Cal-Maine Foods Reports Record Fiscal Fourth Quarter and Fiscal Year 2022 Results; Announces Quarterly Cash Dividend

July 19, 2022

- Record fourth quarter net income of $110.0 million, or $2.25 per diluted common share
- Fourth quarter net sales of $593.0 million, up 69.5% year-over-year
- Fiscal year 2022 net income of $132.7 million, or $2.72 per diluted share, versus net income of $2.1 million in fiscal 2021
- Fiscal 2022 net year sales increased to nearly $1.8 billion, up 31.7% versus fiscal 2021
- Announces fourth quarter fiscal 2022 cash dividend of $0.75 per share
- Approved $55.3 million capital project subsequent to the quarter end to convert existing layer capacity to cage-free capacity for approximately 1.5 million cage-free hens

RIDGELAND, Miss.--(BUSINESS WIRE)--Jul. 19, 2022-- Cal-Maine Foods, Inc. (NASDAQ: CALM, or the "Company"), the largest producer and distributor of fresh shell eggs in the United States, today reported results for fourth quarter fiscal 2022 (thirteen weeks) and fiscal year 2022 ended May 28, 2022.

Dolph Baker, chairman and chief executive officer of Cal-Maine Foods, commented, "Our fourth quarter marked a strong finish to fiscal 2022 for Cal-Maine Foods. Record quarterly revenue performance was driven by significantly higher average selling prices and record quarterly specialty shell egg sales, supported by solid demand compared with the prior-year quarter.

"We continue to perform at the top of our industry as an efficient operator, despite inflationary market conditions in North America and economic uncertainties globally. We have built an exceptional management team that drives our commitment to be the most reliable producer and distributor of fresh shell eggs and egg products in the United States. Our operating model is proven and offers a favorable product mix that meets the needs of our valued customers. Notably, we have maintained a strong financial position to support our continued growth, and we will look for additional opportunities to extend our market reach in fiscal 2023," concluded Baker.

Max Bowman, chief financial officer of Cal-Maine Foods, commented, "We achieved record quarterly specialty egg sales in the fourth quarter, totaling $186.5 million, or 32.9% of total shell egg revenue. Specialty egg dozens represented 34.0% of total dozens sold in the quarter compared with 27.4% in the prior-year period. The specialty egg net average selling price per dozen increased to $2.015 compared with $1.874 per dozen in fourth quarter 2021. The conventional egg net average selling price per dozen increased to $2.098 compared with $1.109 per dozen in fourth quarter 2021. Our fourth quarter net average selling price for shell eggs improved to $2.069 per dozen, up 57.0%, compared with $1.318 per dozen in the prior year. Egg prices in fourth quarter 2022 increased, primarily driven by decreased supply caused by the recent highly pathogenic avian influenza ("HPAI") outbreak, and supportive consumer demand. Overall, we are pleased with the improved supply and demand balance compared to prior periods and with the solid demand tailwind that drove strong top- and bottom-line fourth quarter results."

Sales Performance & Operational Highlights

Net sales in fourth quarter 2022 increased 69.5% to $593.0 million, compared with $349.8 million in fourth quarter 2021. The Company reported net income of $110.0 million, or $2.26 per basic and $2.25 per diluted common share, in fourth quarter 2022 compared with a net loss of $4.2 million, or $0.09 per basic and diluted common share, in fourth quarter 2021.

In fourth quarter 2022, total dozens sold increased 6.3% to 272.0 million versus 255.9 million in the prior-year quarter, supported by higher demand for specialty eggs. Conventional egg volumes decreased 3.5% compared with fourth quarter 2021, while specialty egg volumes increased by 32.2%. Fourth quarter 2022 volume increases were driven by a 4.7% increase to the retail channel and a 19.4% increase to the food service channel versus the prior-year period.

In fiscal 2022, the Company reported net sales of $1,777.2 million compared with $1,349.0 million in fiscal 2021. The Company generated net income of $132.7 million, or $2.73 per basic and $2.72 per diluted common share in fiscal 2022 compared with net income of $2.1 million, or $0.04 per basic and diluted common share, in fiscal 2021. Driven by recent strength in pricing, the Company achieved a gross margin of 19.0% compared with 11.9% in fiscal 2021.

Fiscal year 2022 results reflect stable demand and an improved shell egg net average selling price, up 29.7%, to $1.579 per dozen. Total dozens sold in fiscal 2022 were 1,083.8 million compared with 1,073.2 million dozens sold in fiscal 2021. During fiscal 2022, conventional egg volumes decreased 4.8% versus fiscal 2021, while specialty egg volumes were up 16.7% compared with the prior year.

Cal-Maine Foods outpaced wider industry results as the Company's sales to the retail channel decreased approximately 0.8% compared with industry retail shell egg volume declines of approximately 6.5%[1].

	13 Weeks Ended		52 Weeks Ended	
	May 28, 2022	May 29, 2021	May 28, 2022	May 29, 2021
Dozen Eggs Sold (000)	271,968	255,851	1,083,789	1,073,211
Dozen Eggs Produced (000)	264,650	239,632	1,022,327	970,837
% Specialty Sales (dozen)	34.0%	27.4%	31.0%	26.8%
% Specialty Sales (dollars)	32.9%	38.7%	37.8%	41.1%
Net Average Selling Price (per dozen)	$ 2.069	$ 1.318	$ 1.579	$ 1.217
Net Average Selling Price Conventional Eggs (per dozen)	$ 2.098	$ 1.109	$ 1.420	$ 0.976
Net Average Selling Price Specialty Eggs (per dozen)	$ 2.015	$ 1.874	$ 1.932	$ 1.876
Feed Cost (per dozen)	$ 0.641	$ 0.517	$ 0.571	$ 0.446

In fourth quarter 2022, the Company reported operating income of $145.7 million compared with an operating loss of $13.0 million in the prior-year quarter. The results reflect higher sales and efficient input management, despite the current inflationary environment. Feed costs per dozen were $0.641 in fourth quarter 2022, a 24.0% increase versus the prior-year period. Overall, farm production costs per dozen in fourth quarter fiscal 2022 increased 17.7% compared with fourth quarter fiscal 2021, primarily tied to higher feed costs. Supplies of corn and soybean remained tight relative to demand in fourth quarter 2022 as evidenced by the near-record-low stock-to-use ratio for corn, as well as weather-related shortfalls in production and yields, ongoing disruptions related to the COVID-19 global pandemic and the Russia-Ukraine war and its impact on the export markets. For fiscal 2023, we expect continued corn and soybean pricing pressures and further market volatility to affect feed costs. The Company also experienced higher labor expense tied to wage increases in response to the tight labor market, in addition to increased delivery costs that are tied to escalating fuel prices.

Product Mix & Cage-Free Eggs

Cal-Maine Foods continues to offer a differentiated product mix to meet the needs of our customers. The Company maintains its specialty egg business focus as a key driver of growth. In line with expanding consumer demand and state requirements for cage-free eggs, the Company has continued to make significant investments in production capacity to position Cal-Maine Foods as an industry leader to supply the growing demand for specialty egg offerings, including cage-free eggs. Cage-free egg sales comprised 20.3% of total net shell egg sales in fourth quarter 2022 and represented 22.1% of total net shell egg sales in fiscal 2022.

Subsequent to the end of fourth quarter 2022, the Company's Board of Directors approved a capital project to expand the Company's cage-free production capabilities. The proposed project at Chase, Kansas, will convert existing conventional layer capacity to cage-free capacity for approximately 1.5 million cage-free hens and include remodels of all remaining pullet facilities. Work is expected to commence immediately with project completion expected by year-end 2025. The Company plans to fund the proposed project for an estimated $55.3 million through a combination of available cash on hand as well as operating cash flow. The investment will augment the Company's strategy to expand cage-free capabilities to better serve the growing demand for this specialty product. Including this project, since 2008, Cal-Maine Foods has allocated approximately $681.1 million for facilities, equipment and related operations to expand cage-free production and distribution capabilities. This includes approximately $165.1 million allocated to projects scheduled for completion through fiscal 2025.

Table Egg Supply Outlook

Layer hen numbers reported by the USDA as of June 1, 2022, were 297.5 million, which represents a decrease of 5.8% compared with the layer hen inventory a year ago. The USDA also reported that the hatch from January 2022 through May 2022 decreased 5.5% as compared with the prior-year period, and as of June 1, 2022, eggs in incubators were down 4.3% year-over-year.

The Company continues to monitor the latest outbreak of HPAI that was first reported in commercial flocks in the U.S. in February 2022. As of July 18, 2022, the U.S. Department of Agriculture's Animal and Plant Health Inspection Service, ("APHIS"), reported that approximately 30.7 million commercial table egg layer hens, or about 9.5% of the table egg layer flock based on February 2022 reported layer numbers, have been depopulated given the impacts of HPAI. Affected pullets comprise approximately 1.0 million, or about 0.8% of the pullet inventory. While there have been no reported occurrences of HPAI in domestic commercial flocks since early June 2022, outbreaks may recur, and supply is expected to be lower until the flocks are repopulated. According to the U.S. Centers for Disease Control and Prevention, the HPAI detections do not present an immediate public health concern. There have been no positive tests for HPAI at any of Cal-Maine Foods' owned or contracted production facilities to date. Cal-Maine Foods has robust biosecurity programs in place across its locations in accordance with APHIS guidelines, and leadership remain diligent in its efforts to mitigate the risk of future outbreaks and effectively manage our response, if needed.

Dividend Payment

For fourth quarter 2022, Cal-Maine Foods will pay a cash dividend of approximately $0.75 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 August 16, 2022, to holders of record on August 1, 2022.

About us and forward-looking statements

Cal-Maine Foods, Inc. is primarily engaged in the production, grading, packing, marketing and distribution of fresh shell eggs, including conventional, cage-free, organic, brown, 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), including but not limited to the most recent outbreak of highly pathogenic avian influenza affecting poultry in the U.S., Canada and other countries that was first detected in commercial flocks in the U.S. in February 2022, (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, which generally have been exacerbated by Russia's invasion of Ukraine starting in February 2022, (vii) our ability to retain existing customers, acquire new customers and grow our product mix and (viii) 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] Information Resources, Inc. U.S. Multi-Outlet Retail reporting for conventional (commodity white) and specialty shell egg sales for the 52-week period ended June 5, 2022.

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

SUMMARY STATEMENTS OF OPERATIONS

	13 Weeks Ended		52 Weeks Ended	
	May 28, 2022	May 29, 2021	May 28, 2022	May 29, 2021
Net sales	$ 592,964	$ 349,798	$ 1,777,159	$ 1,348,987
Cost of sales	397,879	311,869	1,440,100	1,188,326
Gross profit	195,085	37,929	337,059	160,661
Selling, general and administrative	51,640	48,449	198,631	183,943
(Gain) loss on disposal of fixed assets	(2,254)	2,506	(5,109)	2,982
Operating income (loss)	145,699	(13,026)	143,537	(26,264)
Other income, net	664	853	22,478	16,315
Income (loss) before income taxes	146,363	(12,173)	166,015	(9,949)
Income tax expense (benefit)	36,495	(7,929)	33,574	(12,009)
Net income (loss)	109,868	(4,244)	132,441	2,060
Less: Loss attributable to noncontrolling interest	(118)	—	(209)	—
Net income (loss) attributable to Cal-Maine Foods, Inc.	$ 109,986	$ (4,244)	$ 132,650	$ 2,060

Net income (loss) per common share:

Basic	$ 2.26	$ (0.09)	$ 2.73	$ 0.04
Diluted	$ 2.25	$ (0.09)	$ 2.72	$ 0.04
Weighted average shares outstanding:				
Basic	48,622	48,501	48,581	48,522
Diluted	48,791	48,608	48,734	48,656

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

SUMMARY BALANCE SHEETS

	May 28, 2022	**May 29, 2021**
ASSETS		
Cash and short-term investments	$ 174,513	$ 169,510
Receivables, net	219,404	126,639
Inventories, net	263,316	218,375
Prepaid expenses and other current assets	4,286	5,407
Current assets	661,519	519,931
Property, plant and equipment, net	677,796	589,417
Other noncurrent assets	88,174	119,826
Total assets	$ 1,427,489	$ 1,229,174
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	$ 148,018	$ 90,097
Dividends payable	36,656	-
Current liabilities	184,674	90,097
Deferred income taxes and other liabilities	138,470	126,296
Stockholders' equity	1,104,345	1,012,781
Total liabilities and stockholders' equity	$ 1,427,489	$ 1,229,174

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Source: Cal-Maine Foods, Inc.