

TOOTSIE ROLL INDUSTRIES, INC.

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PRESS RELEASE

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RELEASE

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CHICAGO, ILLINOIS – February 14, 2023 - Ellen R. Gordon, Chairman, Tootsie Roll Industries, Inc. reported fourth quarter and twelve months 2022 net sales and net earnings.

Fourth quarter 2022 net sales were \$188,180,000 compared to \$166,598,000 in fourth quarter 2021, an increase of \$21,582,000 or 13%. Fourth quarter 2022 net earnings were \$25,344,000 compared to \$20,032,000 in fourth quarter 2021, and net earnings per share were \$0.37 and \$0.29 in fourth quarter 2022 and 2021, respectively, an increase of \$0.08 per share or 28%.

Twelve months 2022 net sales were \$681,440,000 compared to \$566,043,000 in twelve months 2021, an increase of 115,397,000 or 20%. Twelve months 2022 net earnings were \$75,937,000 compared to \$65,326,000 in twelve months 2021, and net earnings per share were \$1.10 and \$0.94 in twelve months 2022 and 2021, respectively, an increase of \$0.16 per share or 17%.

Mrs. Gordon said, “The sales growth in fourth quarter and twelve months 2022 was driven by an overall increase in demand and higher sales price realization. Effective sales and marketing programs, including Halloween and other seasonal sales programs, contributed to higher sales volumes in fourth quarter and twelve months 2022. Consumers returned to more activities and lifestyles during 2021 and throughout 2022 that they experienced prior to the Covid-19 pandemic. These activities include planned purchases of the Company’s products for “sharing” and “give-a-way” occasions. Many of the Company’s products are consumed at group events, outings, and other gatherings, including Halloween events, which had been curtailed or in some cases eliminated in response to the Covid-19 pandemic. Twelve months 2022 sales also exceeded twelve months 2019 sales by 30% which provides a sales comparison prior to the pandemic.

Although higher fourth quarter and twelve months 2022 sales, including sales price increases, contributed to improved net earnings compared to the corresponding prior year periods in 2021, significantly higher input costs mitigated much of the benefits of these higher sales. Fourth quarter and twelve months 2022 gross profit margins and net earnings were adversely affected by significantly higher costs for ingredients, packaging materials, freight and delivery, and many manufacturing supplies and services. We also incurred additional costs, including overtime and extended operating shifts for plant manufacturing, to meet this higher demand in 2022.

Our input unit costs moved significantly higher in 2022 compared to 2021 as most of our supply contracts for ingredients, packaging materials and manufacturing supplies and services expired at the end of 2021 and new supply agreements at higher prices became effective in early 2022. In certain instances, we expanded our annual commitments for some ingredients from our suppliers in 2022 to meet higher demand. However, certain markets were very tight and this incremental expansion resulted in even higher unit costs for these additional materials.

Supplier and transportation delays also caused us to purchase some limited quantities of ingredients in the spot market which were at substantially higher unit costs than our contracted prices. Supply chain challenges and limited availability of certain ingredients and materials, as well as generally higher commodity markets, drove up our unit costs for many key ingredients and materials in 2022. The adverse effects of higher energy costs, including higher diesel fuel surcharges, have added to our input costs on both customer and supplier freight and delivery in 2022. These higher energy costs have also increased our costs for utilities to operate our manufacturing plants in 2022. Based on our 2023 supply contracts, we expect even higher unit costs for most ingredients and materials in 2023. The Company uses the Last-In-First-Out (LIFO) method of accounting for inventory and costs of goods sold which results in lower current income taxes during such periods of increasing costs and higher inflation, but this method does charge the most current costs to cost of goods sold and thereby accelerates the realization of these higher costs.

In response to these higher input costs many companies in the consumer products industry have increased selling prices throughout 2021 and 2022. We have followed with price increases as well with the objective of improving sales price realization and restoring some of our margin declines. Price increases were phased in principally beginning in second half 2021 and continued throughout 2022 and into 2023. The improvement in fourth quarter 2022 margins and net earnings reflects the cumulative benefits of this higher price realization. Although our price increases have generally reflected the overall price increases in our industry, they have not as yet resulted in fully restoring our margins to historical levels. The Company believes that we should be able to make more progress in restoring our margins in 2023 when all of our price increases take full effect. However, continuing increases in input costs and overall high inflation may not allow us to fully restore our margins to historical levels prior to the pandemic. Although the Company continues to monitor these higher input costs and price increases in the industry, we are mindful of the effects and limits of passing on all of the above discussed higher input costs to consumers of our products.

Our supply chain was extremely challenging in 2022, as our supplier lead times expanded greatly and some suppliers were unable to meet some promised delivery dates. In some cases, we were unable to secure timely delivery of additional ingredients and packaging materials to meet our higher demand in 2022, and therefore had to limit our customer sales order volumes of some products. We are continuing to focus on the supply chain and possible delays and disruptions, but this area continues to have much less predictability compared to past history. Although the supply chain continues to improve, it is possible that supply chain disruptions could result in the temporary shut-down of one or more manufacturing lines resulting in lost sales and profits in 2023. Labor shortages at some of our manufacturing plant locations also contributed to some production limitations and lost sales in 2022. We believe that these labor shortages will continue to have some adverse impact on the fulfillment of customer orders in 2023 and may limit our growth opportunities for certain products in 2023. Nonetheless, we were able to meet substantially all of our labor needs in 2022, including for our seasonal increases in production. However, the tight labor market has created much more uncertainty than in the past.

Although foreign exchange gains were very comparable in fourth quarter 2022 and 2021, more favorable foreign exchange contributed to improved net earnings in twelve months 2022 compared to 2021. The Company's effective income tax rates were 21.2% and 25.7% in fourth quarter 2022 and 2021, respectively, and 22.7% and 23.8% in twelve months 2022 and 2021, respectively. Earnings per share did benefit from stock purchases in the open market resulting in fewer shares outstanding in fourth quarter and twelve months 2022.

We are focused on the longer term and therefore are continuing to make investments in plant manufacturing operations to meet new consumer and customer product demands, achieve product quality improvements, and increase operational efficiencies in order to provide genuine value to consumers. The effects of the Covid-19 pandemic, including variants and sub-variants, are unprecedented, and therefore the Company is unable to determine the related effects on its sales and net earnings for 2023 and beyond.”

Safe Harbor Statement

This release contains forward-looking statements that are based largely on the Company's current expectations and are made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the use of words such as "anticipated," "believe," "expect," "intend," "estimate," "project," "plan" and other words of similar meaning in connection with a discussion of future operating or financial performance and are subject to certain factors, risks, trends and uncertainties that could cause actual results and achievements to differ materially from those expressed in the forward-looking statements. Such factors, risks, trends and uncertainties, which in some instances are beyond the Company's control, include the overall competitive environment in the Company's industry, supply chain disruptions, labor shortages, union labor contract impasses and stoppages, and changes in assumptions, judgments and risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2021.

The risk factors referred to above, including the effects of the Covid-19 pandemic, are believed to be significant factors, but not necessarily all of the significant factors that could cause actual results to differ from those expressed in any forward-looking statement. Readers are cautioned not to place undue reliance on such forward-looking statements, which are made only as of the date of this report. The Company undertakes no obligation to update such forward-looking statements.

TOOTSIE ROLL INDUSTRIES, INC.
CONSOLIDATED SUMMARY OF SALES & EARNINGS
FOR THE PERIODS ENDED
DECEMBER 31, 2022 and 2021

	Fourth Quarter Ended	
	2022	2021
Net Product Sales	\$188,180,000	\$166,598,000
Net Earnings	\$ 25,344,000	\$ 20,032,000
Net Earnings Per Share*	\$ 0.37	\$ 0.29
Average Shares Outstanding*	68,517,000	69,047,000

	Twelve Months Ended	
	2022	2021
Net Product Sales	\$681,440,000	\$566,043,000
Net Earnings	\$ 75,937,000	\$ 65,326,000
Net Earnings Per Share*	\$ 1.10	\$ 0.94
Average Shares Outstanding*	68,829,000	69,438,000

* Based on average shares outstanding adjusted for 3% stock dividends distributed April 8, 2022 and April 2, 2021.