

TOOTSIE ROLL INDUSTRIES INC

Form 10-Q

May 11, 2011

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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 **APRIL 2, 2011**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

COMMISSION FILE NUMBER 1-1361

Tootsie Roll Industries, Inc.

(Exact Name of Registrant as Specified in its Charter)

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VIRGINIA
(State of Incorporation)

22-1318955
(I.R.S. Employer Identification No.)

7401 South Cicero Avenue, Chicago, Illinois
(Address of Principal Executive Offices)

60629
(Zip Code)

773-838-3400

(Registrant's Telephone Number, Including Area Code)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 "accelerated filer," "large 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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date (April 2, 2011).

Class	Outstanding
Common Stock, \$.69 4/9 par value	37,086,924
Class B Common Stock, \$.69 4/9 par value	21,050,936

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TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES

APRIL 2, 2011

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This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. See Forward-Looking Statements under Part I Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations of this Quarterly Report on Form 10-Q.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of dollars) (UNAUDITED)

	April 2, 2011	December 31, 2010	April 3, 2010
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash & cash equivalents	\$ 84,908	\$ 115,976	\$ 76,444
Investments	9,555	7,996	8,608
Trade accounts receivable, less allowances of \$1,824, \$1,531 & \$2,192	35,758	37,394	32,661
Other receivables	6,581	9,961	11,801
Inventories, at cost			
Finished goods & work in process	47,236	36,935	46,559
Raw material & supplies	25,868	22,141	33,981
Prepaid expenses	5,585	6,499	7,499
Deferred income taxes	711	689	1,367
Total current assets	216,202	237,591	218,920
<u>PROPERTY, PLANT & EQUIPMENT, at cost</u>			
Land	21,647	21,619	21,562
Buildings	102,981	102,934	102,379
Machinery & equipment	307,291	307,178	297,517
Construction in progress	12,607	9,243	10,085
	444,526	440,974	431,543
Less-accumulated depreciation	230,125	225,482	211,847
Net property, plant and equipment	214,401	215,492	219,696
<u>OTHER ASSETS</u>			
Goodwill	73,237	73,237	73,237
Trademarks	175,024	175,024	175,024
Investments	84,239	64,461	62,020
Split dollar life insurance	74,441	74,441	74,642
Prepaid expenses	5,902	6,680	7,319
Investment in joint venture	4,530	4,254	4,448
Deferred income taxes	9,498	9,203	11,580
Total other assets	426,871	407,300	408,270
Total assets	\$ 857,474	\$ 860,383	\$ 846,886

(The accompanying notes are an integral part of these statements.)

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(in thousands except per share data) (UNAUDITED)

	April 2, 2011	December 31, 2010	April 3, 2010
<u>LIABILITIES AND SHAREHOLDERS EQUITY</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable	\$ 13,426	\$ 9,791	\$ 13,810
Dividends payable	122	4,529	123
Accrued liabilities	41,059	44,185	45,604
Income taxes payable	1,428		2,010
Total current liabilities	56,035	58,505	61,547
<u>NONCURRENT LIABILITIES</u>			
Deferred income taxes	46,984	48,743	42,825
Postretirement health care and life insurance benefits	21,219	20,689	17,074
Industrial development bonds	7,500	7,500	7,500
Liability for uncertain tax positions	9,966	9,835	18,736
Deferred compensation and other liabilities	48,131	46,157	41,194
Total noncurrent liabilities	133,800	132,924	127,329
<u>SHAREHOLDERS EQUITY</u>			
Common Stock, \$.69-4/9 par value-120,000 shares authorized; 37,087, 36,057 & 36,858, respectively, issued	25,755	25,040	25,596
Class B Common Stock, \$.69-4/9 par value-40,000 shares authorized; 21,051, 20,466 & 20,504, respectively, issued	14,619	14,212	14,239
Capital in excess of par value	549,264	505,495	527,081
Retained earnings	93,725	137,412	106,529
Accumulated other comprehensive loss	(13,732)	(11,213)	(13,443)
Treasury stock (at cost)-71, 69 & 69 shares, respectively	(1,992)	(1,992)	(1,992)
Total shareholders equity	667,639	668,954	658,010
Total liabilities and shareholders equity	\$ 857,474	\$ 860,383	\$ 846,886

(The accompanying notes are an integral part of these statements.)

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TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF

EARNINGS, COMPREHENSIVE EARNINGS AND RETAINED EARNINGS

(in thousands except per share amounts) (UNAUDITED)

	Quarter Ended	
	April 2, 2011	& April 3, 2010
Net product sales	\$ 108,323	\$ 103,244
Rental and royalty revenue	1,072	1,129
Total revenue	109,395	104,373
Product cost of goods sold	74,041	68,123
Rental and royalty cost	270	295
Total costs	74,311	68,418
Product gross margin	34,282	35,121
Rental and royalty gross margin	802	834
Total gross margin	35,084	35,955
Selling, marketing and administrative expenses	25,964	25,326
Earnings from operations	9,120	10,629
Other income, net	2,992	3,416
Earnings before income taxes	12,112	14,045
Provision for income taxes	4,112	4,841
Net earnings	8,000	9,204
Other comprehensive income, before tax:		
Foreign currency translation adjustments	1,002	757
Unrealized gains (losses) on securities	(189)	239
Unrealized losses on derivatives	(5,253)	(3,282)
Other comprehensive loss before tax	(4,440)	(2,286)
Income tax benefit related to items of other comprehensive loss	1,921	1,241
Other comprehensive loss, net of tax	(2,519)	(1,045)
Comprehensive earnings	\$ 5,481	\$ 8,159
Retained earnings at beginning of period	\$ 137,412	\$ 148,582
Net earnings	8,000	9,204

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Cash dividends		(4,512)		(4,452)
Stock dividends 3%		(47,175)		(46,805)
Retained earnings at end of period	\$	93,725	\$	106,529
Net earnings per share	\$	0.14	\$	0.16
Dividends per share	\$	0.08	\$	0.08
Average number of shares outstanding		58,093		59,000

(The accompanying notes are an integral part of these statements.)

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