

## TO OUR SHAREHOLDERS

Our 2022 fiscal year was another year of growth for our company. It was also a year that presented us with challenges unlike any we've seen in quite some time. For the third consecutive year, sales during the fiscal year reached a record level and were up 10.6% over the prior year at \$265,898,000. The Company reported an overall pre-tax profit of \$61,407,000, equal to \$6.77 per share, with the majority of the profit resulting from the sale of the Green St. property in Chicago, IL which closed on June 1, 2022. The profit after taxes was \$45,066,000, equal to \$4.96 per share. While 2022 was a year where we saw excellent sales growth across all areas of our business, we also were forced to deal with high commodity costs, a global supply chain crisis, and inflation rates we haven't seen in decades. Once again, we believe that the many challenges we faced in 2022 led us to adapt and make changes that will only strengthen us as we head into our 2023 fiscal year and beyond.

### SALES AND MARKETING HIGHLIGHTS

Our Chicago Dry Sausage and Meat Snack division continued its rapid growth in 2022. Sales in the division rose 5.4% and the division finished the year with total sales of \$209,644,000, the first time in company history that we have eclipsed the \$200 million mark. High commodity prices at the beginning of the year gave way to much more favorable costs, specifically for inside beef rounds, the main component of our Beef Jerky, towards the end of the fiscal year. This resulted in a sharp increase in our overall gross margin in the Meat Snack division. As was the case a year ago, it remains accurate to say that our relationships with our customers have never been stronger, and we are confident that this will lead to further growth in the years to come. A new area of growth for the division is our convenience store business. Just two years ago, we had virtually no sales in this arena. Sales to convenience stores jumped to \$5.8 million in our 2021 fiscal year, and in 2022, we sold \$8.2 million.


The Bridgford Pro Fishing Team had a breakout year in terms of impressions generated to help build the Bridgford brand name on a national level. Over the past two seasons, we have seen the team's social media impressions for Bridgford surpass the already high numbers of impressions gained from driving wrapped vehicles and from our exposure at tournaments and tournament-related activities. Our team made appearances at retail customers of ours throughout the year, and we drove over 200,000 miles resulting in millions of impressions with our wrapped vehicles, wrapped boats, team gear, and other promotional items. Our social media exposure grew rapidly throughout the year, and we were able to reach over 350,000 subscribers of ours and our anglers over multiple platforms, including Facebook, Twitter, Instagram, YouTube, TikTok and more. This is twice the number of people we reached through social media in 2021. Our collaborations with Won Bass/Fish the Moment and the Bass Fishing Declassified YouTube channels are also assets that help solidify Bridgford Foods as a trusted brand that the outdoor enthusiast can depend on at all times.

In the Frozen Food division, sales soared in 2022 to \$56,254,000, a gain of 35.5% over the prior year. After nearly two years of being hindered by the effects of the COVID-19 pandemic, the division thrived as Americans started traveling and going out to eat again. Sales reached a level that the Frozen Food division has not seen in nearly a decade, and although the significant increase in sales was welcomed by all, it did not come without its challenges. Ingredients and packaging materials were harder to come by throughout the year, and labor was also scarce at times. School business remains strong, and restaurant business appears to be back to pre-COVID levels. While retail sales dipped a bit in 2022, we are happy to report that the gains we achieved during the two fiscal years heavily impacted by COVID-19 (2020 and 2021) have resulted in tremendous, sustained growth in our retail business. Retail sales in our 2022 fiscal year were up roughly 20% compared to our 2019 fiscal year. Consumers tried our products, and they liked them, so they decided to keep buying them.


### OPERATIONS

Commodity prices were volatile in 2022. We experienced lower beef prices in our Meat Snack division, but we also saw an increase in the price of pork trim, the main ingredient for our Pepperoni. Flour prices soared in the second quarter of our fiscal year, mostly as a result of the conflict between Russia and Ukraine as Ukraine is one of the largest producers and exporters of wheat in the world. Their inability to export wheat depressed the global supply, which inevitably led to a sharp increase in wheat prices around the globe. These higher grain costs continued for the remainder of our fiscal year. Overall, our gross margin improved in 2022 compared to 2021. This increase is due to the reduction in the overall cost of commodities and our ability to increase prices across all segments of our business during the year. As we begin our 2023 fiscal year, flour prices appear to be softening a bit. Pork prices seem to have leveled off, and beef prices are lower than their peak in late 2021. However, the forecast for beef prices is bullish, and we anticipate that we will be facing much higher costs in the second half of fiscal year 2023. We are prepared to raise prices and make other adjustments as needed should our input costs increase in the current year.

Respectfully,



Michael W. Bridgford  
Chairman



Baron R.H. Bridgford II  
President



Cindy Matthews-Morales  
Chief Financial Officer

On June 1, 2022, we completed the sale of our Green St. property located in the West Loop district of Chicago. The sale provided an influx of cash to the business that afforded us the ability to pay off most of our debt and strengthen our cash position.

We are proud to report that all five of our processing facilities have maintained SQF (Safe Quality Foods) certification with passing scores higher than 90%, and in many cases we are scoring in the high 90% range. This certification is important to our customers as it is evidence that we follow strict food safety protocols across all divisions of our company which allow us to provide our customers with the highest quality meat snacks and bread products available in the nation.

### FINANCIAL MATTERS

Our working capital totaled \$66,076,000 at October 28, 2022, \$21,438,000 (48.0%) higher than at the beginning of the fiscal year, and our working capital ratio increased to 3.5 to 1 at October 28, 2022, compared to 2.7 to 1 at October 29, 2021. The increase in working capital was mainly due to the closing of the sale of real property located at 170 N. Green Street in Chicago (the "Green Street Property") for net proceeds of \$55,388,000. The revolving line of credit for \$18,000,000 and the bridge loan for \$18,653,000 were paid off using the proceeds from the sale of the Green Street Property. We did not contribute toward our defined benefit pension plan during the 2022 fiscal year. The defined benefit plan was frozen in the 3rd quarter of 2006 and replaced with a 401(k) defined contribution plan.

We maintain a line of credit with Wells Fargo Bank which returned to \$15,000,000 on June 15, 2022, with an unused commitment fee of 0.25% of the available loan amount. The amended line of credit expires March 1, 2023. The Company had nothing outstanding on the line of credit as of October 28, 2022.

Shareholders' equity totaled \$126,325,000, an increase of \$51,347,000 (68.5%) compared to the end of the prior year. Net income from operations before taxes and other income (expense) was \$64,571,000 for the fiscal year ended October 28, 2022.

Our frozen defined benefit pension plan recognized a gain of \$6,910,000 in Shareholders' equity. This gain resulted primarily from an increase in the Citigroup Pension Liability Index from 2.45% in fiscal year 2021 to 2.58% in fiscal year 2022. This rate is used to compute the present value of our defined benefit pension obligations.

We did not repurchase any shares of the Company's common stock during 2022. Approximately 120,000 shares of the Company's common stock remain available for repurchase under the 2 million share repurchase plan previously authorized by the Board of Directors. Shareholders' equity per share was \$13.92 at October 28, 2022 compared to \$8.26 at October 29, 2021.

Management assessed the effectiveness of the Company's internal control over financial reporting for the fiscal year ended October 28, 2022. Management determined that we did not maintain effective internal control over financial reporting as of October 28, 2022 due to a material weakness related to the failure to timely report to accounting a change from a month-to-month lease to a five-year term lease for a warehouse in Chicago. Management has implemented remedial steps to improve our internal control over financial reporting. We believe that the issue has been resolved as of the date of this report. All misstatements were corrected and properly reported as of October 28, 2022.

### SUMMARY

While not without its challenges, 2022 was a welcome reversal from the prior two years in which we faced issues that our organization had never encountered before. Those two years were a great learning experience for all of us, and we believe they made us a much stronger company going in to 2022 and the years that will follow. We have worked tirelessly to once again turn our "problems" into "opportunities", and we believe we have more opportunities for growth ahead of us than ever before. For the second consecutive year, we have improved our operational efficiency, significantly increased our sales, and raised our prices in an effort to strengthen our Company for the benefit of our employees and our shareholders. It is also notable that there are presently ten members of the Bridgford family's 4th generation working in key roles throughout the organization, and they are spread out across the country handling a wide variety of responsibilities across all our divisions, including management, sales, operations, information technology, and accounts receivable. We remain excited for what lies ahead of us, and we are extremely grateful for your continued support of Bridgford Foods.