Cal-Maine Foods Reports Second Quarter Fiscal 2022 Results

December 28, 2021

RIDGELAND, Miss.--(BUSINESS WIRE)--Dec. 28, 2021-- Cal-Maine Foods, Inc. (NASDAQ: CALM) today reported results for the second quarter of fiscal 2022 (thirteen weeks) and 26-week period ended November 27, 2021.

Net sales in the second quarter of fiscal 2022 increased 12.5 percent to $390.9 million compared to $347.3 million in the second quarter of fiscal 2021. The Company reported net income of $1.2 million, or $0.02 per basic and diluted common share, for the second quarter of fiscal 2022, compared to net income of $12.2 million, or $0.25 per basic and diluted common share, for the second quarter of fiscal 2021.

For the twenty-six weeks ended November 27, 2021, net sales were $722.6 million compared to $640.1 million for the prior-year period. The Company reported a net loss of $16.9 million, or $0.34 per basic and diluted common share, for the twenty-six weeks ended November 27, 2021, compared with a net loss of $7.2 million, or $0.15 per basic and diluted common share, for the prior-year period.

Dolph Baker, chairman and chief executive officer of Cal-Maine Foods, Inc., stated, “We were pleased to report higher sales for the second quarter of fiscal 2022 compared with the prior year, driven by improved shell egg pricing. For the second quarter of fiscal 2022, the net average selling price for all eggs increased 11.9 percent to $1.373 per dozen compared with $1.227 per dozen in the prior-year period. Our sales volumes also improved compared to the previous record sales volumes in the second quarter of fiscal 2021. We are pleased that our operating results helped drive a return to modest profitability in the second quarter despite the impacts of higher costs for feed ingredients, processing, packaging, transportation and labor.

“In the second quarter of fiscal 2022, our total dozens sold increased to 276.1 million versus 273.7 million in the prior-year period. Food service demand has continued to improve steadily, resulting in better overall egg supply and demand balance as restaurant traffic increased. In addition, a stronger export market supported demand for shell eggs and egg products.

“The table egg layer hen inventory reported by the USDA as of December 1, 2021, was 327.8 million, an increase versus the prior year and trending below the five-year-average. The USDA also reported that the egg-type chick hatch from July 2021 through November 2021 decreased 2.0 percent compared to the prior-year period. As of December 1, 2021, eggs in incubators totaled 48.4 million, down 9.1 percent year over year.

"For the second quarter of fiscal 2022, specialty egg sales totaled $155.9 million, accounting for 41.1 percent of total shell egg revenue, compared with $134.1 million, or 39.7 percent, for the prior-year quarter. Specialty egg dozens sold were 30.3 percent of total dozens sold in the second quarter of fiscal 2022 compared with 26.4 percent in the second quarter of fiscal 2021. Higher specialty egg revenue reflects a 15.7 percent increase in specialty dozens sold in the second quarter of fiscal 2022 compared to the prior-year period, while specialty egg prices were relatively flat, up 0.4 percent versus the second quarter of fiscal 2021. We continue to focus on offering a favorable product mix that meets the needs of our customers, including conventional, cage-free, organic and other specialty eggs and egg products. Consumer preference for specialty eggs, including cage-free eggs, continues to expand. Cage-free egg sales comprised 24.0 percent of total sales in second quarter fiscal 2022 and 23.8 percent of total sales fiscal year-to-date.

“We are focusing on opportunities to enhance our product portfolio. During the second quarter of fiscal 2022, we announced a strategic investment in a new business, MeadowCreek Foods, an egg products operation located in Neosho, Missouri, with an initial focus on offering hard-cooked eggs. Cal-Maine Foods will serve as the preferred provider to supply specialty and conventional eggs that MeadowCreek needs to manufacture egg products. This is an exciting opportunity to expand our presence in the egg products sector. We believe we have the right team in place to execute this strategy and look forward to extending our market reach to provide egg products for institutional, food service and retail needs. Our focus on hard-cooked offerings allows us to harness more value from medium grade eggs typically produced in the pre-peak phase of lay and augment our expansion into this nutritious and portable protein category.

“We have also worked hard to identify further growth opportunities in line with expanding consumer demand and state requirements for cage-free eggs. In October, we announced that our Board of Directors approved a $23.0 million capital project to expand the Company’s cage-free egg production at our Okeechobee, Florida, facility, which will add capacity for approximately 400,000 cage-free hens and 210,000 pullets. This most recent expansion project in Florida supports our strategy to position Cal-Maine Foods as an industry leader in meeting the growing demand for specialty egg offerings, including cage-free eggs.

“We are also pleased to announce that effective December 5, 2021, we made an additional investment in Southwest Specialty

Eggs, LLC, to acquire warehouse and distribution capability to expand Southwest Specialty Egg's total customer base in the southern California, Arizona and Nevada markets. Given the cage-free egg requirement in California will take effect on January 1, 2022, we believe this investment will be immediately accretive given our enhanced ability to better utilize our cage-free egg offerings and support the sales and distribution of other specialty eggs into these important retail markets.

"For second quarter fiscal year 2022, we reported an operating loss of $2.1 million compared with operating income of $14.5 million for the prior-year period. Our results reflect the current inflationary environment with higher costs for feed, labor, packaging and delivery. Farm production costs per dozen for the second quarter of fiscal 2022 were up 21.6 percent compared to the second quarter of fiscal 2021, an increase primarily tied to higher feed costs per dozen produced, which were up 29.0 percent compared with the prior-year period. For the second quarter of fiscal 2022, the average Chicago Board of Trade ("CBOT") daily market price was $5.43 per bushel for corn and $338 per ton for soybean meal, representing an increase of 38.4 percent and decrease of 5.9 percent, respectively, compared to the average daily CBOT prices for the second quarter of fiscal 2021. Corn and soybean supplies remained tight relative to demand, primarily related to higher export demand, as well as weather-related shortfalls in production and yields. We expect market prices for our primary feed ingredients to remain volatile this fiscal year, given the ongoing disruptions related to the COVID-19 global pandemic, weather fluctuations, geopolitical issues and overall reduced carryout levels for primary feed ingredients.

"In spite of current and expected inflationary headwinds, we remain focused on what we can control by managing our costs and running efficient operations. We are extremely proud of our teams across our operations who have demonstrated resilience throughout the challenges of the COVID-19 global pandemic and have continued to meet the needs of our customers. Due to their efforts, our operations have run very well with strong key performance metrics. While we continue to face a challenging environment, our mission is still the same – to be the most efficient and sustainable producer of fresh shell eggs and egg products. We are mindful of our essential role to support the nation's food supply with nutritious and affordable protein. We are confident we have the right strategy in place to meet this objective, with a proven operating model that will drive long-term growth. Importantly, we have sufficient capital to fund internal expansion projects and consider potential acquisitions to support our strategy. Above all, we will strive to meet the demands of our valued customers and deliver greater value to our shareholders," added Baker.

Pursuant to Cal-Maine Foods' variable dividend policy, for each quarter in which the Company reports net income, the Company pays a cash dividend to shareholders in an amount equal to one-third of such quarterly income. Following a quarter for which the Company does not report net income, the Company will not pay a dividend with respect to that quarter or for a subsequent profitable quarter until the Company is profitable on a cumulative basis computed from the date of the most recent quarter for which a dividend was paid. Therefore, the Company will not pay a dividend with respect to the second quarter of fiscal 2022. As of November 27, 2021, the total cumulative loss to be recovered before payment of a dividend was $21.1 million.

Select operating statistics for the second quarter of fiscal 2022 compared with the prior-year period are shown below:

	13 Weeks Ended		26 Weeks Ended	
	November 27, 2021	November 28, 2020	November 27, 2021	November 28, 2020
Dozen Eggs Sold (000)	276,108	273,651	535,493	537,645
Dozen Eggs Produced (000)	256,786	251,914	493,244	483,075
% Specialty Sales (dozen)	30.3%	26.4%	29.6%	26.2%
% Specialty Sales (dollars)	41.1%	39.7%	42.0%	42.2%
Net Average Selling Price (per dozen)	$ 1.373	$ 1.227	$ 1.308	$ 1.154
Net Average Selling Price Specialty Eggs (per dozen)	$ 1.862	$ 1.854	$ 1.857	$ 1.866
Feed Cost (per dozen)	$ 0.529	$ 0.410	$ 0.537	$ 0.399

Cal-Maine Foods, Inc. is primarily engaged in the production, grading, packing, marketing and distribution of fresh shell eggs, including conventional, cage-free, organic, free-range, pasture-raised and nutritionally enhanced eggs. The Company, which is headquartered in Ridgeland, Mississippi, is the largest producer and distributor of fresh shell eggs in the United States and sells the majority of its shell eggs in states across the southwestern, southeastern, mid-western and mid-Atlantic regions of the United States.

Statements contained in this press release that are not historical facts are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. The forward-looking statements are based on management's current intent, belief, expectations, estimates and projections regarding our company and our industry. These statements are not guarantees of future performance and involve risks, uncertainties, assumptions and other factors that are difficult to predict and may be beyond our control. The factors that could cause actual results to differ materially from those projected in the forward-looking statements include, among others, (i) the risk factors set forth in the Company's SEC filings (including its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K), (ii) the risks and hazards inherent in the shell egg business (including disease, pests, weather conditions and potential for recall), (iii) changes in the demand for and market prices of shell eggs and feed costs, (iv) our ability to predict and meet demand for cage-free and other specialty eggs, (v) risks, changes or obligations that could result from our future acquisition of new flocks or businesses and risks or changes that may cause conditions to completing a pending acquisition not to be met, (vi) risks relating to the evolving COVID-19 pandemic, including

without limitation increased costs and growing inflationary rates and (vii) adverse results in pending litigation matters. SEC filings may be obtained from the SEC or the Company's website , www.calmainefoods.com. Readers are cautioned not to place undue reliance on forward-looking statements because, while we believe the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance that these forward-looking statements will prove to be accurate. Further, the forward-looking statements included herein are only made as of the respective dates thereof, or if no date is stated, as of the date hereof. Except as otherwise required by law, we disclaim any intent or obligation to publicly update these forward-looking statements, whether as a result of new information, future events or otherwise.

CAL-MAINE FOODS, INC. AND SUBSIDIARIES
FINANCIAL HIGHLIGHTS
(Unaudited)
(In thousands, except per share amounts)

SUMMARY STATEMENTS OF OPERATIONS

	13 Weeks Ended		26 Weeks Ended	
	November 27, 2021	November 28, 2020	November 27, 2021	November 28, 2020
Net sales	$ 390,903	$ 347,328	$ 722,607	$ 640,110
Cost of sales	347,156	288,877	672,215	564,894
Gross profit	43,747	58,451	50,392	75,216
Selling, general and administrative	47,780	43,873	94,305	87,838
(Gain) loss on disposal of fixed assets	(1,968)	99	(2,181)	122
Operating income (loss)	(2,065)	14,479	(41,732)	(12,744)
Other income, net	2,533	1,438	8,336	3,136
Income (loss) before income taxes	468	15,917	(33,396)	(9,608)
Income tax (expense) benefit	(677)	3,762	(16,515)	(2,364)
Net loss (loss)	1,145	12,155	(16,881)	(7,244)
Less: Loss attributable to noncontrolling interest	(28)	—	(28)	—
Net income (loss) attributable to Cal-Maine Foods, Inc.	$ 1,173	$ 12,155	$ (16,853)	$ (7,244)
Net income (loss) per common share:				
Basic	$ 0.02	$ 0.25	$ (0.34)	$ (0.15)
Diluted	$ 0.02	$ 0.25	$ (0.34)	$ (0.15)
Weighted average shares outstanding:				
Basic	48,857	48,501	48,859	48,501
Diluted	49,016	48,645	48,859	48,501

CAL-MAINE FOODS, INC. AND SUBSIDIARIES
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(Unaudited)
(In thousands)

SUMMARY BALANCE SHEETS

	November 28, 2021	May 29, 2021
ASSETS		
Cash and short-term investments	$ 85,156	$ 169,510
Receivables, net	152,958	126,639
Inventories	236,201	218,375
Prepaid expenses and other current assets	6,814	5,407
Current assets	481,129	519,931
Property, plant and equipment, net	667,250	589,417
Other noncurrent assets	83,615	119,826

Total assets	$ 1,231,994	$ 1,229,174
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	$ 115,619	$ 89,191
Current portion of lease obligations	769	906
Current liabilities	116,388	90,097
Lease obligations, less current maturities	1,124	1,472
Deferred income taxes and other liabilities	117,059	124,824
Stockholders' equity	997,423	1,012,781
Total liabilities and stockholders' equity	$ 1,231,994	$ 1,229,174

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