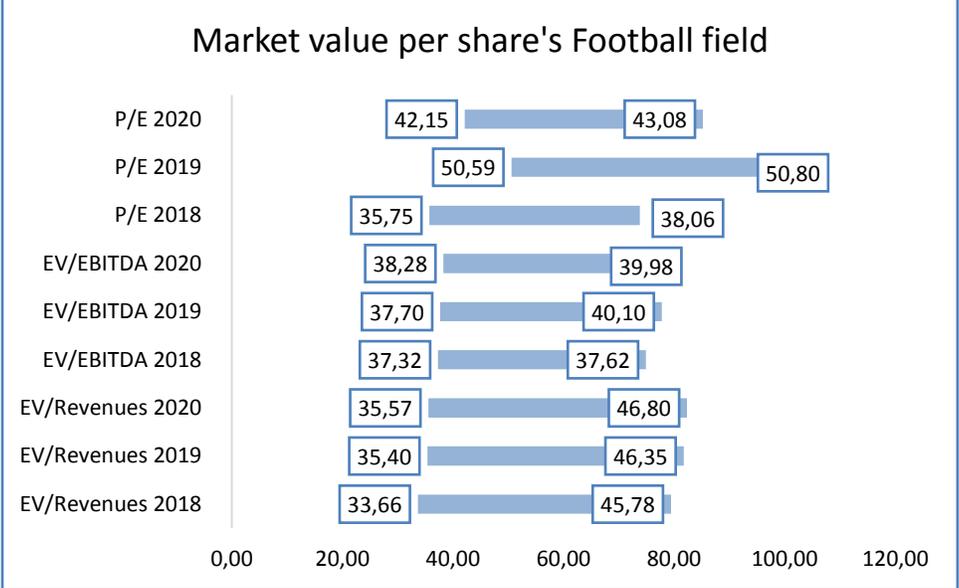
We used both equity side and asset side multiples, in order to have a double check on our results. The equity side multiple considered is PE. PE is one of the most diffused tools in relative valuation. It provides an immediate reflection of the market's expectations on the business' profitability for the shareholders of the company. The asset side multiples we considered are EV/Revenues, EV/EBITDA and EV/EBIT. The first factor highlights the market appreciation of company franchising power. The second ratio and the third one respectively show the market appreciation of different capital and revenues-costs structure.

	2018	2019	2020
EBITDA	1802	1804	1859
EBIT	1408	1419	1454
Revenues	8685	8914	9137
Net Income	868	1062	933
(Net Debt)	9668		
Number of Shares	301,03		

	Market value per share	
	Min	Max
EV/Revenues 2018	33,66	45,78
EV/Revenues 2019	35,40	46,35
EV/Revenues 2020	35,57	46,80
EV/EBITDA 2018	37,32	37,62
EV/EBITDA 2019	37,70	40,10
EV/EBITDA 2020	38,28	39,98

P/E 2018	35,75	38,06
P/E 2019	50,59	50,80
P/E 2020	42,15	43,08

Average market value per share 40,83405



The above described key performance indicators are implemented in the multiple market analysis and lead us to the average market value per share of **40,83405\$**, which can be considered comparable to the outcome of the previous DCF analysis. As the depicted market value per share's football field shows, there is a not significant dispersion around the average share price due to the correct choice of comparable firms and the massive presence of data regarding the peers. Given these considerations, it is possible to provide a possible average share price of 40,84\$ and, as the current share price is 38.01\$, we suggest having a neutral position and holding the considered stock.

Investment Risks

Operational risks

Campbell Soup announced on August 30 2018 that it intends to be a “leading snacks and simple meals company, with a portfolio of best-in class products and brands in our core North American market”. If this does not materialise, then Campbell Soup’s financial results could be negatively affected. The creation of such a portfolio is reliant upon the inclusion of brands concentrated in slower-growing centre-store categories in traditional retail grocery channels. In turn this could be affected by Campbell Soup’s ability to: simultaneously enhance its market share in several snacking and simple meal products, while maintaining its leading market share in others. It must also design and implement effective retail execution plans, marketing programs and secure sufficient shelf space at retailers.

Divestment

Campbell Soup intends to divest within the international biscuits and snacks operating segment and the Campbell Fresh operating segment in order to reduce debt. If Campbell Soup is unable to divest successfully then it is possible that management neglects other business areas; key employees, suppliers and/or customers are lost; divested business units may not be separated and the associated overhead costs may not be reduced.

Indebtedness

Through the acquisition of Snyder’s-Lance and payoff of its associated debt, Campbell Soup has incurred approximately \$6.2billion indebtedness. This increase in leverage has increased the level of risk in Campbell Soup, and in particular may worsen Campbell Soup’s terms for borrowing, should it’s credit ratings be further downgraded. Moreover, Campbell Soup’s ability to invest in potential business opportunities that arise has been reduced and will be more susceptible to economic and financial shocks.

Cost Reduction Initiatives

Campbell Soup is targeting annualized cost savings of \$945 million by the end of 2022. Amongst these savings are \$295 million in synergies and run-rate cost savings resulting from the acquisition of Snyder’s-Lance. These initiatives ultimately rest on the effectiveness of management to efficiently restructure the business.

Integration of Snyder’s-Lance

On top of the aforementioned discussion of the acquisition of Snyder’s-Lance, other anticipated benefits include greater market power and improved revenue opportunities. Risks associated which could hinder the realisation of these benefits include the competitive dynamics in the marketplace, difficulty managing a larger organisation, loss of Snyder’s Lance’s customers and key suppliers, and retention as well as integration of key employees.

Costs of production

Recent steel tariffs have raised manufacturing costs. Also, raw materials used in the manufacture of Campbell Soup’s products are subject to price fluctuations.

Competition

Campbell Soup will be required to reduce prices and/or engage in marketing campaigns if competitors such as General Mills (who are significantly larger than Campbell Soup) increase their market share at the expense of Campbell Soup. There is also the threat of new competitors, due to reduced barriers to entry and easier access to funding.

Retail Grocery decline

Retail grocery (where Campbell Soup’s businesses are largely focussed in), has experienced slower growth than other retail channels such as dollar stores, drug stores, club stores and e-commerce retailers. This is indicative of changing consumer preferences and in order that Campbell Soup can retain its market share it must re-position its business to be able to take advantage of these other retail channels. In 2018, the Campbell Soup’s five largest customers contributed to approximately 38% of net consolidated sales, whilst Wal-Mart Stores, Inc. made up 18% of consolidated net sales. There is no certainty that these customers will continue to purchase the firm’s products.

