Cal-Maine Foods (Q4 2026 Earnings)
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Corporate Speakers:

- Sherman Miller; Cal-Maine Foods, Inc.; President and Chief Executive Officer
- Max Bowman; Cal-Maine Foods, Inc.; Vice President and Chief Financial Officer
- Carol Lombardo; Cal-Maine Foods, Inc.; Chief Strategy Officer
- John Seller; Cal-Maine Foods, Inc.; Chief Financial Officer, Prepared Foods

Participants:

- Heather Jones; Heather Jones Research; Analyst
- Leah Jordan; Goldman Sachs; Analyst
- Benjamin Klieve; Benchmark StoneX; Analyst
- Pooran Sharma; Stephens; Analyst
- Ben Mayhew; BMO Capital Markets; Analyst

PRESENTATION

Operator^ Good morning, everyone. Welcome to the Cal-Maine Foods, Inc. Fourth Quarter and Fiscal Year 2026 Earnings Call and Webcast.

Joining us on today's call are Sherman Miller, President and CEO; Max Bowman, VP and CFO; Carol Lombardo, Chief Strategy Officer; and John Seller, CFO, Prepared Foods. (Operator Instructions)

Please note, this call is being recorded.

I will now turn the call over to Sherman. Please go ahead.

Sherman Miller^ Good morning. Thank you for joining us today.

I want to remind everyone that today's remarks may include forward-looking statements. These are based on management's current expectations and are subject to risks and uncertainties described in our SEC filings.

I'd like to begin by highlighting the strategic progress we have made over the course of fiscal 2026.

Throughout the fiscal year, we remain focused on diversifying our sales mix, an important initiative that we believe will strengthen the durability and predictability of our earnings over time.

We completed several strategic acquisitions that advance our long-term objectives. We acquired certain assets of Graton Brothers LLC and its affiliates that are expected to further enhance our vertically integrated operating model and strengthen connectivity across our value chain.

Building on our successful acquisition of Echo Lake Foods in 2025, we further diversified our earnings profile and expanded into higher-value, consumer-facing markets through our more recent Van's Food Brand acquisition.

And subsequent to fiscal year-end, we increased our distribution footprint by acquiring additional Eggland's Best franchise territory in the northeast, expanding our specialty egg category penetration in one of the nation's largest and highest-income consumer markets.

We're also capitalizing on the increasing consumer demand for our products by advancing our long-term growth strategy with a new $54 million investment to further expand our Prepared Foods production capacity. This investment is expected to add approximately 30% incremental production capacity to our Prepared Foods segment beginning in the first half of fiscal 2028. Together with our previously announced 30% organic capacity growth and 6% Van's acquisition-driven capacity growth, we believe our Prepared Foods production capacity will increase over 60% from the end of fiscal 2026 through the first half of fiscal 2028.

I'd like to highlight several key developments from the fourth quarter and fiscal year 2026 that demonstrate the continued progress that we are making in executing our strategy.

In the fourth quarter of fiscal 2026, Prepared Foods accounted for 10.9% of consolidated net sales. Combined, Specialty Eggs and Prepared Foods grew to 53% of net sales.

In fiscal 2026, Prepared Foods accounted for 8.4% of net sales. Combined, Specialty Eggs and Prepared Foods increased to 44.4% of net sales.

For the quarter, we are reporting under a new operating segment structure. This new reporting framework better aligns with how management reviews operating results and makes decisions about resource allocation and strategic initiatives.

As the nation's largest producer and distributor of shell eggs with the most vertically integrated operating model in the industry, Cal-Maine is uniquely positioned to navigate market cycles while investing in long-term growth. Our scale, operational capabilities and financial strength led by our strong balance sheet provides competitive advantages that are particularly valuable in challenging environments like the one we experienced this quarter.

During the fourth quarter, industry oversupply drove Conventional Shell Egg prices to historically low inflation-adjusted levels. Importantly, this is a supply-driven environment, not a demand-driven one. We continue to see favorable long-term demand fundamentals across our end markets.

According to third-party market commentary from the American Egg Board and Urner Barry, supply conditions remain elevated, although early indicators suggest the market is beginning to rebalance. American Egg Board estimates the U.S. laying clock at 340 million to 347 million hits based on producer assessment data collected across the commercial egg industry, materially above USDA's published estimate and indicative of abundant egg supplies.

While the American Egg Board estimate reflects May assessment data, which may overstate today's flock if producers have accelerated flock rotations this summer as reported, it appears production continues to be supported by strong hand productivity and exports that remain below historical norms.

However, the American Egg Board and Urner Barry also cite slowing breeder activity, increased chick cancellations, softer hatchery demand and more aggressive flock rotations as evidence that flock growth is moderating. If accurate, these developments are likely to tighten supply in the near term and suggest supply may continue to moderate over the coming quarters.

Turning to demand. We continue to see very healthy underlying fundamentals. Household penetration remains exceptionally high at above 97% with purchasing households buying eggs approximately 19x per year. Our retail volume is up nearly 6% year-to-date as prices have retreated.

We believe eggs remain well positioned to benefit from long-term consumer demand for protein, nutrition, convenience and value. We're also encouraged by the continued growth in GLP-1 adoption with approximately 22% of U.S. households now including a GLP-1 user, reinforcing demand for protein-dense foods like eggs.

Foodservice demand remains robust. Specialty Eggs continue to outperform conventional product growth. USDA projects per-capita egg consumption to increase in both 2026 and 2027. And export demand has increased from South Korea as it imports U.S. shell eggs to offset High Path AI-related supply shortages there.

The strategic actions we've taken to evolve our portfolio, optimize operations and allocate capital with discipline help provide resilience during one of the most difficult conventional egg pricing environments we've experienced. While we are positioned today to emerge as a stronger, higher-quality business, we recognize that we're still in early stages of this transformation.

The sustained (inaudible) pricing environment in the quarter provides a valuable stress case reference point, demonstrating the resilience built through our strategic actions to date while highlighting the meaningful upside opportunity as our initiatives continue to mature.

As our business continues to diversify and grow and our operational initiatives mature, we expect a greater portion of our earnings to come from differentiated, less cyclical businesses, improving resilience regardless of where we are in the commodity cycle. Taken together, we believe these initiatives will continue to enhance the consistency and resilience of our normalized earnings power while reinforcing our long-term competitive advantage.

With that, let me turn the call over to Max to drill down into our financial results and discuss our capital allocation framework. Max?

Max Bowman^ Thanks, Sherman, and good morning, everyone. Earlier this morning, we issued our quarterly earnings release and filed our Form 10-K for fiscal year 2026. We also posted a supplemental fourth quarter earnings presentation to our website that provides additional details on our performance.

We previously managed our business as one operating and one reportable segment. Effective in the fourth quarter of fiscal 2026 as our business has evolved, we revised our internal reporting to more closely reflect the manner in which we manage our business, which focuses on enhancing operations and measuring results based on our product categories rather than on a consolidated basis.

As a result, we identified three reportable segments: Conventional Shell Eggs, Specialty Shell Eggs and Prepared Foods.

Our remaining operations, which include co-pack shell eggs, egg products, hard cooked eggs and other business activities, are not reportable segments as defined by the applicable accounting standard.

The Conventional Shell Egg segment, which generated $1.348 billion of net sales and $217 million of operating profit in fiscal 2026 consists primarily of the production, grading, packaging, marketing and distribution of shell eggs sold as conventional shell eggs which includes our brands Sun Ups and Sunny Meadow.

The Specialty Shell Egg segment, which generated $1.07 billion of net sales and $182 million of operating profit in fiscal 2026, consists primarily of the production, grading, packaging, marketing and distribution of shell eggs sold as cage-free, neutrally enhanced, organic, brown, pasture-raised and free-range eggs. This segment includes our brands Farmhouse Eggs and 4-Grain, as well as branded products from our membership of the Eggland's Best, Inc. cooperative, which includes Eggland's Best and Land O'Lakes.

The Prepared Foods segment, which generated $245 million of net sales and $34 million of operating profit in fiscal 2026, consists primarily of the production, packaging, marketing and distribution of Prepared Foods product offerings such as precooked egg patties, omelets folded in scramble egg formats, pancakes, waffles and specialty wraps. This segment includes our brands, Van's and Crepini. All prior-year periods have been recast to reflect the new reportable segments.

I'll begin with a review of our fourth quarter results before discussing our full-year performance, segment results, balance sheet and cash flow.

For the fourth quarter, consolidated revenue was $552.6 million, down 49.9% compared with the prior-year period. Consolidated gross profit was $34.1 million, resulting in a gross margin of 6.2%. Consolidated operating loss was $58.8 million and operating margin was negative 10.6%. Net loss attributable to Cal-Maine Foods for the quarter was $35.9 million or a diluted loss per share of $0.76. Conventional Shell Eggs generated revenue of $210.8 million, down 70% year-over-year. Segment operating loss was $40.6 million with an operating margin of negative 19.3%.

Specialty Shell Eggs reported revenues of $239.7 million. That's down 21.4% from the prior year. Segment operating income totaled $17.5 million and operating margin was 7.3%.

Prepared Foods revenue was $60.4 million. Segment operating income was $8.8 million with an operating margin of 14.6%.

Turning to our full year results. Consolidated revenue was $2.912 billion, down 31.7% versus the prior year. Consolidated gross profit was $672 million and gross margin was 23.1%. The consolidated operating income was $350.2 million with an operating margin of 12%.

Net income attributable to Cal-Maine Foods for the year was $316.7 million, resulting in diluted earnings per share of $6.63. Full-year revenue for the Conventional Shell Eggs was $1.348 billion, down 51.1% versus the prior year. Segment operating income was $216.6 million with an operating margin of 16.1%.

Full-year revenue for Specialty Shell Eggs for the year totaled $1.070 billion, down 7.3%. Segment operating income was $181.5 million and operating margin was 17%.

Prepared Foods' full-year revenue was $244.8 million. Segment operating income was $33.9 million with an operating margin of 13.8%.

Now let me briefly discuss the performance of each segment. In our Conventional Shell Egg segment, both fourth quarter and full-year results reflected a pricing environment that steadily decreased throughout fiscal 2026, reaching historically low inflation adjusted levels during the fourth quarter.

These conditions were driven by abundant industry supply rather than weakening demand. Supply levels increased significantly compared to the severe shortages experienced in the prior-year period, and our fourth and first fiscal quarters are already typically our seasonally lowest pricing periods. Volumes increased 3.1% during the quarter and were approximately flat for the full year, demonstrating that industry-wide pricing, not demand, was a primary driver of financial performance.

While conventional egg pricing is inherently cyclical and largely market determined, we are not passive participants in this environment. We continue to actively manage our cost structure through block optimization, be it efficiency initiatives and operational discipline across our production network.

Our structured pricing arrangements with key customers provide a degree of downside protection relative to pure-spot market exposure. And as the largest and most vertically integrated producer in the U.S., our scale advantages in procurement, logistics and our customer service become even more valuable during periods of industry stress, allowing us to maintain our competitive position and be well prepared to capture margin as pricing recovers.

In our Specialty Shell Egg segment, fourth quarter volumes returned to more typical seasonal patterns. The year-over-year comparison reflects an unusually strong prior-year period that benefited from temporary demand acceleration created by atypical pricing relationship with conventional eggs as elevated pricing in conventional eggs drove consumer demand into specialty eggs. As those conditions normalize, fourth quarter 2026 specialty volumes moderated as expected.

Importantly, for the full year, Specialty Shell Egg volumes increased 2.4% despite more normalized pricing dynamics, which we believe reflects resilient consumer demand and strong commercial execution. Margins moderated from the elevated levels achieved during the prior year, which benefited from atypical pricing dynamics that temporarily widen the conventional specialty spread. We view the current margin profile as more representative of normalized conditions for this segment in the near term, though still below our long-term target as we continue to grow our higher-margin subcategories including cage-free, organic and pasture-raised.

The expansion of our Eggland’s Best franchise territory in the northeast, which we announced subsequent to quarter end, is a good example of how we're actively building toward a richer specialty mix over time.

In our Prepared Foods segment, performance continued to accelerate as we executed our network optimization and production capacity expansion initiatives. As production capacity expansion progressed on schedule, facility utilization improved, fixed cost absorption increased and operating performance strengthened. Both sales prices and sales volumes improved sequentially from the third quarter of fiscal 2026.

Integration of our Van's Foods acquisition is progressing according to plan with encouraging early results, while our competing joint venture continues to demonstrate strong growth momentum.

SG&A for the quarter was $93.6 million, down 1.4% and $329.2 million for the year, up 4.7%. Net cash flow from operations for the quarter was $2.8 million, down 99.3%. We ended the quarter with cash and temporary cash investments of $924.1 million and remain virtually debt-free.

We repurchased 396,083 shares of our common stock under our current share repurchase authorization during the quarter for a total of $30.1 million. Repurchase program permits us to repurchase up to $500 million, of which $320.7 million remain available.

Pursuant to our variable dividend policy, we will not pay a cash dividend for the fourth quarter or for any subsequent profitable quarter until we are profitable on a cumulative basis computed from the date of the most recent quarter for which a dividend was paid. As of May 30, 2026, the total cumulative loss to be recovered before payment of a dividend was $35.9 million.

With that, I'll turn the call back to Sherman for closing remarks before we begin the Q&A session.

Sherman Miller^ Thanks, Max. Looking ahead, we believe we are increasingly well positioned as market conditions improve, particularly as we move beyond our first quarter of fiscal 2027.

However, during the first five weeks of the first quarter of fiscal 2027, market prices averaged just $0.72, approximately 54% below the comparable period in the fourth quarter of fiscal 2026, reflecting the seasonal trough that typically characterizes our June through July period. More recently, pricing has strengthened, increasing by more than 90% in only a few weeks. Early indications point to improving supply-demand balance supporting a more constructive egg pricing environment heading into the fall, which is historically a seasonally stronger period.

We believe the combination of improving market fundamentals and our own operational actions positions us for a more robust trajectory coming out of Q1.

As we look beyond today's market environment, our focus remains on bidding a stronger, more resilient Cal-Maine Foods. We continue to execute against the strategy designed to broaden our growth opportunities, diversify our earnings profile and strengthen our normalized earnings power over time.

In Specialty Shell Eggs, we're expanding our portfolio to capitalize on favorable long-term consumer trends while increasing the mix of products that exhibit structurally higher margins and more stable demand characteristics.

In Prepared Foods, we're building a complementary growth platform that expands our addressable market, diversifies our earnings streams and positions us to participate in attractive categories beyond traditional shell eggs.

What we believe makes this strategy particularly compelling is the connectivity between these businesses. Our vertically integrated supply chain and breaker network create meaningful advantages in supply, cost, quality and reliability that few competitors can replicate. These capabilities allow us to serve customers more comprehensively while creating operational efficiencies across the enterprise.

We're also advancing a broader portfolio approach that brings together branded and private label offerings across shell eggs and Prepared Foods. This enables us to meet customers across multiple categories, consumption occasions and price points while strengthening our strategic partnerships over the long term.

Innovation remains an important component of our strategy. Prepared Foods is not simply about adding products; it’s about leveraging our expertise in eggs to expand into new day parts, formats, consumption occasions that can meaningfully extend our long-term growth runway.

Our acquisition of the Van’s Foods Brand continues to progress well. We are integrating the business into the Cal-Maine operating model, aligning processes and connecting the brand with our broader Prepared Foods capabilities.

We remain encouraged by the opportunities to leverage our scale commercial relationships and operational expertise to accelerate growth over time. While egg markets will continue to fluctuate, our long-term strategy is not dependent on any single market environment. Instead, we remain focused on disciplined capital allocation, operational excellence, powerful portfolio evolution and consistent execution. We believe these initiatives position Cal-Maine to create durable long-term value for our stockholders, while enhancing the resilience and quality of our business across market cycles.

With that, I'll turn the call back over to the Operator to begin the Q&A portion of today's call.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) And our first question comes from Heather Jones of Heather Jones Research.

Heather Jones^ I guess I wanted to start off with conventional pricing.

So my understanding over the last year to 18 months as you guys had moved to create more stability in that pricing. And when I try to get to the average price for conventional this quarter, I have to assume something closer to 30% for cost plus, then a relatively low realization rate for the market-based given that we were in a declining market.

So -- and that's different that I had understood things. And so I just -- and it's different than your price performance has been relative to my estimates for recent quarters.

So just wondering if you could talk about what has potentially changed during Q4 or what we may have missed?

Sherman Miller^ Yes, Heather. And nothing really has changed as far as our mix. And just to run through it again, there's three types of pricing arrangements: market grain-based or hybrid, which is a mix of market and grain-based. And a breakdown of these arrangements for our businesses: about 50% market and 50% that's made up of grain-based and hybrid. And for protection of specific customer agreements, we have not given more detail in that. However, as seen in this quarter, hybrid has a significant market component and also has a significant grain-based component since our market realization was 102% of the Urner Barry market.

It did perform as intended; we just had a situation of an all-time low inflation-adjusted Urner Barry market. In the first five weeks of Q1, we've had an average Urner Barry market of just $0.72 compared to Q4, Urner Barry average of $1.08.

As a reminder, it's usually a 10- to 14-day lag and realized some changes in the market, and we believe Q1 could have a slight improvement over Q4, and conventional egg pricing will still not be considered either normal or mid-cycle.

The tail of Q1 should look much better than the first half. The important part is that we've been through these cycles many times before and it's exactly why we manage our company the way we do. Our balance sheet is fundamental and it is in great shape.

Also a reminder that High Path AI is called extreme volatility over the last four years. And unfortunately, it's clear that it's not gone with the recent layer outbreaks in the U.S., continued presence in the U.S. dairy herd and outbreaks Australia, South Korea.

We should not consider this a problem of the past. The upside is exports. Back-to-school (inaudible) is on the horizon, continued GLP-1 adoption, favorable cost per gram of protein for eggs, really putting the spotlight on our protein. And likely flock adjustments, as noted by Urner Barry, all point to a more normalized fall or Q2 for us.

Our company is built for these low spots in the cycle and just emphasize again, this is a low spot and should not be considered normalized just as last year's high prices were also not normal. We have a very high confidence this market condition just validates further our strategy of continuing to invest and grow both specialty eggs and prepared foods, and that's exactly what we're doing.

However, we also know that conventional eggs will heavily contribute as we see that normalization occur. And lastly, Heather, we continue to have confidence in our company as noted by the $30 million we spent in the quarter on share repurchases.

Heather Jones^ Okay. Then just a follow-up on a comment, Max, you had made.

I think -- I just want to make sure I understood correctly, that you were saying, I think for this quarter, the specialty margin was roughly 7%.

Did I understand you correctly that you were saying that is more representative of the conditions you all anticipate for the foreseeable future?

Max Bowman^ That is correct. That was the margin for the quarter.

As Sherman said, I don't think we consider this fourth quarter are the conditions that we've seen in the first quarter, normal or mid-cycle by any point, just like we didn't consider last year high ag markets normal.

So you've got the percentage right, but I wouldn't say that, that would be normal mid-cycle earnings, no.

Heather Jones^ So what did you intend to say, because I don't have the comment right in front of me, but it was something about -- we view the current margin profile as more representative of normalized conditions for this segment in the near term.

So that -- when you say that, are we -- is that what you're thinking for the next few quarters?

Or how should we think about that?

Sherman Miller^ It's a move back towards a more normalized market. You’ve still got -- with that hybrid pricing and with our segments, with our specialty segment, we've got a market component in there, particularly the California market component, which we called that out before. But it was at a really low price all during the fourth quarter and it's been that way for most of the first quarter thus far.

Max Bowman^ And just a reminder, Heather, there is a low double-digit percentage of specialty prices tied to the egg market and the California market was extremely, extremely low in Q4.

Operator^ And our question comes from Leah Jordan of Goldman Sachs.

Leah Jordan^ I actually want to follow up on Heather's last question because I think the specialty profit, it just compressed a lot more than we were expecting, a lot more than the prior quarter when pricing was down year-over-year about the same.

So maybe you could just provide more color on the puts and takes, what pressured specialty profit in the quarter, maybe how that evolved versus the prior quarter?

Then ultimately, how should we think about variability longer term in this segment?

It sounds like maybe it's going to be compressed here a little bit in the short term, but normalizes. And I get the market-based piece that's still in the double-digit percent there. I always thought about 10%, but you can correct me if I'm wrong.

So I guess, I think the general view is investors thought this business would be a bit more stable in specialty. So maybe help us think about the variability of this segment longer term, the path to getting back there.

Sherman Miller^ Leah, the starting point there is seasonality. The last several years that just has not existed because there's been such a deficit of supply and eggs on the shelf, and specialty eggs remained extremely solid in that Q4 and this Q1 type period because there was a shortage of eggs.

This year's hen numbers increased definitely more of a normal-type June, July period and even beyond that, just the seasonality effect of that, nothing that we hadn't been through many times before. But it does show a little variability, but long term, directionally, specialty eggs are in good shape. They continue to outperform conventional lakes.

Max, anything you'd add to that?

Max Bowman^ Well, volume had a lot to do with it, bringing that seasonality in that you mentioned. We're confident against the fourth quarter of last year when specialty eggs sold at a discount to conventional eggs.

So this quarter, it’s -- with normal seasonality post-Easter, our first quarter -- fourth and first quarter, it's not unusual to see a lower specialty price. But Leah, just keep in mind, I mean we still -- you can still see a very differentiated price between that specialty and the conventional. The specialty does have the market component.

Sherman called out of that California piece, and you had the numbers about right. We said low double digits, 10% to 12%, but that California market has been under a real low price. We called out the fact that the whole egg market was at an inflation-adjusted historical low. And certainly, we're seeing that affect the specialty prices as well.

But going forward, we expect specialty to remain a more consistent price. If we get some help from the market and it goes up, then you wouldn't see quite the variability there that we experienced this quarter.

Sherman Miller^ And last thing I'll add, Max, is just last year was a really, really strong year. There's a lot of points in last year where conventional eggs were more expensive than specialty eggs, which just drove lots of volume last year.

Leah Jordan^ Okay. Great. That's really helpful color. Maybe just switching over to Prepared. I know that's another leg of the improving earnings quality story. We have some more acquisitions and expansions announced today. Maybe you could just help us level set on where we go from here.

I always got the sense that we should be getting a trough in the fourth quarter. It sounds like the current expansion plans are on track exiting the quarter.

So maybe just as we go through to the ramp to '28, how you're thinking about top line growth and the margin evolution at this point?

Sherman Miller^ We'll let John Seller take that.

John Seller^ Leah, so I take you back to December of last year when we announced two things: the optimization of the plants that we have and how we're producing product in certain plants.

So that went underway in the second quarter. We saw that -- we called out that the third quarter would be the low point for doing that as we're optimizing production in those plants.

In addition, in December we announced a 30% increase in capacity along pancakes, scrambled eggs.

So the pancake as well as Crepini. The pancakes were about 12 million pounds of additional capacity, and we're at the tail end of getting that put in here at the end of the first quarter, and we should start to see that early in the second quarter. Scrambled eggs, that's about 17 million pounds of additional capacity. We'll start to see that come in, in mid-second quarter. Then Crepini was about 18 million pounds, and we'll just see that gradually through 2027 into 2028.

Then this is what we just announced this morning, the $54 million investment. We'll start to see that later mid-2028.

So that's just starting to get underway here in the first and second quarter of getting that project going. Then obviously we added Van's.

So in total, that's about a 60% increase in production capacity from where we ended 2026.

Leah Jordan^ Okay. That's helpful.

But maybe just to follow-up on that. Maybe just relative, how should we be thinking about top-line outlook relative to the double-digit normalized rate you've spoken to before?

Then the margin recovery, does the announcement today, does that delay any of the prior views?

Are we getting there faster until we get to that normalized margin rate that you guys have spoken to before?

John Seller^ What we announced today doesn't delay anything in terms of the top line.

We should start to see the top line move up beginning in the second quarter. As we get that previously announced capacity expansion of about 30%, that will start in the second quarter and then progress through 2027 into 2028. Then in 2028, we'll see the top line improve from what we announced this morning, mid-2028.

Operator^ And our next question comes from Ben Klieve of Benchmark StoneX.

Benjamin Klieve^ First, I want to ask about the market base versus grain-based price dynamic that you've outlined. I'm curious, really specifically here, over the past six months, as prices have really bottomed out in this post-Easter period, what the behavior of your retailers has been like around this dynamic?

Are you seeing any change in their interest in that mix between contract-based and grain-based?

Or is it really steady state even at this historically low level?

Sherman Miller^ Yes. Steady state is the answer, Ben. But it certainly is not in an environment where anyone would want more of that tight pricing.

So steady state is where we sit. Once again, we do think that it performed as intended with that market realization of 102% of the Urner Barry market. The real news is just the situation of an all-time low inflation adjusted Urner Barry market.

Benjamin Klieve^ Got it. Okay. That's helpful.

Then my follow-up is going to continue the conversation here around the specialty side. I mean you both noted in your prepared remarks that you were looking, for certain high-margin categories within the specialty segment, to pursue growth. And I'm wondering if you can elaborate on that a bit.

I mean what kind of subcategories within the specialty market do you think are particularly compelling here?

Then can you comment on the degree to what you're looking at that from an organic perspective or potentially an acquisitive perspective in this environment where there may be some cheap assets available to you?

Sherman Miller^ Yes.

So specialty eggs, you've heard us say it many times before, we produce a broad variety of specialty is, which we really believe is the right answer. It gives us lots of options for growth and -- whether that's organic or M&A, it's a long runway. And Eggland’s Best continues to be the number one branded egg in the U.S., and expanding that market presence in the northeast for us is very good because of the type of market that exists there. High population of people, higher income people.

So when you get into those types of populations, it favors the higher end of the specialty egg type category.

So it gives us lots of opportunity to grow, and we look forward to it.

Operator^ Our next question comes from Pooran Sharma of Stephens.

Pooran Sharma^ First question, just wanted to understand just the general M&A environment. Has there been any change from where we were last quarter that we spoke?

Or do you think that folks are a bit better capitalized around this down cycle just given the prior two up cycles we went through?

Sherman Miller^ We don't know how the people sit bottom line, but we do know that we have more growth opportunities than ever before. When you think about M&A from conventional eggs to specialty eggs, Prepared Foods, the ingredients, liquid eggs that go into Prepared Foods and brands particularly around Prepared Foods, all this gives us a lot more opportunity.

But I just want to reemphasize that our thinking stays egg-centric. We're thinking about bolt-on and tuck-in type M&A when we look at it. And our approach remains disciplined. It has to meet our criteria and those opportunities that are strategically aligned, financially attractive and capable of creating long-term shareholder value.

So though we can't predict necessarily availability, we do know that our model works, and we'll continue to follow it.

Pooran Sharma^ Sure. Appreciate that there, Sherman.

I guess on the follow-up, and I'm not sure how much you could expand upon, but really excited to see you're continuing to expand in Prepared Foods with today's announcement. Jonathan, you went through and laid out the timetables for some of these expansions like the pancake line, scrambled eggs. Wanted to understand what you all see as the highest-margin item within Prepared Foods?

What makes the most sense for you guys to get into?

And is it because it's the highest margin or are there operational benefits into those areas?

Max Bowman^ Yes. So as Sherman mentioned, being egg-centric.

So certainly, we think about our ability to provide raw material ingredients downstream to those businesses as being fundamental to not only top-line growth but also earnings potential. And so certainly we’ll continue to be focused on that as well.

Then with our recent acquisition of Van’s, acquiring a brand, in addition to the Crepini brand that we already have in Prepared Foods, certainly continuing to focus on enhancing brand portfolio and bringing that to bear with our total product offering in Prepared Foods.

So those are areas we're certainly focusing on from not only a top line, but from an earnings potential and seeing earnings and cash flows growing along with that.

Carol Lombardo^ Pooran, I would add to that, that from a Prepared Foods perspective, we believe the best strategy is to create a diversified portfolio of egg-based prepared foods really falling into two categories. The very pure-play egg-based prepared foods, so think egg bites, patties, omelets, scrambles, those types of products, but then also products that use eggs as a key raw material ingredient, which is why you see us in pancakes and in waffles and in French toast and those types of products.

And from a diversification standpoint, also thinking about it from a ready-to-heat and ready-to-eat perspective. When you take a look at all of those product categories in aggregate, you're looking at somewhere around a $9 billion or $10 billion total addressable market. We participate in a very small percent of that opportunity currently.

So absolutely enormous and substantial runway for growth there.

Sherman Miller^ Last thing I'll add on is just the investment that we announced this morning is in existing facilities, which just further helps us with optimization and efficiency in what we're already doing.

Operator^ And our next question comes from Ben Mayhew of BMO Capital Markets.

Ben Mayhew^ So my first question is on your outlook commentary, which would suggest that recent price recovery is sticky, and we may have found a bottom on conventional egg prices.

So I was hoping if you could just provide maybe some further context on that hypothesis and what -- what can you -- what do you see from your operations?

And maybe you can comment on the industry as well, but what do you see that gives you confidence that this $1.39 level is sticky and we've put the bottom in and Q2 will start to look better in Q3 even better than that?

Sherman Miller^ Yes. Ben, we can only come in about ourselves and what we can gain from these third parties. And just, once again, to point out the indicators that they're talking about, breeder activity slowing, increase in chick cancellations, hatchery activity softening, signaling just a slower future pullet placement and moderation in the pace of flock expansion over time. Those are the real key indicators.

And the big one is High Path AI. It's unknown. It's a variable we can't predict. But it's very clear in the U.S. and on a global scale that it's not gone, and we can't predict any type of disruption. But until we build some serious time on the global scale of not having occurrences, it's a real threat.

Ben Mayhew^ Okay. I can appreciate that.

I guess just on CapEx, because I think we've covered everything else I have here. On CapEx for '27, I guess how much of the $54 million investment falls in '27 versus '28?

You had mentioned earlier some of the other Prepared Foods projects that were in process. So I guess if you could just give us a little bit more context on the cadence of CapEx for '27 and possibly '28, if you can, that would be helpful.

Sherman Miller^ John, do you want to that one?

Max Bowman^ Yes. Thanks, Ben.

So what we just announced this morning, $54 million, most of that will be spent in 2027. There'll be a tail of it in the first part of 2028, but most of it is in 2027. Then what we announced back in December, most of that has been spent in 2026 with just a little bit left to go here in the first quarter as we -- and maybe a little bit in the second quarter as we finalize getting that capacity online tied into producing.

Carol Lombardo^ Just as a reminder, our CapEx for '16 was about $151 million. That was about 16% of our total use of capital. We're looking at maintenance CapEx of around $50 million to $60 million.

Operator^ (Operator Instructions) I show no further questions.

I will now turn it back to Sherman Miller for closing remarks.

Sherman Miller^ I just want to end by saying thank you for all the thoughtful questions today, for your continued interest in Cal-Maine Foods.

And Operator, we're ready to conclude the call.

Operator^ This concludes today's question-and-answer session.

A replay of today's call will be available via webcast approximately two hours after the conclusion of this call and will remain available on demand for one year. The webcast can be accessed in the Investor Relations section of Cal-Maine Foods’ website. A transcript of today's call will also be posted in the Investor Relations section of the company's website.

Thank you for joining us today, and you may now disconnect.