

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended **November 26, 2022**

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number: 001-38695

CAL-MAINE FOODS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

64-0500378

(I.R.S Employer Identification No.)

1052 Highland Colony Pkwy, Suite 200, Ridgeland, Mississippi 39157

(Address of principal executive offices)

(Zip Code)

(601) 948-6813

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value per share	CALM	The NASDAQ Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non – Accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

There were 44,130,149 shares of Common Stock, \$0.01 par value, and 4,800,000 shares of Class A Common Stock, \$0.01 par value, outstanding as of December 28, 2022.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
Cal-Maine Foods, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands, except for par value amounts)
(Unaudited)

	<u>November 26, 2022</u>	<u>May 28, 2022</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 178,635	\$ 59,084
Investment securities available-for-sale	200,714	115,429
Trade and other receivables, net	262,964	177,257
Income tax receivable	42,147	42,147
Inventories	280,582	263,316
Prepaid expenses and other current assets	8,968	4,286
Total current assets	<u>974,010</u>	<u>661,519</u>
Property, plant & equipment, net	703,882	677,796
Investments in unconsolidated entities	14,687	15,530
Goodwill	44,006	44,006
Intangible assets, net	17,037	18,131
Other long-term assets	9,818	10,507
Total Assets	<u>\$ 1,763,440</u>	<u>\$ 1,427,489</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 154,624	\$ 122,331
Accrued income taxes payable	85,723	25,687
Dividends payable	66,202	36,656
Total current liabilities	<u>306,549</u>	<u>184,674</u>
Other noncurrent liabilities	9,410	10,274
Deferred income taxes, net	127,176	128,196
Total liabilities	<u>443,135</u>	<u>323,144</u>
Commitments and contingencies - see Note 9		
Stockholders' equity:		
Common stock (\$0.01 par value):		
Common stock - authorized 120,000 shares, issued 70,261 shares	703	703
Class A convertible common stock - authorized and issued 4,800 shares	48	48
Paid-in capital	70,005	67,989
Retained earnings	1,281,784	1,065,854
Accumulated other comprehensive loss, net of tax	(3,087)	(1,596)
Common stock in treasury at cost – 26,126 shares at November 26, 2022 and 26,121 shares at May 28, 2022	<u>(28,496)</u>	<u>(28,447)</u>
Total Cal-Maine Foods, Inc. stockholders' equity	<u>1,320,957</u>	<u>1,104,551</u>
Noncontrolling interest in consolidated entity	(652)	(206)
Total stockholders' equity	<u>1,320,305</u>	<u>1,104,345</u>
Total Liabilities and Stockholders' Equity	<u>\$ 1,763,440</u>	<u>\$ 1,427,489</u>

See Notes to Condensed Consolidated Financial Statements.

Cal-Maine Foods, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	November 26, 2022	November 27, 2021	November 26, 2022	November 27, 2021
Net sales	\$ 801,700	\$ 381,723	\$ 1,460,044	\$ 706,709
Cost of sales	483,851	337,976	924,705	656,317
Gross profit	317,849	43,747	535,339	50,392
Selling, general and administrative	57,952	47,780	111,559	94,305
(Gain) loss on disposal of fixed assets	29	(1,968)	62	(2,181)
Operating income (loss)	259,868	(2,065)	423,718	(41,732)
Other income (expense):				
Interest income, net	1,930	129	2,833	361
Royalty income	344	278	772	551
Equity income (loss) of unconsolidated entities	(987)	264	(843)	399
Other, net	1,113	1,862	1,268	7,025
Total other income, net	2,400	2,533	4,030	8,336
Income (loss) before income taxes	262,268	468	427,748	(33,396)
Income tax expense (benefit)	63,974	(677)	104,320	(16,515)
Net income (loss)	198,294	1,145	323,428	(16,881)
Less: Loss attributable to noncontrolling interest	(293)	(28)	(446)	(28)
Net income (loss) attributable to Cal-Maine Foods, Inc.	<u>\$ 198,587</u>	<u>\$ 1,173</u>	<u>\$ 323,874</u>	<u>\$ (16,853)</u>
Net income (loss) per common share:				
Basic	<u>\$ 4.08</u>	<u>\$ 0.02</u>	<u>\$ 6.66</u>	<u>\$ (0.34)</u>
Diluted	<u>\$ 4.07</u>	<u>\$ 0.02</u>	<u>\$ 6.63</u>	<u>\$ (0.34)</u>
Weighted average shares outstanding:				
Basic	<u>48,624</u>	<u>48,857</u>	<u>48,624</u>	<u>48,859</u>
Diluted	<u>48,840</u>	<u>49,016</u>	<u>48,827</u>	<u>48,859</u>

See Notes to Condensed Consolidated Financial Statements.

Cal-Maine Foods, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss)

(In thousands)
(Unaudited)

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	November 26, 2022	November 27, 2021	November 26, 2022	November 27, 2021
Net income (loss)	\$ 198,294	\$ 1,145	\$ 323,428	\$ (16,881)
Other comprehensive income (loss), before tax:				
Unrealized holding loss on available-for-sale securities, net of reclassification adjustments	(974)	(355)	(1,971)	(579)
Income tax benefit related to items of other comprehensive income	237	87	480	141
Other comprehensive loss, net of tax	(737)	(268)	(1,491)	(438)
Comprehensive income (loss)	197,557	877	321,937	(17,319)
Less: Comprehensive loss attributable to the noncontrolling interest	(293)	(28)	(446)	(28)
Comprehensive income (loss) attributable to Cal-Maine Foods, Inc.	<u>\$ 197,850</u>	<u>\$ 905</u>	<u>\$ 322,383</u>	<u>\$ (17,291)</u>

See Notes to Condensed Consolidated Financial Statements.

Cal-Maine Foods, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows

(In thousands)
(Unaudited)

	Twenty-six Weeks Ended	
	November 26, 2022	November 27, 2021
Cash flows from operating activities:		
Net income (loss)	\$ 323,428	\$ (16,881)
Depreciation and amortization	34,729	33,969
Deferred income taxes	(540)	(15,995)
Other adjustments, net	(12,830)	(16,585)
Net cash provided by (used in) operations	344,787	(15,492)
Cash flows from investing activities:		
Purchases of investment securities	(152,365)	(26,387)
Sales and maturities of investment securities	65,279	67,864
Distributions from unconsolidated entities	—	400
Acquisition of business, net of cash acquired	—	(44,823)
Purchases of property, plant and equipment	(59,709)	(28,647)
Net proceeds from disposal of property, plant and equipment	92	5,338
Net cash used in investing activities	(146,703)	(26,255)
Cash flows from financing activities:		
Payments of dividends	(78,394)	—
Purchase of common stock by treasury	(45)	(18)
Principal payments on finance lease	(94)	(106)
Contributions	—	3
Net cash used in financing activities	(78,533)	(121)
Net change in cash and cash equivalents	119,551	(41,868)
Cash and cash equivalents at beginning of period	59,084	57,352
Cash and cash equivalents at end of period	<u>\$ 178,635</u>	<u>\$ 15,484</u>

See Notes to Condensed Consolidated Financial Statements.

Cal-Maine Foods, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

The unaudited condensed consolidated financial statements of Cal-Maine Foods, Inc. and its subsidiaries (the “Company,” “we,” “us,” “our”) have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial reporting and should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended May 28, 2022 (the “2022 Annual Report”). These statements reflect all adjustments that are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented and, in the opinion of management, consist of adjustments of a normal recurring nature. Operating results for the interim periods are not necessarily indicative of operating results for the entire fiscal year.

Fiscal Year

The Company’s fiscal year ends on the Saturday closest to May 31. Each of the three-month periods and year-to-date periods ended on November 26, 2022 and November 27, 2021 included 13 weeks and 26 weeks, respectively.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Investment Securities

Our investment securities are accounted for in accordance with ASC 320, “Investments - Debt and Equity Securities” (“ASC 320”). The Company considers all its debt securities for which there is a determinable fair market value, and there are no restrictions on the Company’s ability to sell within the next 12 months, as available-for-sale. We classify these securities as current, because the amounts invested are available for current operations. Available-for-sale securities are carried at fair value, with unrealized gains and losses reported in other comprehensive income until realized. The total of other comprehensive income for the period is presented as a component of stockholders’ equity separately from retained earnings and additional paid-in capital. The Company regularly evaluates changes to the rating of its debt securities by credit agencies and economic conditions to assess and record any expected credit losses through the allowance for credit losses, limited to the amount that fair value was less than the amortized cost basis. The cost basis for realized gains and losses on available-for-sale securities is determined by the specific identification method. Gains and losses are recognized in other income (expenses) as Other, net in the Company’s Condensed Consolidated Statements of Operations. Investments in mutual funds are classified as “Other long-term assets” in the Company’s Condensed Consolidated Balance Sheets.

Trade Receivables

Trade receivables are stated at their carrying values, which include a reserve for credit losses. As of November 26, 2022 and May 28, 2022, reserves for credit losses were \$838 thousand and \$775 thousand, respectively. The Company extends credit to customers based on an evaluation of each customer’s financial condition and credit history. Collateral is generally not required. The Company minimizes exposure to counter party credit risk through credit analysis and approvals, credit limits, and monitoring procedures. In determining our reserve for credit losses, receivables are assigned an expected loss based on historical loss information adjusted as needed for economic and other forward-looking factors.

Dividends Payable

We accrue dividends at the end of each quarter according to the Company’s dividend policy adopted by its Board of Directors. The Company pays a dividend to shareholders of its Common Stock and Class A Common Stock on a quarterly basis for each quarter for which the Company reports net income attributable to Cal-Maine Foods, Inc. computed in accordance with GAAP in an amount equal to one-third (1/3) of such quarterly income. Dividends are paid to shareholders of record as of the 60th day following the last day of such quarter, except for the fourth fiscal quarter. For the fourth quarter, the Company pays dividends

to shareholders of record on the 65th day after the quarter end. Dividends are payable on the 15th day following the record date. Following a quarter for which the Company does not report net income attributable to Cal-Maine Foods, Inc., the Company will not pay a dividend 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.

Immaterial Error Correction

Effective on May 30, 2021, the Company acquired the remaining 50% membership interest in Red River Valley Egg Farm, LLC (“Red River”), including certain liabilities. During the Company’s third quarter of fiscal 2022, management determined that it had not properly eliminated select intercompany sales and cost of sales transactions between Red River and the corresponding other wholly-owned subsidiaries of the Company in its first and second quarter 2022 Condensed Consolidated Statements of Operations. The errors resulted in an overstatement of Net Sales and Cost of Sales of \$6.7 million in the first quarter of fiscal 2022 and \$9.2 million in the second quarter of fiscal 2022. There was no impact to Operating loss, Net income (loss) or Net income (loss) per share.

We evaluated the errors quantitatively and qualitatively in accordance with Staff Accounting Bulletin (“SAB”) No. 99 Materiality, and SAB No. 108 Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in the Current Year Financial Statements, and determined that the related impact was not material to our condensed consolidated financial statements for the first or second quarters of fiscal 2022, but that correcting the cumulative impact of the errors would be relevant to our Condensed Consolidated Statements of Operations for the third quarter ended February 26, 2022. Accordingly, we have reflected the correction of the immaterial error in fiscal 2022 as a reduction of Net Sales and Cost of Sales in the accompanying Condensed Consolidated Statements of Operations.

New Accounting Pronouncements and Policies

No new accounting pronouncement issued or effective during the fiscal year had or is expected to have a material impact on our Consolidated Financial Statements.

Note 2 - Investment Securities

The following represents the Company’s investment securities as of November 26, 2022 and May 28, 2022 (in thousands):

November 26, 2022	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Municipal bonds	\$ 15,956	\$ —	\$ 276	\$ 15,680
Commercial paper	33,058	—	53	33,005
Corporate bonds	81,218	—	1,709	79,509
US government and agency obligations	19,111	—	205	18,906
Asset backed securities	13,403	—	340	13,063
Treasury bills	40,644	—	93	40,551
Total current investment securities	\$ 203,390	\$ —	\$ 2,676	\$ 200,714
Mutual funds	\$ 3,472	\$ —	\$ 114	\$ 3,358
Total noncurrent investment securities	\$ 3,472	\$ —	\$ 114	\$ 3,358

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May 28, 2022	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Municipal bonds	\$ 10,136	\$ —	\$ 32	\$ 10,104
Commercial paper	14,940	—	72	14,868
Corporate bonds	74,167	—	483	73,684
Certificates of deposits	1,263	—	18	1,245
US government and agency obligations	2,205	4	—	2,209
Asset backed securities	13,456	—	137	13,319
Total current investment securities	\$ 116,167	\$ 4	\$ 742	\$ 115,429
Mutual funds	\$ 3,826	\$ —	\$ 74	\$ 3,752
Total noncurrent investment securities	\$ 3,826	\$ —	\$ 74	\$ 3,752

Available-for-sale

Proceeds from sales and maturities of investment securities available-for-sale were \$65.3 million and \$67.9 million during the twenty-six weeks ended November 26, 2022 and November 27, 2021, respectively. Gross realized gains for the twenty-six weeks ended November 26, 2022 and November 27, 2021 were \$2 thousand and \$165 thousand, respectively. Gross realized losses for the twenty-six weeks ended November 26, 2022 and November 27, 2021 were \$63 thousand and \$67 thousand, respectively. There were no allowances for credit losses at November 26, 2022 and May 28, 2022.

Actual maturities may differ from contractual maturities as some borrowers have the right to call or prepay obligations with or without penalties. Contractual maturities of current investments at November 26, 2022 are as follows (in thousands):

	Estimated Fair Value
Within one year	\$ 133,867
1-5 years	66,847
Total	\$ 200,714

Noncurrent

There were no sales of noncurrent investment securities during the twenty-six weeks ended November 26, 2022. Proceeds from sales and maturities of noncurrent investment securities were \$453 thousand during the twenty-six weeks ended November 27, 2021. Gross realized gains for the twenty-six weeks ended November 27, 2021 were \$165 thousand. There were no realized losses for the twenty-six weeks ended November 27, 2021.

Note 3 - Fair Value Measurements

The Company is required to categorize both financial and nonfinancial assets and liabilities based on the following fair value hierarchy. The fair value of an asset is the price at which the asset could be sold in an orderly transaction between unrelated, knowledgeable, and willing parties able to engage in the transaction. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor in a transaction between such parties, not the amount that would be paid to settle the liability with the creditor.

- *Level 1* - Quoted prices in active markets for identical assets or liabilities
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, including:
 - Quoted prices for similar assets or liabilities in active markets
 - Quoted prices for identical or similar assets in non-active markets
 - Inputs other than quoted prices that are observable for the asset or liability
 - Inputs derived principally from or corroborated by other observable market data
- *Level 3* - Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The disclosures of fair value of certain financial assets and liabilities that are recorded at cost are as follows:

Cash and cash equivalents, accounts receivable, and accounts payable: The carrying amount approximates fair value due to the short maturity of these instruments.

Lease obligations: The carrying value of the Company's lease obligations is at its present value which approximates fair value.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

In accordance with the fair value hierarchy described above, the following table shows the fair value of financial assets and liabilities measured at fair value on a recurring basis as of November 26, 2022 and May 28, 2022 (in thousands):

November 26, 2022	Level 1	Level 2	Level 3	Balance
Assets				
Municipal bonds	\$ —	\$ 15,680	\$ —	\$ 15,680
Commercial paper	—	33,005	—	33,005
Corporate bonds	—	79,509	—	79,509
US government and agency obligations	—	18,906	—	18,906
Asset backed securities	—	13,063	—	13,063
Treasury bills	—	40,551	—	40,551
Mutual funds	3,358	—	—	3,358
Total assets measured at fair value	\$ 3,358	\$ 200,714	\$ —	\$ 204,072

May 28, 2022	Level 1	Level 2	Level 3	Balance
Assets				
Municipal bonds	\$ —	\$ 10,104	\$ —	\$ 10,104
Commercial paper	—	14,868	—	14,868
Corporate bonds	—	73,684	—	73,684
Certificates of deposits	—	1,245	—	1,245
US government and agency obligations	—	2,209	—	2,209
Asset backed securities	—	13,319	—	13,319
Mutual funds	3,752	—	—	3,752
Total assets measured at fair value	\$ 3,752	\$ 115,429	\$ —	\$ 119,181

Investment securities – available-for-sale classified as Level 2 consist of securities with maturities of three months or longer when purchased. We classified these securities as current because amounts invested are readily available for current operations. Observable inputs for these securities are yields, credit risks, default rates, and volatility.

Note 4 - Inventories

Inventories consisted of the following as of November 26, 2022 and May 28, 2022 (in thousands):

	November 26, 2022	May 28, 2022
Flocks, net of amortization	\$ 156,782	\$ 144,051
Eggs and egg products	28,343	26,936
Feed and supplies	95,457	92,329
	<u>\$ 280,582</u>	<u>\$ 263,316</u>

We grow and maintain flocks of layers (mature female chickens), pullets (female chickens, under 18 weeks of age), and breeders (male and female chickens used to produce fertile eggs to hatch for egg production flocks). Our total flock at November 26, 2022 and May 28, 2022 consisted of approximately 10.4 million and 11.5 million pullets and breeders and 43.7 million and 42.2 million layers, respectively.

Note 5 - Equity

The following reflects equity activity for the thirteen and twenty-six weeks ended November 26, 2022 and November 27, 2021 (in thousands):

Thirteen Weeks Ended November 26, 2022								
Cal-Maine Foods, Inc. Stockholders								
Common Stock								
	Class A	Treasury	Paid In	Accum. Other	Retained	Noncontrolling		
	Amount	Amount	Amount	Capital	Comp. Loss	Earnings	Interest	Total
Balance at August 27, 2022	\$ 703	\$ 48	\$ (28,495)	\$ 69,017	\$ (2,350)	\$ 1,149,399	\$ (359)	\$ 1,187,963
Other comprehensive loss, net of tax	—	—	—	—	(737)	—	—	(737)
Stock compensation plan transactions	—	—	(1)	988	—	—	—	987
Dividends (\$1.353 per share)								
Common	—	—	—	—	—	(59,708)	—	(59,708)
Class A common	—	—	—	—	—	(6,494)	—	(6,494)
Net income (loss)	—	—	—	—	—	198,587	(293)	198,294
Balance at November 26, 2022	\$ 703	\$ 48	\$ (28,496)	\$ 70,005	\$ (3,087)	\$ 1,281,784	\$ (652)	\$ 1,320,305
Thirteen Weeks Ended November 27, 2021								
Cal-Maine Foods, Inc. Stockholders								
Common Stock								
	Class A	Treasury	Paid In	Accum. Other	Retained	Noncontrolling		
	Amount	Amount	Amount	Capital	Comp. Loss	Earnings	Interest	Total
Balance at August 28, 2021	\$ 703	\$ 48	\$ (27,451)	\$ 65,044	\$ (728)	\$ 957,951	\$ —	\$ 995,567
Other comprehensive loss, net of tax	—	—	—	—	(268)	—	—	(268)
Stock compensation plan transactions	—	—	1	975	—	—	—	976
Contributions	—	—	—	—	—	—	3	3
Net income (loss)	—	—	—	—	—	1,173	(28)	1,145
Balance at November 27, 2021	\$ 703	\$ 48	\$ (27,450)	\$ 66,019	\$ (996)	\$ 959,124	\$ (25)	\$ 997,423

Twenty-six Weeks Ended November 26, 2022								
Cal-Maine Foods, Inc. Stockholders								
	Common Stock				Accum. Other Comp. Loss	Retained Earnings	Noncontrolling Interest	Total
	Amount	Class A Amount	Treasury Amount	Paid In Capital				
Balance at May 28, 2022	\$ 703	\$ 48	\$ (28,447)	\$ 67,989	\$ (1,596)	\$ 1,065,854	\$ (206)	\$ 1,104,345
Other comprehensive loss, net of tax	—	—	—	—	(1,491)	—	—	(1,491)
Stock compensation plan transactions	—	—	(49)	2,016	—	—	—	1,967
Dividends (\$2.206 per share)								
Common	—	—	—	—	—	(97,355)	—	(97,355)
Class A common	—	—	—	—	—	(10,589)	—	(10,589)
Net income (loss)	—	—	—	—	—	323,874	(446)	323,428
Balance at November 26, 2022	\$ 703	\$ 48	\$ (28,496)	\$ 70,005	\$ (3,087)	\$ 1,281,784	\$ (652)	\$ 1,320,305

Twenty-six Weeks Ended November 27, 2021								
Cal-Maine Foods, Inc. Stockholders								
	Common Stock				Accum. Other Comp. Loss	Retained Earnings	Noncontrolling Interest	Total
	Amount	Class A Amount	Treasury Amount	Paid In Capital				
Balance at May 29, 2021	\$ 703	\$ 48	\$ (27,433)	\$ 64,044	\$ (558)	\$ 975,977	\$ —	\$ 1,012,781
Other comprehensive loss, net of tax	—	—	—	—	(438)	—	—	(438)
Stock compensation plan transactions	—	—	(17)	1,975	—	—	—	1,958
Contributions	—	—	—	—	—	—	3	3
Net loss	—	—	—	—	—	(16,853)	(28)	(16,881)
Balance at November 27, 2021	\$ 703	\$ 48	\$ (27,450)	\$ 66,019	\$ (996)	\$ 959,124	(25)	\$ 997,423

Note 6 - Net Income (Loss) per Common Share

Basic net income (loss) per share is based on the weighted average Common Stock and Class A Common Stock outstanding. Diluted net income per share is based on weighted-average common shares outstanding during the relevant period adjusted for the dilutive effect of share-based awards. Restricted shares of 145 thousand were antidilutive due to the net loss for the first twenty-six weeks of fiscal 2022. These shares were not included in the diluted net loss per share calculation.

The following table provides a reconciliation of the numerators and denominators used to determine basic and diluted net income (loss) per common share (amounts in thousands, except per share data):

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	November 26, 2022	November 27, 2021	November 26, 2022	November 27, 2021
Numerator				
Net income (loss)	\$ 198,294	\$ 1,145	\$ 323,428	\$ (16,881)
Less: Loss attributable to noncontrolling interest	(293)	(28)	(446)	(28)
Net income (loss) attributable to Cal-Maine Foods, Inc.	\$ 198,587	\$ 1,173	\$ 323,874	\$ (16,853)
Denominator				
Weighted-average common shares outstanding, basic	48,624	48,857	48,624	48,859
Effect of dilutive restricted shares	216	159	203	—
Weighted-average common shares outstanding, diluted	48,840	49,016	48,827	48,859
Net income (loss) per common share attributable to Cal-Maine Foods, Inc.				
Basic	\$ 4.08	\$ 0.02	\$ 6.66	\$ (0.34)
Diluted	\$ 4.07	\$ 0.02	\$ 6.63	\$ (0.34)

Note 7 – Revenue from Contracts with Customers

Satisfaction of Performance Obligation

The vast majority of the Company’s revenue is derived from agreements with customers based on the customer placing an order for products. Pricing for the most part is determined when the Company and the customer agree upon the specific order, which establishes the contract for that order.

Revenues are recognized in an amount that reflects the net consideration we expect to receive in exchange for the goods. Our shell eggs are sold at prices related to independently quoted wholesale market prices or formulas related to our costs of production. The Company’s sales predominantly contain a single performance obligation. We recognize revenue upon satisfaction of the performance obligation with the customer which typically occurs within days of the Company and the customer agreeing upon the order.

Returns and Refunds

Some of our contracts include a guaranteed sale clause, pursuant to which we credit the customer’s account for product that the customer is unable to sell before expiration. The Company records an allowance for returns and refunds by using historical return data and comparing to current period sales and accounts receivable. The allowance is recorded as a reduction in sales with a corresponding reduction in trade accounts receivable.

Sales Incentives Provided to Customers

The Company periodically provides incentive offers to its customers to encourage purchases. Such offers include current discount offers (e.g., percentage discounts off current purchases), inducement offers (e.g., offers for future discounts subject to a minimum current purchase), and other similar offers. Current discount offers, when accepted by customers, are treated as a reduction to the sales price of the related transaction, while inducement offers, when accepted by customers, are treated as a reduction to the sales price based on estimated future redemption rates. Redemption rates are estimated using the Company’s historical experience for similar inducement offers. Current discount and inducement offers are presented as a net amount in “Net sales.”

Disaggregation of Revenue

The following table provides revenue disaggregated by product category (in thousands):

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	November 26, 2022	November 27, 2021	November 26, 2022	November 27, 2021
Conventional shell egg sales	\$ 541,917	\$ 221,142	\$ 967,506	\$ 403,172
Specialty shell egg sales	227,778	146,917	428,598	279,375
Egg products	28,052	11,401	55,692	20,767
Other	3,953	2,263	8,248	3,395
	<u>\$ 801,700</u>	<u>\$ 381,723</u>	<u>\$ 1,460,044</u>	<u>\$ 706,709</u>

Contract Costs

The Company can incur costs to obtain or fulfill a contract with a customer. If the amortization period of these costs is less than one year, they are expensed as incurred. When the amortization period is greater than one year, a contract asset is recognized and is amortized over the contract life as a reduction in net sales. As of November 26, 2022 and May 28, 2022, the balance for contract assets was immaterial.

Contract Balances

The Company receives payment from customers based on specified terms that are generally less than 30 days from delivery. There are rarely contract assets or liabilities related to performance under the contract.

Note 8 - Stock Based Compensation

Total stock-based compensation expense was \$2.0 million for the twenty-six weeks ended November 26, 2022 and November 27, 2021.

Unrecognized compensation expense as a result of non-vested shares of restricted stock outstanding under the Amended and Restated 2012 Omnibus Long-Term Incentive Plan at November 26, 2022 of \$4.9 million will be recorded over a weighted average period of 1.8 years. Refer to Part II Item 8, Notes to Consolidated Financial Statements and Supplementary Data, Note 16: Stock Compensation Plans in our 2022 Annual Report for further information on our stock compensation plans.

The Company's restricted share activity for the twenty-six weeks ended November 26, 2022 follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding, May 28, 2022	317,844	\$ 39.12
Vested	(3,240)	38.31
Forfeited	(4,200)	39.44
Outstanding, November 26, 2022	<u>310,404</u>	<u>\$ 39.12</u>

Note 9 - Commitments and Contingencies*Financial Instruments*

The Company maintained standby letters of credit ("LOCs") totaling \$4.1 million at November 26, 2022, which were issued under the Company's senior secured revolving credit facility. The outstanding LOCs are for the benefit of certain insurance companies and are not recorded as a liability on the consolidated balance sheets.

LEGAL PROCEEDINGS

State of Texas v. Cal-Maine Foods, Inc. d/b/a Wharton; and Wharton County Foods, LLC

On April 23, 2020, the Company and its subsidiary Wharton County Foods, LLC (“WCF”) were named as defendants in State of Texas v. Cal-Maine Foods, Inc. d/b/a Wharton; and Wharton County Foods, LLC, Cause No. 2020-25427, in the District Court of Harris County, Texas. The State of Texas (the “State”) asserted claims based on the Company’s and WCF’s alleged violation of the Texas Deceptive Trade Practices—Consumer Protection Act, Tex. Bus. & Com. Code §§ 17.41-17.63 (“DTPA”). The State claimed that the Company and WCF offered shell eggs at excessive or exorbitant prices during the COVID-19 state of emergency and made misleading statements about shell egg prices. The State sought temporary and permanent injunctions against the Company and WCF to prevent further alleged violations of the DTPA, along with over \$100,000 in damages. On August 13, 2020, the court granted the defendants’ motion to dismiss the State’s original petition with prejudice. On September 11, 2020, the State filed a notice of appeal, which was assigned to the Texas Court of Appeals for the First District. On August 16, 2022, the appeals court reversed and remanded the case back to the trial court for further proceedings. On October 31, 2022, the Company and WCF filed a petition for review to the Supreme Court of Texas appealing the First District court’s decision. On November 30, 2022, the State of Texas waived its response to defendant’s petition for review. The court has not issued a ruling. Management believes the risk of material loss related to this matter to be remote.

Bell et al. v. Cal-Maine Foods et al.

On April 30, 2020, the Company was named as one of several defendants in Bell et al. v. Cal-Maine Foods et al., Case No. 1:20-cv-461, in the Western District of Texas, Austin Division. The defendants include numerous grocery stores, retailers, producers, and farms. Plaintiffs assert that defendants violated the DTPA by allegedly demanding exorbitant or excessive prices for eggs during the COVID-19 state of emergency. Plaintiffs request certification of a class of all consumers who purchased eggs in Texas sold, distributed, produced, or handled by any of the defendants during the COVID-19 state of emergency. Plaintiffs seek to enjoin the Company and other defendants from selling eggs at a price more than 10% greater than the price of eggs prior to the declaration of the state of emergency and damages in the amount of \$10,000 per violation, or \$250,000 for each violation impacting anyone over 65 years old. On December 1, 2020, the Company and certain other defendants filed a motion to dismiss the plaintiffs’ amended class action complaint. The plaintiffs subsequently filed a motion to strike, and the motion to dismiss and related proceedings were referred to a United States magistrate judge. On July 14, 2021, the magistrate judge issued a report and recommendation to the court that the defendants’ motion to dismiss be granted and the case be dismissed without prejudice for lack of subject matter jurisdiction. On September 20, 2021, the court dismissed the case without prejudice. On July 13, 2022, the court denied the plaintiffs’ motion to set aside or amend the judgment to amend their complaint.

On March 15, 2022, plaintiffs filed a second suit against the Company and several defendants in Bell et al. v. Cal-Maine Foods et al., Case No. 1:22-cv-246, in the Western District of Texas, Austin Division alleging the same assertions as laid out in the first complaint. On August 12, 2022, the Company and other defendants in the case filed a motion to dismiss the plaintiffs’ class action complaint. On September 6, 2022, the plaintiffs’ filed their opposition to the motion to dismiss and the Company and other defendants filed their reply on September 13, 2022. On December 7, 2022, the magistrate judge issued a report and recommendation to the court that the defendants’ motion to dismiss be granted and the case be dismissed without prejudice for lack of subject matter jurisdiction. On December 21, 2022, the plaintiffs filed Objections to the Magistrate’s Report and Recommendation, but the court has not issued a ruling. Management believes the risk of material loss related to both matters to be remote.

Kraft Foods Global, Inc. et al. v. United Egg Producers, Inc. et al.

As previously reported, on September 25, 2008, the Company was named as one of several defendants in numerous antitrust cases involving the United States shell egg industry. The Company settled all of these cases, except for the claims of certain plaintiffs who sought substantial damages allegedly arising from the purchase of egg products (as opposed to shell eggs). These remaining plaintiffs are Kraft Food Global, Inc., General Mills, Inc., and Nestle USA, Inc. (the “Egg Products Plaintiffs”) and The Kellogg Company.

On September 13, 2019, the case with the Egg Products Plaintiffs was remanded from a multi-district litigation proceeding in the United States District Court for the Eastern District of Pennsylvania, In re Processed Egg Products Antitrust Litigation, MDL No. 2002, to the United States District Court for the Northern District of Illinois, Kraft Foods Global, Inc. et al. v. United Egg Producers, Inc. et al., Case No. 1:11-cv-8808, for trial. The Egg Products Plaintiffs allege that the Company and other defendants violated Section 1 of the Sherman Act, 15. U.S.C. § 1, by agreeing to limit the production of eggs and thereby illegally to raise the prices that plaintiffs paid for processed egg products. In particular, the Egg Products Plaintiffs are attacking certain features of the United Egg Producers animal-welfare guidelines and program used by the Company and many other egg producers. The Egg Products Plaintiffs seek to enjoin the Company and other defendants from engaging in antitrust violations

and seek treble money damages. On May 2, 2022, the court set trial for October 24, 2022, but on September 20, 2022, the court cancelled the trial date due to COVID-19 protocols and converted the trial date to a status hearing to reschedule the jury trial. On December 8, 2022, the court held a status hearing. The parties subsequently submitted an updated proposed pre-trial schedule and the Court has set the trial for October 16, 2023.

In addition, on October 24, 2019, the Company entered into a confidential settlement agreement with The Kellogg Company dismissing all claims against the Company for an amount that did not have a material impact on the Company's financial condition or results of operations. On November 11, 2019, a stipulation for dismissal was filed with the court, and on March 28, 2022, the court dismissed the Company with prejudice.

The Company intends to continue to defend the remaining case with the Egg Products Plaintiffs as vigorously as possible based on defenses which the Company believes are meritorious and provable. Adjustments, if any, which might result from the resolution of this remaining matter with the Egg Products Plaintiffs have not been reflected in the financial statements. While management believes that there is still a reasonable possibility of a material adverse outcome from the case with the Egg Products Plaintiffs, at the present time, it is not possible to estimate the amount of monetary exposure, if any, to the Company due to a range of factors, including the following, among others: two earlier trials based on substantially the same facts and legal arguments resulted in findings of no conspiracy and/or damages; this trial will be before a different judge and jury in a different court than prior related cases; there are significant factual issues to be resolved; and there are requests for damages other than compensatory damages (i.e., injunction and treble money damages).

State of Oklahoma Watershed Pollution Litigation

On June 18, 2005, the State of Oklahoma filed suit, in the United States District Court for the Northern District of Oklahoma, against Cal-Maine Foods, Inc. and Tyson Foods, Inc. and affiliates, Cobb-Vantress, Inc., Cargill, Inc. and its affiliate, George's, Inc. and its affiliate, Peterson Farms, Inc. and Simmons Foods, Inc. The State of Oklahoma claims that through the disposal of chicken litter the defendants have polluted the Illinois River Watershed. This watershed provides water to eastern Oklahoma. The complaint seeks injunctive relief and monetary damages, but the claim for monetary damages has been dismissed by the court. Cal-Maine Foods, Inc. discontinued operations in the watershed. Accordingly, we do not anticipate that Cal-Maine Foods, Inc. will be materially affected by the request for injunctive relief unless the court orders substantial affirmative remediation. Since the litigation began, Cal-Maine Foods, Inc. purchased 100% of the membership interests of Benton County Foods, LLC, which is an ongoing commercial shell egg operation within the Illinois River Watershed. Benton County Foods, LLC is not a defendant in the litigation.

The trial in the case began in September 2009 and concluded in February 2010. The case was tried without a jury, and the court has not yet issued its ruling. Management believes the risk of material loss related to this matter to be remote.

Other Matters

In addition to the above, the Company is involved in various other claims and litigation incidental to its business. Although the outcome of these matters cannot be determined with certainty, management, upon the advice of counsel, is of the opinion that the final outcome should not have a material effect on the Company's consolidated results of operations or financial position.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part II Item 7 of the Company's Annual Report on Form 10-K for its fiscal year ended May 28, 2022 (the "2022 Annual Report"), and the accompanying financial statements and notes included in Part II Item 8 of the 2022 Annual Report and in [Part I Item 1](#) of this Quarterly Report on Form 10-Q ("Quarterly Report").

This report contains numerous forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act") relating to our shell egg business, including estimated future production data, expected construction schedules, projected construction costs, potential future supply of and demand for our products, potential future corn and soybean price trends, potential future impact on our business of the COVID-19 pandemic, potential future impact on our business of new legislation, rules or policies, potential outcomes of legal proceedings, and other projected operating data, including anticipated results of operations and financial condition. Such forward-looking statements are identified by the use of words such as "believes," "intends," "expects," "hopes," "may," "should," "plans," "projected," "contemplates," "anticipates," or similar words. Actual outcomes or results could differ materially from those projected in the forward-looking statements. The forward-looking statements are based on management's current intent, belief, expectations, estimates, and projections regarding the Company and its 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 Part I Item 1A of the 2022 Annual Report (ii) the risks and hazards inherent in the shell egg business (including disease, pests, weather conditions, and potential for product recall), including but not limited to the current outbreak of highly pathogenic avian influenza ("HPAI") affecting poultry in the United States ("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 and rising inflation and interest rates, which generally have been exacerbated by Russia's invasion of Ukraine starting 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. 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, 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 update publicly these forward-looking statements, whether because of new information, future events, or otherwise.

GENERAL

Cal-Maine Foods, Inc. (the "Company," "we," "us," "our") is primarily engaged in the production, grading, packaging, marketing and distribution of fresh shell eggs. Our operations are fully integrated under one operating segment. We are the largest producer and distributor of fresh shell eggs in the U.S. Our total flock of approximately 43.7 million layers and 10.4 million pullets and breeders is the largest in the U.S. We sell most of our shell eggs to a diverse group of customers, including national and regional grocery store chains, club stores, companies servicing independent supermarkets in the U.S., food service distributors, and egg product consumers in states across the southwestern, southeastern, mid-western and mid-Atlantic regions of the U.S.

Our operating results are materially impacted by market prices for eggs and feed grains (corn and soybean meal), which are highly volatile, independent of each other, and out of our control. Generally, higher market prices for eggs have a positive impact on our financial results while higher market prices for feed grains have a negative impact on our financial results. Although we use a variety of pricing mechanisms in pricing agreements with our customers, we sell most of our conventional shell eggs based on formulas that consider, in varying ways, independently quoted regional wholesale market prices for shell eggs or formulas related to our costs of production which include the cost of corn and soybean meal.

We routinely fill our storage bins during harvest season when prices for feed ingredients are generally lower. To ensure continued availability of feed ingredients, we may enter into contracts for future purchases of corn and soybean meal, and as part of these contracts, we may lock-in the basis portion of our grain purchases several months in advance. Basis is the difference between the local cash price for grain and the applicable futures price. A basis contract is a common transaction in the grain market that allows us to lock-in a basis level for a specific delivery period and wait to set the futures price at a later

date. Furthermore, due to the more limited supply for organic ingredients, we may commit to purchase organic ingredients in advance to help ensure supply. Ordinarily, we do not enter into long-term contracts beyond a year to purchase corn and soybean meal or hedge against increases in the prices of corn and soybean meal. Corn and soybean meal are commodities and are subject to volatile price changes due to weather, various supply and demand factors, transportation and storage costs, speculators, agricultural, energy and trade policies in the U.S. and internationally and most recently the Russia-Ukraine war.

An important competitive advantage for Cal-Maine Foods is our ability to meet our customers' evolving needs with a favorable product mix of conventional and specialty eggs, including cage-free, organic and other specialty offerings, as well as egg products. We have also enhanced our efforts to provide free-range and pasture-raised eggs that meet consumers' evolving choice preferences. While a small part of our current business, the free-range and pasture-raised eggs we produce and sell represent attractive offerings to a subset of consumers, and therefore our customers, and help us continue to serve as the trusted provider of quality food choices.

We are also focused on additional ways to enhance its product mix and support new opportunities in the restaurant, institutional and industrial food products arena. On October 4, 2021, Cal-Maine Foods announced a strategic investment of \$18.5 million in debt and equity in Meadow Creek Foods, LLC ("MeadowCreek"), an egg products operation located in Neosho, Missouri, focused on offering hard-cooked eggs. Cal-Maine Foods serves as the preferred provider of specialty and conventional eggs for MeadowCreek to manufacture egg products. On December 13, 2022, our Board of Directors approved an additional \$13.8 million investment to expand the Company's controlling interest and fund additional equipment and working capital needs to support growth opportunities for MeadowCreek. As demand for hard-cooked eggs continues to grow, the funds will be used for additional refrigerated storage space and expanded capacity for cooking and packaging to better serve MeadowCreek's customers. Due to delays caused by supply chain issues and plans for expansion, MeadowCreek is now expected to be fully operational by or before March 2023.

The Company has joined in the formation of a new egg farmer cooperative in the western United States. ProEgg, Inc. ("ProEgg") is comprised of leading egg production companies, including Cal-Maine Foods, servicing retail and foodservice shell egg customers in 13 western states. ProEgg is a producer-owned cooperative organized under the Capper-Volstead Act.

Our membership in ProEgg is expected to provide benefits for its customers, including supply chain stability and enhanced reliability. Initially, Cal-Maine Foods' customer relationships and customer support are expected to remain the same. At some point in the future, it is anticipated that each producer member will sell through ProEgg the shell eggs it produces for sale in the western states covered by the cooperative. Customers would have a single point of contact for their shell egg purchases, as ProEgg would have a dedicated team to market and sell the members' combined egg production in the region.

The Company's top priority in joining as a member of ProEgg is serving our valued customers in this important market region. During this initial phase, we will continue our work to confirm that our participation in this new cooperative is in the best interest of our customers and aligns with our long-term interests. This consideration will take place before moving to the next phase of membership, and we expect this process to be completed on or before the end of our fiscal year 2023.

Retail sales of shell eggs historically have been highest during the fall and winter months and lowest during the summer months. Prices for shell eggs fluctuate in response to seasonal demand factors and a natural increase in egg production during the spring and early summer. Historically, shell egg prices tend to increase with the start of the school year and tend to be highest prior to holiday periods, particularly Thanksgiving, Christmas and Easter. Consequently, and all other things being equal, we would expect to experience lower selling prices, sales volumes and net income (and may incur net losses) in our first and fourth fiscal quarters ending in August/September and May/June, respectively. Because of the seasonal and quarterly fluctuations, comparisons of our sales and operating results between different quarters within a single fiscal year are not necessarily meaningful comparisons.

HPAI

We are closely monitoring the current outbreak of HPAI that was first detected in commercial flocks in the U.S. in February 2022. Outbreaks in commercial flocks in the U.S. have most recently occurred during each month from September to December 2022. The current HPAI epidemic has surpassed the prior 2014-2015 outbreak in terms of the number of affected hens in the U.S., and HPAI continues to circulate throughout the wild bird population in the U.S. and abroad. 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 December 28, 2022. The USDA division of Animal and Plant Health Inspection Service ("APHIS") reported on December 27, 2022 that approximately 43.3 million commercial layer hens and 1.0 million pullets have been depopulated due to HPAI this year. We believe the HPAI outbreak will continue to exert downward pressure on the overall supply of eggs, and the duration of those effects will depend

in part on the timing of replenishment of the U.S. layer hen flock. Prior to the outbreak of HPAI in February 2022, the layer hen flock five-year average from 2017 through 2021 was comprised of approximately 328 million hens. According to a LEAP Market Analytics report dated December 8, 2022, the layer hen inventory is not projected to exceed this 328 million mark again until December of 2023. Layer hen numbers reported by the USDA as of December 1, 2022 were 308.3 million, which represents a decrease of 5.8% compared with the layer hen inventory a year ago. However, the USDA reported that the hatch from July 2022 through November 2022 increased 5.8% as compared with the prior-year period.

While no farm is immune from HPAI, we believe we have implemented and continue to maintain robust biosecurity programs across our locations. We are 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 our response, if needed.

CAGE-FREE EGGS

Ten states have passed legislation or regulations mandating minimum space or cage-free requirements for egg production or mandated the sale of only cage-free eggs and egg products in their states, with implementation of these laws ranging from January 2022 to January 2026. These states represent approximately 27% of the U.S. total population according to the 2020 U.S. Census. In California and Massachusetts, which collectively represent 14% of the total U.S. population according to the 2020 U.S. Census, cage-free legislation went into effect January 1, 2022. However, these laws are subject to judicial challenge, and in October 2022 the Supreme Court of the U.S. heard oral arguments in a case challenging California's law that requires the sale of only cage-free eggs in that state. A decision in that case is expected next year. These laws have already affected and, if upheld, will continue to affect sourcing, production and pricing of eggs (conventional as well as specialty) as the national demand for cage-free production could be greater than the current supply, which would increase the prices of cage-free eggs, unless more cage-free production capacity is constructed. Likewise, the national supply for eggs from conventional production could exceed consumer demand which would decrease the prices of conventional eggs.

A significant number of our 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. Our customers typically do not commit to long-term purchases of specific quantities or types of eggs with us, and as a result, it is difficult to accurately predict customer requirements for cage-free eggs. We are, however, engaging with our customers in an effort to achieve a smooth transition in meeting their announced goals and needs. We have invested significant capital in recent years to acquire and construct cage-free facilities, and we expect our focus for future expansion will continue to include cage-free facilities. At the same time, we understand the importance of our continued ability to provide conventional eggs in order to provide our customers with a variety of egg choices and to address hunger in our communities.

For additional information, see the 2022 Annual Report, Part I Item 1, "Business – Specialty Eggs," "Business – Growth Strategy" and "Business – Government Regulation," and the first risk factor in Part I Item 1A, "Risk Factors" under the sub-heading "Legal and Regulatory Risk Factors."

EXECUTIVE OVERVIEW

For the second quarter of fiscal 2023, we recorded a gross profit of \$317.8 million compared to \$43.7 million for the same period of fiscal 2022, with the increase due primarily to higher shell egg prices, partially offset by the increased cost of feed ingredients and processing, packaging and warehouse costs.

Our net average selling price per dozen for the second quarter of fiscal 2023 was \$2.709 compared to \$1.365 in the prior-year period. Conventional egg prices per dozen were \$2.883 compared to \$1.151 for the prior-year period, and specialty egg prices per dozen were \$2.370 compared to \$1.898 for the prior-year period. Conventional egg prices increased in the second quarter of fiscal 2023 primarily due to decreased supply caused by the HPAI outbreak combined with good customer demand. See the discussion under the heading "HPAI" above. The daily average price for the UB southeast large index for the second quarter of fiscal 2023 increased 154.8% from the comparable period in the prior year, reaching near-record highs. Conventional egg prices exceeding specialty egg prices has occurred for the past three quarters but is atypical historically. Conventional egg prices generally respond more quickly to market conditions because we sell the majority of our conventional shell eggs based on formulas that adjust periodically and take into account, in varying ways, independently quoted regional wholesale market prices for shell eggs or formulas related to our costs of production. The majority of our specialty eggs are typically sold at prices and terms negotiated directly with customers and therefore do not fluctuate as much as conventional pricing. For information about historical shell egg prices, see Part I Item I of our 2022 Annual Report.

Our total dozens sold increased 5.4% to 284.1 million dozen shell eggs for the second quarter of fiscal 2023 compared to 269.6 million dozen for the same period of fiscal 2022. For the second quarter of fiscal 2023, conventional dozens sold decreased

2.2% and specialty dozens sold increased 24.1% as compared to the same quarter in fiscal 2022. Demand for specialty eggs increased in the second quarter of fiscal 2023 compared to the same prior year period due primarily to the higher prices for conventional eggs. Further, demand for specialty eggs continued to increase as retailers continued to shift to selling cage-free products and cage-free legislation went into full effect in California and Massachusetts on January 1, 2022.

Our farm production costs per dozen produced for the second quarter of fiscal 2023 increased 22.0%, or \$0.193, compared to the second quarter of fiscal 2022. This increase was primarily due to increased prices for feed ingredients and a higher basis in corn in most of our production areas, which added to our expense. For the second quarter of fiscal 2023, the average Chicago Board of Trade (“CBOT”) daily market price was \$6.78 per bushel for corn and \$423 per ton for soybean meal, representing increases of 24.8% and 25.5%, respectively, compared to the average daily CBOT prices for the comparable period in the prior year. For information about historical corn and soybean meal prices, see Part I Item I of our 2022 Annual Report.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain items from our Condensed Consolidated Statements of Operations expressed as a percentage of net sales.

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	November 26, 2022	November 27, 2021	November 26, 2022	November 27, 2021
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	60.4 %	88.5 %	63.3 %	92.9 %
Gross profit	39.6 %	11.5 %	36.7 %	7.1 %
Selling, general and administrative	7.2 %	12.5 %	7.6 %	13.3 %
(Gain) loss on disposal of fixed assets	— %	(0.5) %	— %	(0.3) %
Operating income (loss)	32.4 %	(0.5) %	29.1 %	(5.9) %
Total other income, net	0.3 %	0.7 %	0.3 %	1.2 %
Income (loss) before income taxes	32.7 %	0.2 %	29.4 %	(4.7) %
Income tax expense (benefit)	8.0 %	(0.2) %	7.1 %	(2.3) %
Net income (loss)	24.7 %	0.4 %	22.3 %	(2.4) %

NET SALES

Total net sales for the second quarter of fiscal 2023 were a record \$801.7 million compared to \$381.7 million for the same period of fiscal 2022.

Net shell egg sales represented 96.5% and 97.0% of total net sales for the second quarters of fiscal 2023 and 2022, respectively. Shell egg sales classified as “Other” represent sales of hard-cooked eggs and other miscellaneous byproducts included with our shell egg operations.

Total net sales for the twenty-six weeks ended November 26, 2022 were \$1.46 billion, compared to \$706.7 million for the comparable period of fiscal 2022.

Net shell egg sales represented 96.2% and 97.1% of total net sales for the twenty-six weeks ended November 26, 2022 and November 27, 2021, respectively.

The table below presents an analysis of our conventional and specialty shell egg sales (in thousands, except percentage data):

	Thirteen Weeks Ended				Twenty-six Weeks Ended			
	November 26, 2022		November 27, 2021		November 26, 2022		November 27, 2021	
Total net sales	\$ 801,700		\$ 381,723		\$ 1,460,044		\$ 706,709	
Conventional	\$ 541,917	70.1 %	\$ 221,142	59.7 %	\$ 967,506	69.0 %	\$ 403,172	58.8 %
Specialty	227,778	29.4 %	146,917	39.7 %	428,598	30.5 %	279,375	40.7 %
Egg sales, net	769,695	99.5 %	368,059	99.4 %	1,396,104	99.5 %	682,547	99.5 %
Other	3,953	0.5 %	2,263	0.6 %	8,248	0.6 %	3,395	0.5 %
Net shell egg sales	\$ 773,648		\$ 370,322		\$ 1,404,352		\$ 685,942	
	100.0 %		100.0 %		100.1 %		100.0 %	
Net shell egg sales as a percent of total net sales	96.5 %		97.0 %		96.2 %		97.1 %	
Dozens sold:								
Conventional	187,976	66.2 %	192,135	71.3 %	367,688	65.7 %	376,003	71.7 %
Specialty	96,110	33.8 %	77,420	28.7 %	191,715	34.3 %	148,171	28.3 %
Total dozens sold	284,086		269,555		559,403		524,174	
	100.0 %		100.0 %		100.0 %		100.0 %	
Net average selling price per dozen:								
Conventional	\$ 2.883		\$ 1.151		\$ 2.631		\$ 1.072	
Specialty	\$ 2.370		\$ 1.898		\$ 2.236		\$ 1.885	
All shell eggs	\$ 2.709		\$ 1.365		\$ 2.496		\$ 1.302	
Egg products sales:								
Egg products net sales	28,052		11,401		55,692		20,767	
Pounds sold	15,702		16,009		32,204		31,278	
Net average selling price per pound	1.787		0.712		1.729		0.664	

Shell egg net sales

Second Quarter – Fiscal 2023 vs. Fiscal 2022

- In the second quarter of fiscal 2023, conventional egg sales increased \$320.8 million, or 145.0%, compared to the second quarter of fiscal 2022, primarily due to the increase in the prices for conventional shell eggs, slightly offset by a decrease in volume of conventional shell eggs sold. Changes in prices resulted in a \$325.6 million increase and the change in volume resulted in a \$4.8 million decrease in net sales, respectively.
- Conventional egg prices increased in the second quarter of fiscal 2023 primarily due to decreased supply caused by the HPAI outbreak, discussed above, while we experienced continued good customer demand (and typical seasonal consumer demand).
- As a result of the independently quoted wholesale market prices for conventional eggs reaching near-record highs, the average selling price for conventional eggs exceeded the average selling price for specialty eggs in the second quarter of fiscal 2023, which has occurred for the past three quarters but is atypical historically. Conventional egg prices generally respond more quickly to market conditions as we sell the majority of our conventional shell eggs based on formulas that adjust periodically and take into account, in varying ways, independently quoted regional wholesale market prices for shell eggs or formulas related to our costs of production. The majority of our specialty eggs are typically sold at prices and terms negotiated directly with customers and therefore do not fluctuate as much as conventional pricing.
- Specialty egg sales increased \$80.9 million, or 55.0%, in the second quarter of fiscal 2023 compared to the second quarter of fiscal 2022, primarily due to a 24.9% increase in the prices for specialty eggs, which resulted in a \$45.4 million increase in net sales and a 24.1% increase in the volume of specialty eggs sold, which resulted in a \$35.5 million increase in net sales.

- Net average selling price of specialty eggs increased in response to rising feed and other input costs as well as current market conditions due to HPAI.
- Demand for specialty eggs increased as conventional egg prices rose. Our sales volume benefited as we produced 11% more specialty eggs in the second quarter of fiscal 2023 versus the prior-year period, through use of our higher cage-free production capacity and better utilization of that capacity.
- Cage-free egg sales for the second quarter of fiscal 2023 represented 18.2% of our total net shell egg sales versus 22.4% for the same prior year period due to the higher conventional egg prices. Cage-free dozens sold increased 47.4% in the second quarter of fiscal 2023 as compared to the second quarter of fiscal 2022.

Twenty-six weeks – Fiscal 2023 vs. Fiscal 2022

- For the twenty-six weeks ended November 26, 2022, conventional egg sales increased \$564.3 million or 140.0% compared to the same period of fiscal 2022, primarily due to the increase in the prices for conventional shell eggs, slightly offset by the decrease in the volume of conventional eggs sold. Changes in prices resulted in a \$573.2 million increase and the change in volume resulted in a \$9.0 million decrease in net sales, respectively.
- Specialty egg sales increased \$149.2 million, or 53.4%, for the twenty-six weeks ended November 26, 2022 compared to the same period of fiscal 2022, primarily due to a 29.4% increase in the volume of specialty dozens sold. The volume of specialty dozens sold increased mainly due to the higher conventional egg prices. Change in volume resulted in a \$82.1 million increase and changes in specialty egg price resulted in a \$67.3 million increase in net sales, respectively.

Egg products net sales

Second Quarter – Fiscal 2023 vs. Fiscal 2022

- Egg products net sales increased \$16.7 million or 146.0% for the second quarter of fiscal 2023 compared to the same period of fiscal 2022, primarily due to a 151.0% selling price increase, which had a \$16.9 million positive impact on net sales.
- Our egg products net average selling price increased in the second quarter of fiscal 2023, compared to the second quarter of fiscal 2022 as the supply of shell eggs used to produce egg products decreased due to the HPAI outbreak that started in February 2022.

Twenty-six weeks – Fiscal 2023 vs. Fiscal 2022

- Egg products net sales increased \$34.9 million or 168.2%, primarily due to a 160.4% selling price increase compared to the first twenty-six weeks of fiscal 2022, which had a \$34.3 million positive impact on net sales.
- Our egg products net average selling price increased in the twenty-six weeks ended November 26, 2022, compared to the same period in fiscal 2022 as the supply of shell eggs used to produce egg products decreased due to the HPAI outbreak that started in February 2022.

COST OF SALES

Costs of sales for the second quarter of fiscal 2023 were \$483.9 million compared to \$338.0 million for the same period of fiscal 2022.

Cost of sales consists of costs directly related to producing, processing and packing shell eggs, purchases of shell eggs from outside producers, processing and packing of liquid and frozen egg products and other non-egg costs. Farm production costs are those costs incurred at the egg production facility, including feed, facility, hen amortization and other related farm production costs.

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The following table presents the key variables affecting our cost of sales (in thousands, except cost per dozen data):

	Thirteen Weeks Ended			Twenty-six Weeks Ended		
	November 26, 2022	November 27, 2021	% Change	November 26, 2022	November 27, 2021	% Change
Cost of Sales:						
Farm production	\$ 276,008	\$ 221,971	24.3 %	\$ 542,659	\$ 429,466	26.4 %
Processing, packaging, and warehouse	83,639	69,474	20.4	165,056	134,533	22.7
Egg purchases and other (including change in inventory)	97,973	36,859	165.8	166,271	74,832	122.2
Total shell eggs	457,620	328,304	39.4	873,986	638,831	36.8
Egg products	26,231	9,672	171.2	50,719	17,486	190.1
Total	\$ 483,851	\$ 337,976	43.2 %	\$ 924,705	\$ 656,317	40.9 %
Farm production costs (per dozen produced)						
Feed	\$ 0.685	\$ 0.529	29.5 %	\$ 0.676	\$ 0.537	25.9 %
Other	\$ 0.386	\$ 0.349	10.6 %	\$ 0.383	\$ 0.351	9.1 %
Total	\$ 1.071	\$ 0.878	22.0 %	\$ 1.059	\$ 0.888	19.3 %
Outside egg purchases (average cost per dozen)	\$ 3.14	\$ 1.56	101.3 %	\$ 2.88	\$ 1.45	98.6 %
Dozens produced	261,358	256,786	1.8 %	519,012	493,244	5.2 %
Percent produced to sold	92.0%	95.3%	(3.5) %	92.8%	94.1%	(1.4) %

Farm Production

Second Quarter – Fiscal 2023 vs. Fiscal 2022

- Feed costs per dozen produced increased 29.5% in the second quarter of fiscal 2023 compared to the second quarter of fiscal 2022. This increase was primarily due to increased prices for corn, our primary feed ingredient.
- For the second quarter of fiscal 2023, the average daily CBOT market price was \$6.78 per bushel for corn and \$423 per ton of soybean meal representing increases of 24.8% and 25.5%, respectively, as compared to the average daily CBOT prices for the second quarter of fiscal 2022.
- Other farm production costs increased due to higher facility and flock amortization, primarily from higher feed costs, which began to rise in our third quarter of fiscal 2021 due to increased prices discussed above, and which remained high in the second quarter of fiscal 2023. Feed costs are capitalized in our flocks during pullet production and increased our amortization expense.

Twenty-six weeks – Fiscal 2023 vs. Fiscal 2022

- Feed costs per dozen produced increased 25.9% in the twenty-six weeks ended November 26, 2022 compared to the same period of fiscal 2021, primarily due to higher feed ingredient prices.
- Other farm production costs increased due to higher facility and flock amortization, primarily from higher feed costs, which began to rise in our third quarter of fiscal 2021 due to increased prices discussed above, and which remained high in the second quarter of fiscal 2023. Feed costs are capitalized in our flocks during pullet production and increased our amortization expense.

Supplies of corn and soybean remained tight relative to demand in the second quarter of fiscal 2023, as evidenced by a low stock-to-use ratio for corn, as a 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. Additionally, basis levels for corn ran significantly higher in our area of operations compared to our prior year second fiscal quarter, adding to our expense.

For fiscal 2023, we expect continued corn and soybean upward pricing pressures and further market volatility to affect feed costs.

Processing, packaging, and warehouse

Second Quarter – Fiscal 2023 vs. Fiscal 2022

- Cost of packaging materials increased 38.3% compared to the second quarter of fiscal 2022 due to rising inflation and labor costs.
- Labor costs increased 49.2% due to wage increases and increased use of contract labor in response to labor shortages .
- Dozens processed increased 5.4% compared to the second quarter of fiscal 2022, which resulted in a \$4.0 million increase in costs.

Twenty-six weeks – Fiscal 2023 vs. Fiscal 2022

- Cost of packaging materials increased 26.7% compared to the twenty-six weeks ended November 27, 2021 due to rising inflation and labor costs.
- Labor costs increased 30.3% due to wage increases in response to labor shortages, primarily due to the pandemic and its effects.
- Dozens processed increased 7.0% compared to the twenty-six weeks ended November 27, 2021, which resulted in a \$9.9 million increase in costs.

Egg purchases and other (including change in inventory)

Second Quarter – Fiscal 2023 vs. Fiscal 2022

- Costs in this category increased primarily due to higher egg prices as well as an increase in the volume of outside egg purchases, causing the percentage of produced to sold to decrease to 92.0% from 95.3%.

Twenty-six weeks – Fiscal 2023 vs. Fiscal 2022

- Costs in this category increased primarily due to higher egg prices as well as an increase in the volume of outside egg purchases, as our percentage of produced to sold decreased to 92.8% from 94.1%.

GROSS PROFIT

Gross profit for the second quarter of fiscal 2023 was \$317.8 million compared to \$43.7 million for the same period of fiscal 2022. The increase of \$274.1 million was primarily due to higher egg prices as well as the increased volume of specialty eggs sold, partially offset by the increased cost of feed ingredients and processing, packaging and warehouse costs.

Gross profit for the twenty-six weeks ended November 26, 2022 was \$535.3 million compared to \$50.4 million for the same period of fiscal 2022. The increase of \$484.9 million was primarily due to higher egg prices as well as the increased volume of specialty eggs sold, partially offset by the increased cost of feed ingredients and processing, packaging and warehouse costs.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative expenses ("SGA") include costs of marketing, distribution, accounting and corporate overhead. The following table presents an analysis of our SGA expenses (in thousands):

	Thirteen Weeks Ended			
	November 26, 2022	November 27, 2021	\$ Change	% Change
Specialty egg expense	\$ 14,673	\$ 14,262	\$ 411	2.9 %
Delivery expense	18,175	14,395	3,780	26.3 %
Payroll, taxes and benefits	13,827	11,303	2,524	22.3 %
Stock compensation expense	987	975	12	1.2 %
Other expenses	10,290	6,845	3,445	50.3 %
Total	\$ 57,952	\$ 47,780	\$ 10,172	21.3 %

Second Quarter – Fiscal 2023 vs. Fiscal 2022

Specialty egg expense

- Specialty egg expense, which includes franchise fees, advertising and promotion costs, generally aligns with specialty egg volumes, which were up 24.1% for the second quarter of fiscal 2023 compared to the same period of fiscal 2022. However, our specialty egg expense only increased by 2.9%, primarily due to increased sales to other Egglan’s Best, Inc. (“EB”) franchisees, including unconsolidated affiliates, Specialty Eggs, LLC and Southwest Specialty Eggs, LLC. These franchisees were responsible for the franchise fees, advertising and promotion costs associated with those sales, which resulted in reduced costs for us.

Delivery expense

- The increased delivery expense is primarily due to the increase in contract trucking.

Payroll, taxes and benefits expense

- The increase in payroll, taxes and benefits expense is due to an increase in the accrual for anticipated performance-based bonuses.

Other expense

- The increase in other expense is primarily due to increased legal expenses of approximately \$2.6 million in the second quarter of fiscal 2023 compared to the second quarter of fiscal 2022.

	Twenty-six Weeks Ended			
	November 26, 2022	November 27, 2021	\$ Change	% Change
Specialty egg expense	\$ 27,740	\$ 27,977	\$ (237)	(0.8) %
Delivery expense	38,091	28,331	9,760	34.4 %
Payroll, taxes and benefits	24,814	21,242	3,572	16.8 %
Stock compensation expense	2,012	1,976	36	1.8 %
Other expenses	18,902	14,779	4,123	27.9 %
Total	\$ 111,559	\$ 94,305	\$ 17,254	18.3 %

Twenty-six weeks – Fiscal 2022 vs. Fiscal 2021

Specialty egg expense

- Specialty egg expense, which includes franchise fees, advertising and promotion costs, generally aligns with specialty egg volumes, which were up 29.4% for fiscal 2023 compared to fiscal 2022. However, our specialty egg expense decreased by 0.8%, primarily due to increased sales to other Egglan’s Best, Inc. (“EB”) franchisees, including unconsolidated affiliates, Specialty Eggs, LLC and Southwest Specialty Eggs, LLC. Additionally, the higher prices for conventional eggs and the comparatively lower prices for specialty eggs diminished the need to promote specialty eggs; as a result, EB temporarily reduced the related franchise fees for certain specialty egg products to encourage continued production of these products.

Delivery expense

- The increased delivery expense is primarily due to the increase in fuel and labor costs for both our fleet and contract trucking.

Payroll, taxes and benefits expense

- The increase in payroll, taxes and benefits expense is primarily due to an increase in the accrual for anticipated performance-based bonuses and increased wages for all employees due to the inflationary market.

Other expenses

- The increase in other expense is primarily due to increased legal expenses of approximately \$3.5 million.

OPERATING INCOME (LOSS)

For the second quarter of fiscal 2023, we recorded operating income of \$259.9 million compared to operating loss of \$2.1 million for the same period of fiscal 2022.

For the twenty-six weeks ended November 26, 2022, we recorded an operating income of \$423.7 million compared to an operating loss of \$41.7 million for the same period of fiscal 2022.

OTHER INCOME (EXPENSE)

Total other income (expense) consists of items not directly charged or related to operations, such as interest income and expense, royalty income, equity income or loss of unconsolidated entities, and patronage income, among other items.

For the second quarter of fiscal 2023, we earned \$2.1 million of interest income compared to \$207 thousand for the same period of fiscal 2022. The increase resulted from significantly higher investment balances. The Company recorded interest expense of \$143 thousand and \$78 thousand for the second quarters ended November 26, 2022 and November 27, 2021, respectively.

For the twenty-six weeks ended November 26, 2022, we earned \$3.1 million of interest income compared to \$497 million for the same period of fiscal 2022. The increase resulted from significantly higher investment balances. The Company recorded interest expense of \$291 thousand and \$136 thousand for the twenty-six weeks ended November 26, 2022 and November 27, 2021, respectively.

Other, net for the second quarter ended November 26, 2022, was income of \$1.1 million compared to income of \$1.9 million for the same period of fiscal 2022.

Other, net for the twenty-six weeks ended November 26, 2022, was income of \$1.3 million compared to income of \$7.0 million for the same period of fiscal 2022. The majority of the decrease is due to our acquisition in fiscal 2022 of the remaining 50% membership interest in Red River Valley Egg Farm, LLC (“Red River”) as we recognized a \$4.5 million gain due to the remeasurement of our equity investment, along with the \$1.4 million payment received in fiscal 2022 related to review and adjustment of our various marketing agreements.

INCOME TAXES

For the second quarter of fiscal 2023, pre-tax income was \$262.2 million compared to \$468 thousand for the same period of fiscal 2022. We recorded income tax expense of \$64 million for the second quarter of fiscal 2023, which reflects an effective tax rate of 24.4%. We recorded an income tax benefit of \$677 thousand in the prior year period which includes a \$520 thousand discrete tax benefit related to the Internal Revenue Service (IRS) adjustments associated with the Company’s previously recognized research and development tax benefits.

For the twenty-six weeks ended November 26, 2022, pre-tax income was \$427.7 million compared to a pre-tax loss of \$33.4 million for the same period of fiscal 2022. We recorded income tax expense of \$104.3 million which reflects an effective tax rate of 24.4%. We recorded an income tax benefit of \$16.5 million in the prior year period, which includes the discrete tax benefit of \$8.3 million in connection with the Red River acquisition. Excluding the discrete tax benefit, income tax benefit for the comparable period of fiscal 2022 was \$8.2 million with an adjusted effective tax rate of 24.6%.

Our effective tax rate differs from the federal statutory income tax rate due to state income taxes, certain federal tax credits and certain items included in income for financial reporting purposes that are not included in taxable income for income tax purposes, including tax exempt interest income, certain nondeductible expenses and net income or loss attributable to our noncontrolling interest.

NET INCOME ATTRIBUTABLE TO CAL-MAINE FOODS, INC.

Net income attributable to Cal-Maine Foods, Inc. for the second quarter ended November 26, 2022, was \$198.6 million, or \$4.08 per basic and \$4.07 per diluted common share, compared to net income attributable to Cal-Maine Foods, Inc. of \$1.2 million or \$0.02 per basic and diluted common share for the same period of fiscal 2022.

Net income attributable to Cal-Maine Foods, Inc. for the twenty-six weeks ended November 26, 2022, was \$323.9 million, or \$6.66 per basic and \$6.63 per diluted share, compared to net loss of \$16.9 million or \$0.34 per basic and diluted share for the same period of fiscal 2022.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital and Current Ratio

Our working capital at November 26, 2022 was \$667.5 million, compared to \$476.8 million at May 28, 2022. The calculation of working capital is defined as current assets less current liabilities. Our current ratio was 3.2 at November 26, 2022, compared with 3.6 at May 28, 2022. The current ratio is calculated by dividing current assets by current liabilities.

Cash Flows from Operating Activities

For the twenty-six weeks ended November 26, 2022, \$344.8 million in net cash was provided by operating activities, compared to \$15.5 million used by operating activities for the comparable period in fiscal 2022. The increase in cash flow from operating activities resulted primarily from higher selling prices for conventional and specialty eggs as well as increased volume of specialty egg sales, partially offset by increased costs of feed ingredients and processing, packaging and warehouse costs compared to the prior-year period..

Cash Flows from Investing Activities

We continue to invest in our facilities, with \$59.7 million used to purchase property, plant and equipment for the twenty-six weeks ended November 26, 2022, compared to \$28.6 million in the same period of fiscal 2022. Purchases of investments were \$152.4 million in the second quarter of fiscal 2023, compared to \$26.4 million in fiscal 2022. The increase in purchases of investments is primarily due to the increased cash provided by operating activities noted above.

Cash Flows from Financing Activities

We paid dividends of \$78.4 million for the twenty-six weeks ended November 26, 2022 compared to no dividends for the prior year period.

As of November 26, 2022, cash increased \$119.6 million since May 28, 2022, compared to a decrease of \$41.9 million during the same period of fiscal 2022.

Credit Facility

We had no long-term debt outstanding at November 26, 2022 or May 28, 2022. On November 15, 2021, we entered into a credit agreement that provides for a senior secured revolving credit facility (the "Credit Facility"), in an initial aggregate principal amount of up to \$250 million with a five-year term. As of November 26, 2022, no amounts were borrowed under the Credit Facility. We have \$4.1 million in outstanding standby letters of credit, issued under our Credit Facility for the benefit of certain insurance companies. Refer to Part II Item 8, Notes to the Financial Statements, Note 10 – Credit Facility included in our 2022 Annual Report for further information regarding our long-term debt.

Material Cash Requirements

We continue to monitor the increasing demand for cage-free eggs and to engage with our customers in efforts to achieve a smooth transition toward their announced timelines for cage-free egg sales. The following table presents material construction projects approved as of November 26, 2022 (in thousands):

Project(s) Type	Projected Completion	Projected Cost	Spent as of November 26, 2022	Remaining Projected Cost
Cage-Free Layer & Pullet Houses/Processing Facility	Fiscal 2023	\$ 131,932	117,056	14,876
Cage-Free Layer & Pullet Houses	Fiscal 2023	24,640	23,325	1,315
Cage-Free Layer & Pullet Houses	Fiscal 2024	42,591	2,057	40,534
Cage-Free Layer & Pullet Houses	Fiscal 2025	95,806	22,526	73,280
		<u>\$ 294,969</u>	<u>\$ 164,964</u>	<u>\$ 130,005</u>

We believe our current cash balances, investments, cash flows from operations, and Credit Facility will be sufficient to fund our current cash needs for at least the next 12 months.

IMPACT OF RECENTLY ISSUED/ADOPTED ACCOUNTING STANDARDS

For information on changes in accounting principles and new accounting policies, see [Note 1 - Summary of Significant Accounting Policies](#) of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates are those estimates made in accordance with U.S. generally accepted accounting principles that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations. There have been no changes to our critical accounting estimates identified in our 2022 Annual Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our exposure to market risk during the twenty-six weeks ended November 26, 2022 from the information provided in Part II Item 7A Quantitative and Qualitative Disclosures About Market Risk in our 2022 Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on an evaluation of our disclosure controls and procedures conducted by our Chief Executive Officer and Chief Financial Officer, together with other financial officers, such officers concluded that our disclosure controls and procedures were effective as of November 26, 2022 at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the quarter ended November 26, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to the discussion of certain legal proceedings involving the Company and/or its subsidiaries in (i) our 2022 Annual Report, Part I Item 3 Legal Proceedings, and Part II Item 8, Notes to Consolidated Financial Statements and Supplementary Data, Note 18: Commitments and Contingencies, and (ii) in this Quarterly Report in [Note 9: Commitments and Contingencies](#) of the Notes to Condensed Consolidated Financial Statements, which discussions are incorporated herein by reference.

ITEM 1A. RISK FACTORS

There have been no material changes in the risk factors previously disclosed in the Company's 2022 Annual Report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no purchases of our Common Stock made by or on behalf of our Company or any affiliated purchaser during the second quarter of fiscal 2023.

ITEM 6. EXHIBITS

Exhibits

<u>No.</u>	<u>Description</u>
3.1	Second Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 in the Registrant's Form 8-K, filed July 20, 2018)
3.2	Composite Bylaws of the Company (incorporated by reference to Exhibit 3.2 in the Registrant's Form 10-Q for the quarter ended March 2, 2013, filed April 5, 2013)
31.1*	Rule 13a-14(a) Certification of the Chief Executive Officer
31.2*	Rule 13a-14(a) Certification of the Chief Financial Officer
32**	Section 1350 Certification of the Chief Executive Officer and the Chief Financial Officer
101.SCH*+	Inline XBRL Taxonomy Extension Schema Document
101.CAL*+	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*+	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*+	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*+	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
*	Filed herewith as an Exhibit.
**	Furnished herewith as an Exhibit.
+	Submitted electronically with this Quarterly Report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CAL-MAINE FOODS, INC.
(Registrant)

Date: December 28, 2022

/s/ Max P. Bowman

Max P. Bowman

Vice President, Chief Financial Officer
(Principal Financial Officer)

Date: December 28, 2022

/s/ Matthew S. Glover

Matthew S. Glover

Vice President – Accounting
(Principal Accounting Officer)

Certification
Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934,
As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Sherman L. Miller, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cal-Maine Foods, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Sherman L. Miller

Sherman L. Miller

President and Chief Executive Officer

Date: December 28, 2022

Certification
Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934,
As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Max P. Bowman, certify that

1. I have reviewed this Quarterly Report on Form 10-Q of Cal-Maine Foods, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Max P. Bowman

Max P. Bowman

Vice President and Chief Financial Officer

Date: December 28, 2022

**Certifications Pursuant to 18 U.S.C. §1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Solely for the purposes of complying with 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned Chief Executive Officer and Chief Financial Officer of Cal-Maine Foods, Inc. (the “Company”), hereby certify, based on our knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended November 26, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Sherman L. Miller

Sherman L. Miller

President and Chief Executive Officer

/s/ Max P. Bowman

Max P. Bowman

Vice President and Chief Financial Officer

Date: December 28, 2022

