



**Kellogg Company**  
Financial News Release

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**Kellogg Company Reports Strong 2022 Results and Provides 2023 Financial Guidance**

**BATTLE CREEK, Mich. - February 9, 2023** - Kellogg Company (NYSE: K) today announced fourth quarter and full year 2022 results and provided a financial outlook for 2023.

**Highlights:**

- The Company delivered full-year financial results that exceeded its twice-raised guidance for currency-neutral growth in net sales, operating profit, and earnings per share, in spite of a challenging operating environment that featured high cost inflation and worldwide supply disruptions.
- Strong net sales growth in the quarter and the full year was driven by revenue growth management actions, momentum in snacks and emerging markets, and North America cereal's continued recovery from the prior year's fire and strike.
- Reflecting its current business momentum, the Company issued 2023 financial guidance that calls for another year of strong currency-neutral growth in net sales and adjusted-basis operating profit.
- The Company continues to work towards its previously announced spin-off of its North America cereal business by year end. After exploring strategic options, the Company has decided to retain its plant-based business, which represents 2% of net sales and offers strong long-term growth prospects.

"Reflecting on 2022, I could not be more proud of our organization's focus and determination to work through challenges and deliver on our financial commitments," said Steve Cahillane, Kellogg Company's Chairman and Chief Executive Officer. "Facing significant cost inflation, worldwide bottlenecks and shortages, and a significant inventory rebuild in North America cereal following last year's fire and strike, the team executed with grit and agility to deliver another year of better-than-expected results, while at the same time making progress toward our planned transformation."

Mr. Cahillane added, "We enter 2023 in solid financial condition with strong momentum around the world. And we remain as convinced as ever that the pending separation of our company will create value for all stakeholders."

Guidance and goals expressed in this press release are on a currency-neutral basis, and adjusted to exclude restructuring charges, mark-to-market adjustments of pensions (service cost, interest cost, expected return on plan assets, and other net periodic pension costs are not excluded), certain equity investments and various financial instruments, and other costs impacting comparability. Organic basis also excludes acquisitions, divestitures and differences in shipping days, including the 53rd week. Expected net sales, margins, operating profit, and earnings per share are provided on a non-GAAP basis only because certain information necessary to calculate such measures on a GAAP basis is unavailable, dependent on future events outside of our control and cannot be predicted without unreasonable efforts by the Company. Please refer to the "Non-GAAP Financial Measures" section included later in this press release for a further discussion of our use of non-GAAP measures, including quantification of known expected adjustment items. The company will use the term "low single digit" to refer to percent changes of up to 3%, "mid single-digit" to refer to percent changes between 4% and 6%, "high single-digit" to refer to percent changes between 7% up to 10%, and "double-digit" to refer to percent changes of 10% or more.

Financial Summary:	Quarter ended			Year ended		
	December 31, 2022	January 1, 2022	% Change	December 31, 2022	January 1, 2022	% Change
(millions, except per share data)						
Reported Net Sales	\$ 3,832	\$ 3,421	12.0 %	\$ 15,315	\$ 14,181	8.0 %
Organic Net Sales *	\$ 3,975	\$ 3,421	16.2 %	\$ 15,805	\$ 14,181	11.5 %
Reported Operating Profit	\$ 334	\$ 329	1.7 %	\$ 1,635	\$ 1,752	(6.7)%
Adjusted Operating Profit *	\$ 421	\$ 361	16.4 %	\$ 1,874	\$ 1,805	3.9 %
Currency-Neutral Adjusted Operating Profit *	\$ 434	\$ 361	20.0 %	\$ 1,931	\$ 1,805	7.0 %
Reported Diluted Earnings Per Share	\$ (0.29)	\$ 1.26	(123.0)%	\$ 2.79	\$ 4.33	(35.6)%
Adjusted Diluted Earnings Per Share *	\$ 0.94	\$ 0.83	13.3 %	\$ 4.21	\$ 4.16	1.2 %
Currency-Neutral Adjusted Diluted Earnings Per Share *	\$ 0.97	\$ 0.83	16.9 %	\$ 4.38	\$ 4.16	5.3 %

\* Non-GAAP financial measure. See "Non-GAAP Financial Measures" section and "Reconciliation of Non-GAAP Amounts" tables within this release for important information regarding these measures.

#### Fourth Quarter & Full Year 2022 Consolidated Results

Kellogg's fourth quarter 2022 GAAP (or "reported") **net sales** increased by 12% year on year as positive price/mix in all four regions, sustained momentum in snacks and emerging markets, and lapping the year-ago fire and strike in North America cereal offset the impacts of price elasticity and adverse foreign currency translation. On an organic basis, which excludes the impact of currency, net sales increased by 16% year on year.

Full year 2022 reported net sales increased by 8% year on year, driven by double-digit price/mix in all four regions that more than offset a modest decline in volume and adverse foreign currency translation. On an organic basis, net sales increased by nearly 12%.

Fourth quarter 2022 reported **operating profit** increased by 2% versus the prior-year quarter, driven by the strong, pricing-led net sales growth, partially offset by unfavorable mark-to-market impacts, up-front charges related to the Company's pending separation, and adverse foreign currency translation. On an adjusted basis, which excludes mark-to-market and up-front charges, operating profit increased by 16%, and by 20% excluding currency.

Full year 2022 reported operating profit decreased by 7% year on year, due to unfavorable mark-to-market impacts, up-front charges related to the Company's pending separation, and adverse currency translation. On an adjusted basis, operating profit increased by 4%, and by 7% excluding currency, despite worldwide supply disruptions and input cost inflation that persisted throughout the year.

Fourth quarter 2022 reported **earnings per share** declined by 123%, due to adverse mark-to-market impacts and up-front charges related to the Company's pending separation. On an adjusted basis, earnings per share increased 13%, and by 17% excluding currency.

Full year 2022 reported earnings per share decreased 36% from the prior year due primarily to the unfavorable mark-to-market impacts and up-front charges related to the Company's pending separation. On an adjusted basis, earnings per share increased 1%, and by 5% excluding currency.

Full year net cash provided by operating activities was \$1,651 million. After capital expenditures of \$488 million, **cash flow**, defined as net cash provided by operating activities less capital expenditure, was \$1,163 million. This result was in line with Company guidance.

#### **Fourth Quarter and Full Year 2022 Business Performance**

*Please refer to the segment tables in the back of this document.*

Despite persistent high cost inflation as well as worldwide supply disruptions throughout the year, Kellogg Company continued to execute against its Deploy for Growth strategy, and delivered on its twice-raised guidance for the full year. Driven by sustained momentum in emerging markets and in snacks globally, as well as price/mix growth resulting from revenue growth management actions intended to cover high cost inflation, the company sustained broad-based net sales growth that exceeded expectations throughout the year. This performance produced better-than-expected operating profit and earnings per share growth. Meanwhile, the organization continued to work toward executing the planned separation of its North America cereal business.

**Kellogg North America's** reported net sales in the fourth quarter increased by 14%, driven by double-digit price/mix growth and momentum in snacks, as well as recovery from the impact of the prior year's fire and strike in the Company's North America cereal business. On an organic basis, net sales improved by 15%. Kellogg North America's reported operating profit increased by 21%, driven by the higher net sales and lapping year-earlier incremental costs related to the fire and strike, partially offset by high cost inflation and up-front charges related to the Company's pending separation. On an adjusted and currency-neutral adjusted basis, Kellogg North America's operating profit increased 32%.

For the full year, Kellogg North America's reported net sales increased by 10% due to revenue growth management actions, sustained momentum in snacks, and recovering cereal sales. On an organic basis, net sales increased 10%. Kellogg North America's reported operating profit increased by 2% as higher net sales were offset by high cost inflation and up-front charges related to the Company's pending separation. On an adjusted and currency-neutral adjusted basis, operating profit increased by 6%.

**Kellogg Europe's** reported net sales in the fourth quarter decreased by 1%, due to adverse foreign currency translation, largely offset by positive price/mix growth and momentum in snacks. On an organic basis, net sales increased by 8%. Kellogg Europe's reported operating profit decreased by 31%, reflecting high cost inflation, adverse foreign currency translation, and increased brand investment. On an adjusted basis, operating profit declined 34%, and excluding currency, it decreased by 27%.

For the full year, Kellogg Europe's reported net sales decreased by 4%, reflecting significant adverse foreign currency translation that more than offset price/mix growth and momentum in snacks. On an organic basis, net sales increased 7%. Kellogg Europe's full year reported operating profit declined 6%, due to significant adverse foreign currency translation and high cost inflation. On an adjusted basis, operating profit decreased by 6%, but increased by 3% on a currency-neutral basis.

**Kellogg Latin America's** reported net sales in the fourth quarter increased by 22% due to strong price/mix growth and favorable foreign currency translation, with growth in snacks and cereal. On an organic basis, net sales grew by 19%. Kellogg Latin America's reported operating profit increased by 89% in the fourth quarter, driven by the net sales growth. On an adjusted basis, operating profit increased 96%, and excluding currency, it increased 92%.

For the full year, Kellogg Latin America's reported net sales increased by 13%, driven by strong price/mix growth and modestly favorable foreign currency translation, with growth in snacks and cereal. On an organic basis, net sales increased by 12%. Kellogg Latin America's full year reported operating profit increased 13% as the net sales growth and favorable foreign currency translation more than offset the impact of high cost inflation. On an adjusted basis, operating profit increased by 12%, while on a currency-neutral adjusted basis, operating profit increased 13%.

**Kellogg Asia Pacific, Middle East and Africa's ("AMEA")** reported net sales in the fourth quarter increased by 13%, due to strong price/mix growth that more than offset significantly adverse foreign currency translation. On an organic basis, net sales increased by 27%. Kellogg AMEA's reported operating profit increased by 1% in the fourth quarter, as strong net sales growth more than offset high cost inflation and adverse foreign currency translation. On an adjusted and currency-neutral basis, operating profit increased 1% and 15%, respectively.

For the full year, Kellogg AMEA's reported net sales increased by 12% due to strong price/mix growth, partially offset by adverse foreign currency translation. On an organic basis, net sales increased by 21%. Kellogg AMEA's reported operating profit increased 3% behind the Region's strong net sales growth, more than offsetting high cost inflation and adverse foreign currency translation. On an adjusted basis, operating profit increased 3% and on a currency-neutral adjusted basis, operating profit increased 11%.

### 2023 Full-Year Financial Guidance

The Company issued its initial financial guidance for 2023. The Company is projecting:

- Organic **net sales** growth of 5-7%, driven by price/mix growth and led by sustained momentum in snacks and emerging markets.
- Adjusted **operating profit** growth of 7-9% on a currency-neutral basis as margins stabilize amidst persistent cost inflation.
- Adjusted **earnings per share** decline of (2)-(4)% on a currency-neutral basis which includes a an approximate (7)% impact from the remeasurement of pension/post-retirement plans, reflecting last year's sharp decline in financial markets, and it also is impacted by a significant increase in interest expense due to higher interest rates.
- Net cash provided by operating activities of approximately \$1.7-1.8 billion, with capital expenditure of about \$0.7 billion including capital expenditure related to the pending separation. As a result, **cash flow** is expected to be \$1.0-1.1 billion. This is below 2022 levels due solely to approximately \$0.3 billion of up-front charges and capital expenditure related to the Company's pending separation, without which cash flow would be higher year on year.

For simplicity reasons, this guidance assumes that the North America cereal business will remain in Kellogg Company for the full year, even though the plan is to spin it off before year end.

Forward-looking guidance for organic net sales, currency-neutral adjusted operating profit, currency-neutral diluted EPS, and cash flow is included in this press release. Guidance for organic net sales excludes the impact of foreign currency translation, acquisitions, divestitures, and differences in shipping days, including 53rd

week. Guidance for operating profit excludes the impact of costs related to restructuring programs, mark-to-market adjustments (service cost, interest cost, expected return on plan assets, and other net periodic pension costs are not excluded), and other items that could affect comparability, and foreign currency translation. Guidance for earnings per share excludes the impact of costs related to restructuring programs, mark-to-market adjustments (service cost, interest cost, expected return on plan assets, and other net periodic pension costs are not excluded), gains or losses on divestitures, and other items that could affect comparability, and foreign currency translation. We have provided these non-GAAP measures for future guidance for the same reasons that were outlined above for historical non-GAAP measures.

We are unable to reasonably estimate the potential full-year financial impact of mark-to-market adjustments because these impacts are dependent on future changes in market conditions (interest rates, return on assets, and commodity prices). Similarly, because of volatility in foreign exchange rates and shifts in country mix of our international earnings, we are unable to reasonably estimate the potential full-year financial impact of foreign currency translation.

As a result, these impacts are not included in the guidance provided. Therefore, we are unable to provide a full reconciliation of these non-GAAP measures used in our guidance without unreasonable effort as certain information necessary to calculate such measure on a GAAP basis is unavailable, dependent on future events outside of our control and cannot be predicted without unreasonable efforts by the Company.

See the table below that outlines the projected impact of certain other items that are excluded from non-GAAP guidance for 2023:

<b>Impact of certain items excluded from Non-GAAP guidance:</b>	<b>Net Sales</b>	<b>Operating Profit</b>	<b>Earnings Per Share</b>
Business and portfolio realignment (pre-tax)		\$25-\$30M	\$0.07 - \$0.09
Separation costs (pre-tax)		\$230M	\$0.67
Income tax impact applicable to adjustments, net**			\$0.24 - \$0.25
<b>Currency-neutral adjusted guidance *</b>		<b>~7-9%</b>	<b>~(4)-(2)%</b>
<b>Organic guidance *</b>	<b>~ 5-7%</b>		

\* 2023 full year guidance for net sales, operating profit, and earnings per share are provided on a non-GAAP basis only because certain information necessary to calculate such measures on a GAAP basis is unavailable, dependent on future events outside of our control and cannot be predicted without unreasonable efforts by the Company. These items for 2023 include impacts of mark-to-market adjustments for pension plans (service cost, interest cost, expected return on plan assets, and other net periodic pension costs are not excluded), commodity contracts, certain equity investments, and certain foreign currency contracts. The Company is providing quantification of known adjustment items where available.

\*\* Represents the estimated income tax effect on the reconciling items, using weighted-average statutory tax rates, depending upon the applicable jurisdiction.

### **Reconciliation of Non-GAAP amounts - Cash Flow Guidance**

(billions)

	<b>Full Year 2023</b>
Net cash provided by (used in) operating activities	<b>\$1.7 - \$1.8</b>
Additions to properties	<b>~ (\$0.7)</b>
Cash Flow	<b>\$1.0 - \$1.1</b>

## Conference Call / Webcast

Kellogg will host a conference call to discuss results and outlook on Thursday, February 9, 2023 at 9:30 a.m. Eastern Time. The conference call and accompanying presentation slides will be webcast live over the Internet at <http://investor.kelloggs.com>. Information regarding the rebroadcast is available at <http://investor.kelloggs.com>.

## About Kellogg Company

At Kellogg Company (NYSE: K), our vision is a good and just world where people are not just fed but fulfilled. We are creating better days and a place at the table for everyone through our trusted food brands. Our beloved brands include *Pringles*®, *Cheez-It*®, *Special K*®, *Kellogg's Frosted Flakes*®, *Pop-Tarts*®, *Kellogg's Corn Flakes*®, *Rice Krispies*®, *Eggo*®, *Mini-Wheats*®, *Kashi*®, *RXBAR*®, *MorningStar Farms*® and more. Net sales in 2022 were over \$15.3 billion, comprised principally of snacks as well as convenience foods like cereal, frozen foods, and noodles. As part of our *Kellogg's™ Better Days Promise* ESG strategy, we're addressing the interconnected issues of wellbeing, climate and food security, creating Better Days for 3 billion people by the end of 2030. Visit [www.KelloggCompany.com](http://www.KelloggCompany.com).