



Cal-Maine Foods Reports Record Sales for Fiscal First Quarter 2023, Announces Quarterly Cash Dividend

September 27, 2022

RIDGELAND, Miss.--(BUSINESS WIRE)--Sep. 27, 2022-- Cal-Maine Foods, Inc. (NASDAQ: CALM) ("Cal-Maine Foods," or the "Company"), the largest producer and distributor of fresh shell eggs in the United States, today reported results for the first quarter of fiscal 2023 (thirteen weeks) ended August 27, 2022.

First Quarter Fiscal 2023 Highlights

- Record quarterly net sales of \$658.3 million, a 103% increase compared with the same quarter last year, driven by record average conventional selling price and record specialty sales volume
- First quarter net income of \$125.3 million, or \$2.58 per basic and \$2.57 per diluted common share
- First quarter gross profit margin of 33.0%
- Announces first quarter fiscal 2023 cash dividend of \$0.85 per share

Overview

Dolph Baker, chairman and chief executive officer of Cal-Maine Foods, commented, "We are pleased to begin fiscal 2023 with record quarterly sales for Cal-Maine Foods. We benefitted from higher average selling prices and record specialty egg sales volumes leading to historic Company record revenue for both conventional and specialty shell eggs. We continue to focus on offering consumers a choice with a favorable product mix in line with changing demand trends. We believe this strategy has created momentum across retail channels and delivered a performance that has outpaced the industry.

"Our operations ran well during the quarter, and we are pleased with our ability to manage the business despite significant inflationary pressures contributing to rising costs for feed, labor, packaging, and distribution, among other costs. We remain focused on the aspects of the business we can control with a shared commitment across Cal-Maine Foods' operations to be the most efficient and sustainable producer of fresh shell eggs and egg products in the United States."

Max Bowman, chief financial officer of Cal-Maine Foods, added, "Our financial performance over the quarter reflects our ability to execute our operating strategy in dynamic conditions, while continuing to meet the expanding needs of our customers. The significant increase in pricing and favorable volume trends in specialty egg sales, along with efficient expense management, led to improved profitability with a gross profit margin of 33.0% for the first quarter of fiscal 2023.

"Egg prices continued to move higher during the quarter as supply tightened due to the impact of the highly pathogenic avian influenza ("HPAI") outbreak and good customer demand for conventional eggs. Conventional egg net average selling price per dozen increased to \$2.368 compared with \$0.990 a year ago, and both conventional and specialty egg revenue reached record levels for the first quarter of fiscal 2023. Net average selling price for specialty eggs rose 12.2% to \$2.101 per dozen, compared with \$1.872 per dozen for the first quarter of 2022. We saw our highest ever quarterly sales of specialty eggs of \$200.8 million, or 31.8 % of total shell egg revenue. Specialty dozens sold were 34.7% of total dozens sold compared with 27.8% in the prior-year period."

	13 Weeks Ended	
	August 27, 2022	August 28, 2021
Dozen Eggs Sold (000)	275,317	254,622
Conventional Dozen Eggs Sold (000)	179,712	183,872
Specialty Dozen Eggs Sold (000)	95,605	70,750
Dozen Eggs Produced (000)	257,654	236,458
% Specialty Sales (dozen)	34.7%	27.8%
% Specialty Sales (dollars)	31.8%	42.0%
Net Average Selling Price (per dozen)	\$ 2.275	\$ 1.235
Net Average Selling Price Conventional Eggs (per dozen)	\$ 2.368	\$ 0.990
Net Average Selling Price Specialty Eggs (per dozen)	\$ 2.101	\$ 1.872
Feed Cost (per dozen)	\$ 0.667	\$ 0.545

Sales Performance & Operating Highlights

Net sales in the first quarter of fiscal 2023 were \$658.3 million, compared with \$325.0 million in the first quarter of fiscal 2022. The Company reported net income of \$125.3 million, or \$2.58 per basic and \$2.57 per diluted common share, compared with a net loss of \$18.0 million, or \$0.37 per basic and diluted common share, in the prior-year period.

For the first quarter of fiscal 2023, total dozens sold increased 8.1% to 275.3 million versus 254.6 million in the prior-year quarter, in part driven by strong sales volumes in the specialty eggs category. Conventional egg volumes sold decreased 2.3% compared with first quarter 2022, while specialty egg volumes sold increased by 35.1%. This increase in demand for specialty eggs was positively affected by the higher conventional egg prices as compared to the same period in the prior year. Demand was further positively affected by California's and Massachusetts' cage-free mandate going into effect January 1, 2022, as well as more retailers shifting to selling more cage-free products.

The Company reported operating income of \$163.9 million for the first quarter of fiscal 2023 compared with an operating loss of \$39.7 million in the prior-year quarter. The Company continued to navigate through a tight labor market with higher wages and incurred higher distribution costs due to the increase in fuel prices compared to the first quarter of fiscal 2022. Overall, farm production costs per dozen increased 16.5%, or \$0.148, compared with the prior-year period, primarily tied to significantly higher feed costs. For the first quarter of fiscal 2023, feed costs per dozen were \$0.667, a 22.4% increase compared with the first quarter of fiscal 2022. Supplies of corn and soybean remained tight relative to demand in first quarter of fiscal 2023 as evidenced by a low stock-to-use ratio for corn, as result of 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. Basis levels for corn ran significantly higher in the Company's area of operations compared to prior year first fiscal quarter. For fiscal 2023, the Company expects continued corn and soybean upward pricing pressures and further market volatility to affect feed costs.

Product Mix & Cage-Free Eggs

Providing customers with a favorable product mix is an important differentiator for Cal-Maine Foods. Specialty eggs are an integral part of the Company's growth strategy and remain a primary focus for fiscal 2023. Cal-Maine Foods continues to make significant investments in production capacity to meet the demand for specialty eggs, including cage-free eggs, as customer demand has evolved in line with state requirements.

A significant number of Cal-Maine Foods' customers have previously announced goals to offer cage-free eggs exclusively on or before 2026, subject in most cases to availability of supply, affordability and customer demand, among other contingencies. Some of these customers have recently changed those goals to offer 70% cage-free eggs by the end of 2030. The Company's customers typically do not commit to long-term purchases of specific quantities or types of eggs, and as a result, it is difficult to accurately predict customer requirements for cage-free eggs. The Company continues to engage with its customers in efforts to achieve a smooth transition toward meeting their announced goals and needs. Sales of cage-free eggs represented approximately 19.4% of shell egg revenues for the first quarter of fiscal 2023. Cage-free dozens sold increased 58% in the first quarter of fiscal 2023 as compared to the first quarter of fiscal 2022.

Cal-Maine Foods has invested significant capital in recent years to acquire and construct cage-free facilities and remains focused on future expansion projects that will include cage-free facilities. At the same time, the Company understands the importance of continuing to provide more affordable conventional eggs in order to provide its customers with a variety of egg choices and to address hunger in more communities.

Table Egg Supply Outlook

Layer hen numbers reported by the USDA as of September 21, 2022, were 305.3 million, which represents a decrease of 4.6% compared with the layer hen inventory a year ago. The USDA also reported that the hatch from April 2022 through August 2022 decreased 0.5% as compared with the prior-year period. As of September 1, 2022, however, eggs in incubators were up 9.0% year-over-year, indicating that layer flocks may increase in the future.

Cal-Maine Foods continues to monitor the current outbreak of highly pathogenic avian influenza ("HPAI"), that was first detected in commercial flocks in the U.S. in February 2022 and, which was most recently detected in commercial flocks in the U.S. in September 2022. 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 as of September 27, 2022. The USDA division of Animal and Plant Health Inspection Service ("APHIS") reported that approximately 35.6 million commercial layer hens and 1.0 million pullets have been depopulated due to HPAI. According to APHIS, the most recently reported outbreaks of HPAI affecting commercial layer hens and pullets occurred September 21, 2022, and June 9, 2022, respectively. The Company believes that HPAI outbreak will continue to have an impact on the overall supply of eggs through the balance of this calendar year and possibly beyond. According to LEAP Market Analytics, layer hen inventory is not projected to exceed the 320 million mark until October of 2023.

While no farm is immune from HPAI, Cal-Maine Foods believes it has implemented and continues to maintain robust biosecurity programs across all its locations. The Company is also working closely with federal, state and local government officials and focused industry groups to mitigate the risk of this and future outbreaks and effectively manage a response, if needed.

Dividend Payment

For first quarter 2023, Cal-Maine Foods will pay a cash dividend of approximately \$0.85 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 November 10, 2022, to holders of record on October 26, 2022.

About Cal-Maine Foods

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.

Forward Looking Statements

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.

CAL-MAINE FOODS, INC. AND SUBSIDIARIES FINANCIAL HIGHLIGHTS

(Unaudited)

(In thousands, except per share amounts)

SUMMARY STATEMENTS OF OPERATIONS

	13 Weeks Ended	
	August 27, 2022	August 28, 2021
Net sales	\$ 658,344	\$ 324,986
Cost of sales	440,854	318,341
Gross profit	217,490	6,645
Selling, general and administrative	53,607	46,525
(Gain) loss on disposal of fixed assets	33	(213)
Operating income (loss)	163,850	(39,667)
Other income, net	1,630	5,803
Income (loss) before income taxes	165,480	(33,864)
Income tax expense (benefit)	40,346	(15,838)
Net income (loss)	125,134	(18,026)

Less: Loss attributable to noncontrolling interest	(153)	—
Net income (loss) attributable to Cal-Maine Foods, Inc.	<u>\$ 125,287</u>	<u>\$ (18,026)</u>
Net income (loss) per common share:		
Basic	<u>\$ 2.58</u>	<u>\$ (0.37)</u>
Diluted	<u>\$ 2.57</u>	<u>\$ (0.37)</u>
Weighted average shares outstanding:		
Basic	<u>48,623</u>	<u>48,858</u>
Diluted	<u>48,811</u>	<u>48,858</u>

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

SUMMARY BALANCE SHEETS

	<u>August 27, 2022</u>	<u>May 28, 2022</u>
ASSETS		
Cash and short-term investments	\$ 281,805	\$ 174,513
Receivables, net	220,364	219,404
Inventories, net	265,754	263,316
Prepaid expenses and other current assets	10,965	4,286
Current assets	<u>778,888</u>	<u>661,519</u>
Property, plant and equipment, net	688,656	677,796
Other noncurrent assets	87,185	88,174
Total assets	<u>\$ 1,554,729</u>	<u>\$ 1,427,489</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	\$ 188,689	\$ 148,018
Dividends payable	41,742	36,656
Current liabilities	<u>230,431</u>	<u>184,674</u>
Deferred income taxes and other liabilities	136,335	138,470
Stockholders' equity	<u>1,187,963</u>	<u>1,104,345</u>
Total liabilities and stockholders' equity	<u>\$ 1,554,729</u>	<u>\$ 1,427,489</u>

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Source: Cal-Maine Foods, Inc.