Cal-Maine Foods Reports Third Quarter Fiscal 2022 Results

March 29, 2022

RIDGELAND, Miss.--(BUSINESS WIRE)--Mar. 29, 2022-- Cal-Maine Foods, Inc. (NASDAQ: CALM) today reported results for the third quarter of fiscal 2022 (thirteen weeks) and 39-week period ended February 26, 2022.

Net sales in the third quarter of fiscal 2022 increased 33.0 percent to $477.5 million compared to $359.1 million in the third quarter of fiscal 2021. The Company reported net income of $39.5 million, or $0.81 per basic and diluted common share, for the third quarter of fiscal 2022, compared to net income of $13.5 million, or $0.28 per basic and diluted common share, for the third quarter of fiscal 2021.

For the thirty-nine weeks ended February 26, 2022, net sales were $1,184.2 million compared to $999.2 million in the prior-year period. The Company reported net income of $22.7 million, or $0.46 per basic and diluted common share, for the thirty-nine weeks ended February 26, 2022, compared with net income of $6.3 million, or $0.13 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 are pleased to report a strong performance for the third quarter of fiscal 2022. Net sales of $477.5 million represented a third-quarter revenue record, driven by improved shell egg pricing. The net average selling price for all eggs increased 29.4 percent to $1.612 per dozen compared with $1.246 per dozen in the prior-year period. Cal-Maine Foods also delivered growth in shell egg volumes. Total dozens sold in the third-quarter increased 2.8 percent versus the prior-year quarter, led by an approximate 1.4 percent improvement within the retail sales channel that outpaced the industry, which experienced shell egg volume declines of 6.4 percent.[1]

“Our fiscal third quarter gross margin of 19.2 percent improved approximately 600 basis points compared to the prior-year quarter. This increase reflects overall improved market conditions, strong growth in our specialty egg sales, our continued focus on expense management and our ability to leverage our owned production capabilities.

“In the third quarter of fiscal 2022, our total dozens sold increased to 287.7 million versus 279.7 million in the prior-year quarter, reflecting an increase in specialty egg dozens sold, partially offset by a decrease in conventional egg dozens sold. In the third quarter, industry retail demand for shell eggs decreased slightly as compared to the strong demand of the “stay-at-home” COVID-19 period. However, with improving demand for food service breaking stock, overall demand is returning to a more consistent, historical pattern. Year-to-date, our total dozens sold decreased modestly to 811.8 million, or 0.7 percent, driven by a 5.2 percent decrease in conventional volumes, partially offset by an 11.7 percent increase in specialty egg volumes. Our year-to-date shell egg sales volumes within the retail sales channel were down 2.5 percent as compared with a 7.6 percent volume decline in the retail shell egg market for the comparable period.[2] We attribute our ability to support our sales volumes, in part, to continued investment in our specialty egg business, including cage-free capabilities, and strategic expansion of our distribution network through our recent additional investment in Southwest Specialty Eggs in the southern California, Arizona and Nevada markets.

“The table egg layer hen inventory reported by the USDA as of March 1, 2022, was 322.7 million, a decrease of 1.6 percent versus the prior year and trending below the five-year average. The USDA also reported that the egg-type chick hatch from October, 2021 through February, 2022 decreased 5.5 percent compared to the prior years’ comparable periods. As of March 1, 2022, table-type eggs in incubators totaled 55.4 million, a decrease of 7.6 percent year over year.

“Specialty egg sales totaled $182.9 million in the third quarter of fiscal 2022, comprising 39.4 percent of total shell egg revenue, compared with $145.2 million, or 41.5 percent of revenue, for the prior-year quarter. Specialty egg dozens sold increased to 95.1 million, or 24.1 percent, versus the prior year and represented 33.1 percent of total dozens sold in the third quarter of fiscal 2022 compared with 27.4 percent in the prior-year quarter. The specialty egg net average selling price per dozen increased to $1.923, or 1.5 percent, versus the third quarter of fiscal 2021. Specialty egg sales remain an integral part of our growth strategy. Consumer preference for specialty eggs, including cage-free eggs, continues to expand with more consumers willing to pay premium prices for these products. Cage-free egg sales comprised 24.1 percent of total net shell egg sales in the third quarter of fiscal 2022 and 23.0 percent of total net shell egg sales fiscal year-to-date. 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.

“We are closely monitoring the recently reported outbreaks of highly pathogenic avian influenza (“HPAI”). As of Monday, March 28, 2022, the U.S. Department of Agriculture’s Animal and Plant Health Inspection Service, (“APHIS”), reported that approximately 11.5 million commercial table egg layer hens, or about 3.6 percent of the table egg layer flock based on February 2022 reported layer numbers, have been depopulated given the impacts of HPAI. Pullets impacted comprise approximately 830,000, or about 0.7

percent of the pullet inventory. According to the U.S. Centers for Disease Control and Prevention, these detections do not present an immediate public health concern. There have been no positive tests for HPAI at any Cal-Maine Foods' owned or contracted production facility to date. We continue to maintain robust biosecurity programs across our locations in accordance with APHIS guidelines. We are also working closely with egg industry associations and government officials to mitigate the risk of future outbreaks and effectively manage our response, if needed.

"For the third quarter of fiscal 2022, we reported operating income of $39.6 million compared with an operating loss of $493,000 for the prior-year quarter. Our results reflect the current inflationary environment with higher costs for feed, labor, packaging and delivery. Farm production costs per dozen for the third quarter of fiscal 2022 increased 16.9 percent compared to the third quarter of fiscal 2021, primarily tied to higher feed costs per dozen produced, which increased 20.3 percent compared with the prior-year period. For the third quarter of fiscal 2022, the average Chicago Board of Trade ("CBOT") daily market price was $6.13 per bushel for corn and $412 per ton for soybean meal, representing an increase of 23.5 percent and decrease of 2.5 percent, respectively, compared to the average daily CBOT prices for the third quarter of fiscal 2021. While we experienced these production cost headwinds, we managed our selling, general and administrative expense well, which reflects our continued focus on achieving enterprise efficiencies.

"Supplies of corn and soybean remained tight relative to demand in our fiscal third quarter as evidenced by the near-record-low stock-to-use ratio for corn, as well as weather-related shortfalls in production and yields, and the ongoing disruptions related to the COVID-19 global pandemic. Going forward: market indications point to corn and soybean pricing pressures and higher volatility tied to the Russia-Ukraine war and export demand, which will result in continued pressure on the stock-to-use ratio for corn.

"Despite input cost pressures and other market uncertainties, we remain focused on managing our operations as efficiently and safely as possible. We have continued to deliver against our key performance metrics, and we commend the work of our managers and employees across our operations for consistent execution in challenging conditions. Our commitment to be the most reliable and sustainable producer of fresh shell eggs and egg products remains unwavering. Cal-Maine Foods' differentiated product mix and proven operating model continue to support our ability to meet changing customer demand and extend our market reach. Importantly, we have the financial strength to support our organic growth and expansion opportunities and consider potential acquisitions that are accretive to our business," added Baker.

For the third quarter of fiscal 2022, Cal-Maine Foods will pay a cash dividend of approximately $0.125 cents per share to holders of its common and Class A common stock. 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. The amount paid per share will vary based on the number of outstanding shares on the record date. The dividend is payable on May 12, 2022, to holders of record on April 27, 2022.

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

	13 Weeks Ended		39 Weeks Ended	
	February 26, 2022	February 27, 2021	February 26, 2022	February 27, 2021
Dozen Eggs Sold (000)	287,651	279,715	811,821	817,360
Dozen Eggs Produced (000)	264,433	248,130	757,677	731,205
% Specialty Sales (dozen)	33.1%	27.4%	30.0%	26.6%
% Specialty Sales (dollars)	39.4%	41.5%	40.2%	42.0%
Net Average Selling Price (per dozen)	$ 1.612	$ 1.246	$ 1.414	$ 1.185
Net Average Selling Price Specialty Eggs (per dozen)	$ 1.923	$ 1.895	$ 1.900	$ 1.876
Feed Cost (per dozen)	$ 0.562	$ 0.467	$ 0.546	$ 0.422

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, rising inflation and interest 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.

1) IRI Unify. U.S. multi-outlet sales, 13 weeks ended February 27, 2022. Egg category less non-egg products.
2) IRI Unify. U.S. multi-outlet sales, May 31, 2021 through February 27, 2022. Egg category less non-egg products.

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

	13 Weeks Ended		39 Weeks Ended	
	February 26, 2022	February 27, 2021	February 26, 2022	February 27, 2021
Net sales	$ 477,485	$ 359,080	$ 1,184,195	$ 999,189
Cost of sales	385,903	311,563	1,042,221	876,457
Gross profit	91,582	47,517	141,974	122,732
Selling, general and administrative	52,686	47,656	146,991	135,494
(Gain) loss on disposal of fixed assets	(674)	354	(2,855)	476
Operating income (loss)	39,570	(493)	(2,162)	(13,238)
Other income, net	13,478	12,325	21,814	15,462
Income before income taxes	53,048	11,832	19,652	2,224
Income tax expense (benefit)	13,594	(1,716)	(2,921)	(4,080)
Net income	39,454	13,548	22,573	6,304
Less: Loss attributable to noncontrolling interest	(63)	—	(91)	—
Net income attributable to Cal-Maine Foods, Inc.	$ 39,517	$ 13,548	$ 22,664	$ 6,304
Net income per common share:				
Basic	$ 0.81	$ 0.28	$ 0.46	$ 0.13
Diluted	$ 0.81	$ 0.28	$ 0.46	$ 0.13
Weighted average shares outstanding:				
Basic	48,886	48,530	48,888	48,511
Diluted	49,036	48,659	49,035	48,649

CAL-MAINE FOODS, INC. AND SUBSIDIARIES
FINANCIAL HIGHLIGHTS
(Unaudited)
(In thousands)
SUMMARY BALANCE SHEETS

	February 26, 2022	May 29, 2021
ASSETS		
Cash and short-term investments	$ 96,714	$ 169,510
Receivables, net	180,037	126,639
Inventories	240,087	218,375
Prepaid expenses and other current assets	5,872	5,407
Current assets	522,710	519,931

Property, plant and equipment, net	671,373	589,417
Other noncurrent assets	87,912	119,826
Total assets	$ 1,281,995	$ 1,229,174
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	$ 120,665	$ 89,191
Current portion of lease obligations	708	906
Current liabilities	121,373	90,097
Lease obligations, less current maturities	953	1,472
Deferred income taxes and other liabilities	129,426	124,824
Stockholders' equity	1,030,243	1,012,781
Total liabilities and stockholders' equity	$ 1,281,995	$ 1,229,174

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Dolph Baker, Chairman and CEO
Max P. Bowman, Vice President and CFO
(601) 948-6813

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