

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 **February 25, 2023**

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 44,185,774 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 March 28, 2023.

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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)*

	February 25, 2023	May 28, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 221,614	\$ 59,084
Investment securities available-for-sale	423,418	115,429
Trade and other receivables, net	206,920	177,257
Income tax receivable	42,947	42,147
Inventories	290,869	263,316
Prepaid expenses and other current assets	7,599	4,286
Total current assets	1,193,367	661,519
Property, plant & equipment, net	712,512	677,796
Investments in unconsolidated entities	16,146	15,530
Goodwill	44,006	44,006
Intangible assets, net	16,484	18,131
Other long-term assets	9,968	10,507
Total Assets	<u>\$ 1,992,483</u>	<u>\$ 1,427,489</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 138,617	\$ 122,331
Accrued income taxes payable	66,723	25,687
Dividends payable	107,720	36,656
Total current liabilities	313,060	184,674
Other noncurrent liabilities	9,715	10,274
Deferred income taxes, net	134,820	128,196
Total liabilities	457,595	323,144
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	70,977	67,989
Retained earnings	1,497,325	1,065,854
Accumulated other comprehensive loss, net of tax	(3,067)	(1,596)
Common stock in treasury at cost – 26,075 shares at February 25, 2023 and 26,121 shares at May 28, 2022	(29,996)	(28,447)
Total Cal-Maine Foods, Inc. stockholders' equity	1,535,990	1,104,551
Noncontrolling interest in consolidated entity	(1,102)	(206)
Total stockholders' equity	<u>1,534,888</u>	<u>1,104,345</u>
Total Liabilities and Stockholders' Equity	<u>\$ 1,992,483</u>	<u>\$ 1,427,489</u>

See Notes to Condensed Consolidated Financial Statements.

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

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	February 25, 2023	February 26, 2022	February 25, 2023	February 26, 2022
Net sales	\$ 997,493	\$ 477,485	\$ 2,457,537	\$ 1,184,195
Cost of sales	534,467	385,903	1,459,172	1,042,221
Gross profit	463,026	91,582	998,365	141,974
Selling, general and administrative	58,489	52,686	170,048	146,991
Gain on insurance recoveries	(3,220)	(1,095)	(3,220)	(3,225)
(Gain) loss on disposal of fixed assets	(26)	421	36	370
Operating income (loss)	407,783	39,570	831,501	(2,162)
Other income (expense):				
Interest income, net	6,126	79	8,959	440
Royalty income	426	326	1,198	877
Patronage dividends	10,239	10,120	10,239	10,120
Equity income of unconsolidated entities	1,786	1,809	943	2,208
Other, net	(1,473)	1,144	(205)	8,169
Total other income, net	17,104	13,478	21,134	21,814
Income before income taxes	424,887	53,048	852,635	19,652
Income tax expense (benefit)	102,118	13,594	206,438	(2,921)
Net income	322,769	39,454	646,197	22,573
Less: Loss attributable to noncontrolling interest	(450)	(63)	(896)	(91)
Net income attributable to Cal-Maine Foods, Inc.	\$ 323,219	\$ 39,517	\$ 647,093	\$ 22,664
Net income per common share:				
Basic	\$ 6.64	\$ 0.81	\$ 13.31	\$ 0.46
Diluted	\$ 6.62	\$ 0.81	\$ 13.25	\$ 0.46
Weighted average shares outstanding:				
Basic	48,653	48,886	48,634	48,888
Diluted	48,842	49,036	48,832	49,035

See Notes to Condensed Consolidated Financial Statements.

**Cal-Maine Foods, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Comprehensive Income**  
*(In thousands)*  
*(Unaudited)*

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	February 25, 2023	February 26, 2022	February 25, 2023	February 26, 2022
Net income	\$ 322,769	\$ 39,454	\$ 646,197	\$ 22,573
Other comprehensive income (loss), before tax:				
Unrealized holding gain (loss) on available-for-sale securities, net of reclassification adjustments	26	(551)	(1,945)	(1,130)
Income tax benefit (expense) related to items of other comprehensive income	(6)	134	474	275
Other comprehensive income (loss), net of tax	20	(417)	(1,471)	(855)
Comprehensive income	322,789	39,037	644,726	21,718
Less: Comprehensive loss attributable to the noncontrolling interest	(450)	(63)	(896)	(91)
Comprehensive income attributable to Cal-Maine Foods, Inc.	<u>\$ 323,239</u>	<u>\$ 39,100</u>	<u>\$ 645,622</u>	<u>\$ 21,809</u>

See Notes to Condensed Consolidated Financial Statements.

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

*(In thousands)*  
*(Unaudited)*

	Thirty-nine Weeks Ended	
	February 25, 2023	February 26, 2022
Cash flows from operating activities:		
Net income	\$ 646,197	\$ 22,573
Depreciation and amortization	53,198	50,996
Deferred income taxes	7,098	(3,861)
Gain on insurance recoveries	(3,220)	(3,225)
Net proceeds from insurance settlement - business interruption	3,220	—
Other adjustments, net	16	(45,659)
Net cash provided by operations	706,509	20,824
Cash flows from investing activities:		
Purchases of investment securities	(442,583)	(47,135)
Sales and maturities of investment securities	132,686	76,377
Investment in unconsolidated entities	(1,673)	(3,000)
Distributions from unconsolidated entities	—	400
Acquisition of business, net of cash acquired	—	(44,823)
Purchases of property, plant and equipment	(86,168)	(49,170)
Net proceeds from insurance settlement - property, plant and equipment	—	5,380
Net proceeds from disposal of property, plant and equipment	118	661
Net cash used in investing activities	(397,620)	(61,310)
Cash flows from financing activities:		
Payments of dividends	(144,559)	—
Purchase of common stock by treasury	(1,633)	(1,120)
Principal payments on finance lease	(167)	(160)
Contributions	—	3
Net cash used in financing activities	(146,359)	(1,277)
Net change in cash and cash equivalents	162,530	(41,763)
Cash and cash equivalents at beginning of period	59,084	57,352
Cash and cash equivalents at end of period	\$ 221,614	\$ 15,589

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 February 25, 2023 and February 26, 2022 included 13 weeks and 39 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 Income. 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 February 25, 2023 and May 28, 2022, reserves for credit losses were \$709 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.

*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.

*Reclassification*

Certain reclassifications were made to the fiscal 2022 financial statements to conform to the fiscal 2023 financial statement presentation. These reclassifications had no effect on income.

**Note 2 - Investment Securities**

The following represents the Company's investment securities as of February 25, 2023 and May 28, 2022 (in thousands):

February 25, 2023	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Municipal bonds	\$ 21,158	\$ —	\$ 275	\$ 20,883
Commercial paper	95,612	—	122	95,490
Corporate bonds	138,004	—	1,664	136,340
US government and agency obligations	94,941	—	299	94,642
Asset backed securities	15,132	—	227	14,905
Treasury bills	61,215	—	57	61,158
<b>Total current investment securities</b>	<b>\$ 426,062</b>	<b>\$ —</b>	<b>\$ 2,644</b>	<b>\$ 423,418</b>
Mutual funds	\$ 2,162	\$ —	\$ 136	\$ 2,026
<b>Total noncurrent investment securities</b>	<b>\$ 2,162</b>	<b>\$ —</b>	<b>\$ 136</b>	<b>\$ 2,026</b>

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
<b>Total current investment securities</b>	<b>\$ 116,167</b>	<b>\$ 4</b>	<b>\$ 742</b>	<b>\$ 115,429</b>
Mutual funds	\$ 3,826	\$ —	\$ 74	\$ 3,752
<b>Total noncurrent investment securities</b>	<b>\$ 3,826</b>	<b>\$ —</b>	<b>\$ 74</b>	<b>\$ 3,752</b>

*Available-for-sale*

Proceeds from sales and maturities of investment securities available-for-sale were \$ 132.7 million and \$ 76.4 million during the thirty-nine weeks ended February 25, 2023 and February 26, 2022, respectively. Gross realized gains for the thirty-nine weeks ended February 25, 2023 and February 26, 2022 were \$38 thousand and \$181 thousand, respectively. Gross realized losses for the thirty-nine weeks ended February 25, 2023 and February 26, 2022 were \$64 thousand and \$67 thousand, respectively. There were no allowances for credit losses at February 25, 2023 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 February 25, 2023 are as follows (in thousands):

	Estimated Fair Value
Within one year	\$ 345,765
1-5 years	77,653
Total	<u>\$ 423,418</u>

*Noncurrent*

Proceeds from sales and maturities of noncurrent investment securities were \$1.8 million and \$4.9 million during the thirty-nine weeks ended February 25, 2023 and February 26, 2022, respectively. Gross realized gains for the thirty-nine weeks ended February 25, 2023 and February 26, 2022 were \$6 thousand and \$2.2 million, respectively. Gross realized losses for the thirty-nine weeks ended February 25, 2023 were \$66 thousand. There were no realized losses for the thirty-nine weeks ended February 26, 2022.

**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 February 25, 2023 and May 28, 2022 (in thousands):

February 25, 2023	Level 1	Level 2	Level 3	Balance
<b>Assets</b>				
Municipal bonds	\$ —	\$ 20,883	\$ —	\$ 20,883
Commercial paper	—	95,490	—	95,490
Corporate bonds	—	136,340	—	136,340
US government and agency obligations	—	94,642	—	94,642
Asset backed securities	—	14,905	—	14,905
Treasury bills	—	61,158	—	61,158
Mutual funds	2,026	—	—	2,026
<b>Total assets measured at fair value</b>	<b>\$ 2,026</b>	<b>\$ 423,418</b>	<b>\$ —</b>	<b>\$ 425,444</b>
<b>May 28, 2022</b>				
<b>Assets</b>				
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
<b>Total assets measured at fair value</b>	<b>\$ 3,752</b>	<b>\$ 115,429</b>	<b>\$ —</b>	<b>\$ 119,181</b>

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 February 25, 2023 and May 28, 2022 (in thousands):

	February 25, 2023	May 28, 2022
Flocks, net of amortization	\$ 158,209	\$ 144,051
Eggs and egg products	27,925	26,936
Feed and supplies	104,735	92,329
	<b>\$ 290,869</b>	<b>\$ 263,316</b>

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 February 25, 2023 and May 28, 2022 consisted of approximately 9.9 million and 11.5 million pullets and breeders and 43.3 million and 42.2 million layers, respectively.

**Note 5 - Equity**

The following reflects equity activity for the thirteen and thirty-nine weeks ended February 25, 2023 and February 26, 2022 (in thousands):

	Thirteen Weeks Ended February 25, 2023							
	Cal-Maine Foods, Inc. Stockholders							
	Common Stock							
	Amount	Class A Amount	Treasury Amount	Paid In Capital	Accum. Other Comp. Loss	Retained Earnings	Noncontrolling Interest	Total
Balance at November 26, 2022	\$ 703	\$ 48	\$ (28,496)	\$ 70,005	\$ (3,087)	\$ 1,281,784	\$ (652)	\$ 1,320,305
Other comprehensive income, net of tax	—	—	—	—	20	—	—	20
Stock compensation plan transactions	—	—	(1,500)	972	—	—	—	(528)
Dividends (\$2.199 per share)								
Common	—	—	—	—	—	(97,123)	—	(97,123)
Class A common	—	—	—	—	—	(10,555)	—	(10,555)
Net income (loss)	—	—	—	—	—	323,219	(450)	322,769
Balance at February 25, 2023	\$ 703	\$ 48	\$ (29,996)	\$ 70,977	\$ (3,067)	\$ 1,497,325	\$ (1,102)	\$ 1,534,888
	Thirteen Weeks Ended February 26, 2022							
	Cal-Maine Foods, Inc. Stockholders							
	Common Stock							
	Amount	Class A Amount	Treasury Amount	Paid In Capital	Accum. Other Comp. Loss	Retained Earnings	Noncontrolling Interest	Total
Balance at November 27, 2021	\$ 703	\$ 48	\$ (27,450)	\$ 66,019	\$ (996)	\$ 959,124	\$ (25)	\$ 997,423
Other comprehensive loss, net of tax	—	—	—	—	(417)	—	—	(417)
Stock compensation plan transactions	—	—	(989)	890	—	—	—	(99)
Dividends (\$0.125 per share)								
Common	—	—	—	—	—	(5,518)	—	(5,518)
Class A common	—	—	—	—	—	(600)	—	(600)
Net income (loss)	—	—	—	—	—	39,517	(63)	39,454
Balance at February 26, 2022	\$ 703	\$ 48	\$ (28,439)	\$ 66,909	\$ (1,413)	\$ 992,523	\$ (88)	\$ 1,030,243

Thirty-nine Weeks Ended February 25, 2023								
Cal-Maine Foods, Inc. Stockholders								
Common Stock								
	Amount	Class A Amount	Treasury Amount	Paid In Capital	Accum. Other Comp. Loss	Retained Earnings	Noncontrolling Interest	Total
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	—	—	—	—	(1,471)	—	—	(1,471)
Stock compensation plan transactions	—	—	(1,549)	2,988	—	—	—	1,439
Dividends (\$5.756 per share)								
Common	—	—	—	—	—	(194,478)	—	(194,478)
Class A common	—	—	—	—	—	(21,144)	—	(21,144)
Net income (loss)	—	—	—	—	—	647,093	(896)	646,197
Balance at February 25, 2023	\$ 703	\$ 48	\$ (29,996)	\$ 70,977	\$ (3,067)	\$ 1,497,325	\$ (1,102)	\$ 1,534,888

Thirty-nine Weeks Ended February 26, 2022								
Cal-Maine Foods, Inc. Stockholders								
Common Stock								
	Amount	Class A Amount	Treasury Amount	Paid In Capital	Accum. Other Comp. Loss	Retained Earnings	Noncontrolling Interest	Total
Balance at May 29, 2021	\$ 703	\$ 48	\$ (27,433)	\$ 64,044	\$ (558)	\$ 975,977	\$ —	\$ 1,012,781
Other comprehensive loss, net of tax	—	—	—	—	(855)	—	—	(855)
Stock compensation plan transactions	—	—	(1,006)	2,865	—	—	—	1,859
Contributions	—	—	—	—	—	—	3	3
Dividends (\$0.125 per share)								
Common	—	—	—	—	—	(5,518)	—	(5,518)
Class A common	—	—	—	—	—	(600)	—	(600)
Net income (loss)	—	—	—	—	—	22,664	(91)	22,573
Balance at February 26, 2022	\$ 703	\$ 48	\$ (28,439)	\$ 66,909	\$ (1,413)	\$ 992,523	\$ (88)	\$ 1,030,243

**Note 6 - Net Income per Common Share**

Basic net income 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.

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

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	February 25, 2023	February 26, 2022	February 25, 2023	February 26, 2022
<b>Numerator</b>				
Net income	\$ 322,769	\$ 39,454	\$ 646,197	\$ 22,573
Less: Loss attributable to noncontrolling interest	(450)	(63)	(896)	(91)
Net income attributable to Cal-Maine Foods, Inc.	\$ 323,219	\$ 39,517	\$ 647,093	\$ 22,664
<b>Denominator</b>				
Weighted-average common shares outstanding, basic	48,653	48,886	48,634	48,888
Effect of dilutive restricted shares	189	150	198	147
Weighted-average common shares outstanding, diluted	48,842	49,036	48,832	49,035
<b>Net income per common share attributable to Cal-Maine Foods, Inc.</b>				
Basic	\$ 6.64	\$ 0.81	\$ 13.31	\$ 0.46
Diluted	\$ 6.62	\$ 0.81	\$ 13.25	\$ 0.46

**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 primarily 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		Thirty-nine Weeks Ended	
	February 25, 2023	February 26, 2022	February 25, 2023	February 26, 2022
Conventional shell egg sales	\$ 689,022	\$ 280,633	\$ 1,656,528	\$ 683,805
Specialty shell egg sales	272,205	182,945	700,803	462,320
Egg products	32,582	12,749	88,274	33,516
Other	3,684	1,158	11,932	4,554
	<u>\$ 997,493</u>	<u>\$ 477,485</u>	<u>\$ 2,457,537</u>	<u>\$ 1,184,195</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 February 25, 2023 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 \$ 3.1 and \$3.0 million for the thirty-nine weeks ended February 25, 2023 and February 26, 2022, respectively.

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 February 25, 2023 of \$8.4 million will be recorded over a weighted average period of 2.3 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 thirty-nine weeks ended February 25, 2023 follows:

	<b>Number of Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Outstanding, May 28, 2022	317,844	\$ 39.12
Granted	84,969	54.10
Vested	(97,954)	38.25
Forfeited	(8,480)	39.22
Outstanding, February 25, 2023	<u>296,379</u>	<u>\$ 43.70</u>

**Note 9 - Commitments and Contingencies**

*Financial Instruments*

The Company maintained standby letters of credit ("LOCs") totaling \$ 4.1 million at February 25, 2023, 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 February 6, 2023, the State of Texas filed their response to defendant’s petition for review. On February 21, 2023, the Company and WCF filed their reply brief in support of defendant’s petition for review. Appellate briefs are not yet due. 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 January 9, 2023, the court entered an order and final judgement granting the Company’s motion to dismiss.

On February 8, 2023, the plaintiffs appealed the lower court’s judgement to the United States Court of Appeals for the Fifth Circuit, Case No. 23-50112. The parties are to file their respective appellate briefs, but they are not yet due. 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., Cobb-Vantress, Inc., Cargill, Inc., George's, Inc., Peterson Farms, Inc. and Simmons Foods, Inc., and certain of their affiliates. The State of Oklahoma claims that through the disposal of chicken litter the defendants polluted the Illinois River Watershed. This watershed provides water to eastern Oklahoma. The complaint sought injunctive relief and monetary damages, but the claim for monetary damages was dismissed by the court. Cal-Maine Foods, Inc. discontinued operations in the watershed in or around 2005. 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. We also have a number of small contract producers that operate in the area.

The non-jury trial in the case began in September 2009 and concluded in February 2010. On January 18, 2023, the court entered findings of fact and conclusions of law in favor of the State of Oklahoma, but no penalties were assessed. The court found the defendants liable for state law nuisance, federal common law nuisance, and state law trespass. The court also found the producers vicariously liable for the actions of their contract producers. The court directed the parties to confer in attempt to reach agreement on appropriate remedies by March 17, 2023. On March 17, 2023, a status hearing was held, and the court extended the time period by which the parties must reach an agreement to June 16, 2023. The defendants have been conferring with the State regarding appropriate remedies. While management believes there is a reasonable possibility of a material loss from the case, 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: uncertainties inherent in any assessment of potential costs associated with injunctive relief or other penalties based on a decision in a case tried over 13 years ago based on environmental conditions that existed at the time, the lack of guidance from the court as to what might be considered appropriate remedies, the early stage of negotiations with the State on appropriate remedies, and uncertainty regarding what our proportionate share of any remedy would be, although we believe that our share compared to the other defendants is small.

#### **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 inflation and rising interest rates, 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 increased costs, rising inflation and rising 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, (viii) adverse results in pending litigation matters and (ix) risks relating to the evolving COVID-19 pandemic. 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 reportable segment. We are the largest producer and distributor of fresh shell eggs in the U.S. Our total flock of approximately 43.3 million layers and 9.9 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 customers 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 do not sell eggs directly to consumers or set the prices at which eggs are sold to consumers.

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.

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 our 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 used by 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. MeadowCreek began operations during the third quarter of fiscal 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 calendar year 2023.

#### 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 March 2023. The current HPAI epidemic has surpassed the prior 2014-2015 outbreak in terms of its duration and 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 March 28, 2023. The USDA division of Animal and Plant Health Inspection Service ("APHIS") reported on March 27, 2023 that approximately 43.3 million commercial layer hens and 1.0 million pullets have been depopulated due to HPAI since February 2022. 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 March 21, 2023, the layer hen inventory is not projected to exceed this 328 million mark again until January of 2024. Layer hen numbers reported by the USDA as of March 1, 2023 were 312.9 million, which represents a decrease of 3.8% compared with the layer hen inventory a year ago. However, the USDA reported that the hatch from October 2022 through February 2023 increased 4.5% as compared with the prior-year period, indicating that layer flocks may increase in the future.

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 U.S. Supreme Court 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 in the summer of 2023. 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 third quarter of fiscal 2023, we recorded a gross profit of \$463.0 million compared to \$91.6 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 other farm production costs as well as increased processing, packaging and warehouse costs.

Our net average selling price per dozen for the third quarter of fiscal 2023 was \$3.298 compared to \$1.612 in the prior-year period. Conventional egg prices per dozen were \$3.678 compared to \$1.458 for the prior-year period, and specialty egg prices per dozen were \$2.616 compared to \$1.923 for the prior-year period. Conventional egg prices increased in the third quarter of fiscal 2023 primarily due to decreased supply caused by the HPAI outbreak combined with robust customer demand, which was bolstered by the peak winter holiday season. See the discussion under the heading "HPAI" above. The daily average price for the Urner Barry southeast large index for the third quarter of fiscal 2023 increased 129.8% from the comparable period in the prior year. Conventional egg prices exceeding specialty egg prices has occurred for the past four 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 1.3% to 291.4 million dozen shell eggs for the third quarter of fiscal 2023 compared to 287.7 million dozen for the same period of fiscal 2022. For the third quarter of fiscal 2023, conventional dozens sold decreased 2.7% and specialty dozens sold increased 9.4% as compared to the same quarter in fiscal 2022. Demand for specialty eggs increased in the third 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.

Our farm production costs per dozen produced for the third quarter of fiscal 2023 increased 18.2%, or \$0.166, compared to the third quarter of fiscal 2022. This increase was primarily due to increased feed ingredient costs as well as increased facility costs and higher amortization of our flocks. For the third quarter of fiscal 2023, the average Chicago Board of Trade (“CBOT”) daily market price was \$6.67 per bushel for corn and \$473 per ton for soybean meal, representing increases of 8.8% and 14.8%, 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 Income expressed as a percentage of net sales.

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	February 25, 2023	February 26, 2022	February 25, 2023	February 26, 2022
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	53.6 %	80.8 %	59.4 %	88.0 %
Gross profit	46.4 %	19.2 %	40.6 %	12.0 %
Selling, general and administrative	5.9 %	11.0 %	6.9 %	12.4 %
Gain on insurance recoveries	(0.3) %	(0.2) %	(0.1) %	(0.3) %
(Gain) loss on disposal of fixed assets	— %	0.1 %	— %	— %
Operating income (loss)	40.8 %	8.3 %	33.8 %	(0.1) %
Total other income, net	1.7 %	2.8 %	0.9 %	1.8 %
Income before income taxes	42.5 %	11.1 %	34.7 %	1.7 %
Income tax expense (benefit)	10.2 %	2.8 %	8.4 %	(0.2) %
Net income	32.3 %	8.3 %	26.3 %	1.9 %

## NET SALES

Total net sales for the third quarter of fiscal 2023 were \$997.5 million compared to \$477.5 million for the same period of fiscal 2022.

Net shell egg sales represented 96.7% and 97.3% of total net sales for the third quarters of fiscal 2023 and 2022, respectively. Shell egg sales classified as “Other” represent sales of miscellaneous byproducts and resale products included with our shell egg operations.

Total net sales for the thirty-nine weeks ended February 25, 2023 were \$2.46 billion, compared to \$1.18 billion for the comparable period of fiscal 2022.

Net shell egg sales represented 96.4% and 97.2% of total net sales for the thirty-nine weeks ended February 25, 2023 and February 26, 2022, respectively.

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

	Thirteen Weeks Ended				Thirty-nine Weeks Ended			
	February 25, 2023		February 26, 2022		February 25, 2023		February 26, 2022	
Total net sales	\$ 997,493		\$ 477,485		\$ 2,457,537		\$ 1,184,195	
Conventional	\$ 689,022	71.4 %	\$ 280,633	60.4 %	\$ 1,656,528	69.9 %	\$ 683,805	59.4 %
Specialty	272,205	28.2 %	182,945	39.4 %	700,803	29.6 %	462,320	40.2 %
Egg sales, net	961,227	99.6 %	463,578	99.8 %	2,357,331	99.5 %	1,146,125	99.6 %
Other	3,684	0.4 %	1,158	0.2 %	11,932	0.5 %	4,554	0.4 %
Net shell egg sales	\$ 964,911		\$ 464,736		\$ 2,369,263		\$ 1,150,679	
	100.0 %		100.0 %		100.0 %		100.0 %	
Net shell egg sales as a percent of total net sales	96.7 %		97.3 %		96.4 %		97.2 %	
Dozens sold:								
Conventional	187,357	64.3 %	192,511	66.9 %	555,045	65.2 %	568,511	70.0 %
Specialty	104,059	35.7 %	95,140	33.1 %	295,774	34.8 %	243,310	30.0 %
Total dozens sold	291,416		287,651		850,819		811,821	
	100.0 %		100.0 %		100.0 %		100.0 %	
Net average selling price per dozen:								
Conventional	\$ 3.678		\$ 1.458		\$ 2.984		\$ 1.203	
Specialty	\$ 2.616		\$ 1.923		\$ 2.369		\$ 1.900	
All shell eggs	\$ 3.298		\$ 1.612		\$ 2.771		\$ 1.412	
Egg products sales:								
Egg products net sales	32,582		12,749		88,274		33,516	
Pounds sold	16,796		15,947		49,000		47,225	
Net average selling price per pound	1.940		0.799		1.802		0.710	

**Shell egg net sales**

**Third Quarter – Fiscal 2023 vs. Fiscal 2022**

- In the third quarter of fiscal 2023, conventional egg sales increased \$408.4 million, or 145.5%, compared to the third 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 \$415.9 million increase and the change in volume resulted in a \$7.5 million decrease in net sales, respectively.
- Conventional egg prices increased in the third quarter of fiscal 2023 primarily due to decreased supply caused by the HPAI outbreak, discussed above, while customer demand, bolstered by the peak winter holiday season, remained robust.
- Specialty egg sales increased \$89.3 million, or 48.8%, in the third quarter of fiscal 2023 compared to the third quarter of fiscal 2022, primarily due to a 36.0% increase in the prices for specialty eggs, which resulted in a \$72.1 million increase in net sales, and a 9.4% increase in the volume of specialty eggs sold, which resulted in a \$17.2 million increase in net sales.
- Net average selling prices 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 sold 9.4% more specialty eggs by volume in the third quarter of fiscal 2023 versus the prior-year period, through use of our higher cage-free production capacity.
- Cage-free egg sales for the third quarter of fiscal 2023 represented 17.8% of our total net shell egg sales versus 24.0% for the same prior year period due to the higher conventional egg prices causing conventional egg sales to represent a

higher proportion of our total sales. Cage-free dozens sold increased 14.9% in the third quarter of fiscal 2023 as compared to the third quarter of fiscal 2022 as the higher conventional egg prices drove demand for specialty eggs and we utilized our expanded cage-free production capacity.

Thirty-nine weeks – Fiscal 2023 vs. Fiscal 2022

- For the thirty-nine weeks ended February 25, 2023, conventional egg sales increased \$972.7 million, or 142.3%, 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 \$988.5 million increase and the change in volume resulted in a \$16.2 million decrease in net sales, respectively.
- Specialty egg sales increased \$238.5 million, or 51.6%, for the thirty-nine weeks ended February 25, 2023 compared to the same period of fiscal 2022, primarily due to a 24.7% increase in the prices for specialty eggs. Additionally, the volume of specialty dozens sold increased 21.6% compared to the same prior year period, mainly due to the higher conventional egg prices. Changes in specialty egg prices resulted in a \$138.7 million increase in net sales and changes in volume resulted in a \$99.7 million increase, respectively.

Egg products net sales

Third Quarter – Fiscal 2023 vs. Fiscal 2022

- Egg products net sales increased \$19.8 million, or 155.6%, for the third quarter of fiscal 2023 compared to the same period of fiscal 2022, primarily due to a 142.8% selling price increase, which had a \$19.2 million positive impact on net sales.
- Our egg products net average selling price increased in the third quarter of fiscal 2023, compared to the third 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.

Thirty-nine weeks – Fiscal 2023 vs. Fiscal 2022

- Egg products net sales increased \$54.8 million or 163.4%, primarily due to a 153.8% selling price increase compared to the first thirty-nine weeks of fiscal 2022, which had a \$53.5 million positive impact on net sales.
- Our egg products net average selling price increased in the thirty-nine weeks ended February 25, 2023 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 third quarter of fiscal 2023 were \$534.5 million compared to \$385.9 million for the same period of fiscal 2022. Cost of sales for the thirty-nine weeks ended February 25, 2023 were \$1,459.2 million compared to \$1,042.2 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.

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

	Thirteen Weeks Ended			Thirty-nine Weeks Ended		
	February 25, 2023	February 26, 2022	%	February 25, 2023	February 26, 2022	%
<b>Cost of Sales:</b>						
Farm production	\$ 280,384	\$ 239,389	17.1 %	\$ 823,043	\$ 668,855	23.1 %
Processing, packaging, and warehouse	87,037	77,116	12.9	252,093	211,649	19.1
Egg purchases and other (including change in inventory)	135,003	59,135	128.3	301,274	133,968	124.9
Total shell eggs	502,424	375,640	33.8	1,376,410	1,014,472	35.7
Egg products	32,043	10,263	212.2	82,762	27,749	198.3
<b>Total</b>	<b>\$ 534,467</b>	<b>\$ 385,903</b>	<b>38.5 %</b>	<b>\$ 1,459,172</b>	<b>\$ 1,042,221</b>	<b>40.0 %</b>
<b>Farm production costs (per dozen produced)</b>						
Feed	\$ 0.679	\$ 0.562	20.8 %	\$ 0.677	\$ 0.546	24.0 %
Other	\$ 0.399	\$ 0.350	14.0 %	\$ 0.388	\$ 0.350	10.9 %
Total	\$ 1.078	\$ 0.912	18.2 %	\$ 1.065	\$ 0.896	18.9 %
Outside egg purchases (average cost per dozen)	\$ 3.72	\$ 1.75	112.6 %	\$ 3.20	\$ 1.57	103.8 %
Dozens produced	263,174	264,433	(0.5) %	782,186	757,677	3.2 %
Percent produced to sold	90.3%	91.9%	(1.7) %	91.9%	93.3%	(1.5) %

#### Farm Production

##### Third Quarter – Fiscal 2023 vs. Fiscal 2022

- Feed costs per dozen produced increased 20.8% in the third quarter of fiscal 2023 compared to the third quarter of fiscal 2022. This increase was primarily due to increased prices for corn, our primary feed ingredient. Basis levels for corn and soybean meal ran significantly higher in our area of operations compared to our prior year third fiscal quarter, adding to our expense.
- For the third quarter of fiscal 2023, the average daily CBOT market price was \$6.67 per bushel for corn and \$473 per ton of soybean meal, representing increases of 8.8% and 14.8%, respectively, as compared to the average daily CBOT prices for the third quarter of fiscal 2022.
- Other farm production costs increased due to higher facility and flock amortization. Facility costs increased due primarily to increased labor costs. Labor costs increased 36% due to increased use of contract labor and increased wages raised in response to labor shortages.
- Flock amortization increased primarily from higher feed costs, which began to rise in our third quarter of fiscal 2021 due to increased feed ingredient prices discussed above, and which remained high in the third quarter of fiscal 2023. Feed costs are capitalized in our flocks during pullet production and increased our amortization expense. We also experienced higher amortization costs from an increase in our cage-free production, which has higher capitalized costs.

##### Thirty-nine weeks – Fiscal 2023 vs. Fiscal 2022

- Feed costs per dozen produced increased 24.0% in the thirty-nine weeks ended February 25, 2023 compared to the same period of fiscal 2022, primarily due to higher feed ingredient prices. Basis levels for corn and soybean meal ran significantly higher in our area of operations compared to our prior year third fiscal quarter, adding to our expense.
- Other farm production costs increased due to higher facility and flock amortization. Facility costs increased due primarily to increased labor costs. Labor costs increased 28% due to increased use of contract labor and increased wages raised in response to labor shortages.

- Flock amortization increased primarily from higher capitalized feed costs as well as higher amortization costs from an increase in our cage-free production.

Supplies of corn and soybean remained tight relative to demand in the third 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 supply chain disruptions and the Russia-Ukraine war and its impact on the export markets. For fiscal 2023, we expect continued corn and soybean upward pricing pressures and further market volatility to affect feed costs.

#### Processing, packaging, and warehouse

##### Third Quarter – Fiscal 2023 vs. Fiscal 2022

- Cost of packaging materials increased 10.9% compared to the third quarter of fiscal 2022 due to rising inflation and labor costs.
- Labor costs increased 14.2% due to wage increases and increased use of contract labor in response to labor shortages.

##### Thirty-nine weeks – Fiscal 2023 vs. Fiscal 2022

- Cost of packaging materials increased 15.5% compared to the thirty-nine weeks ended February 26, 2022 due to rising inflation and labor costs.
- Labor costs increased 13.7% due to wage increases in response to labor shortages, primarily due to the pandemic and its effects.
- Dozens processed increased 3.2% compared to the thirty-nine weeks ended February 26, 2022, which resulted in a \$7.3 million increase in costs.

#### Egg purchases and other (including change in inventory)

##### Third 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 90.3% from 91.9%.

##### Thirty-nine 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 91.9% from 93.3%.

#### GROSS PROFIT

Gross profit for the third quarter of fiscal 2023 was \$463.0 million compared to \$91.6 million for the same period of fiscal 2022. The increase of \$371.4 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 and the decreased volume of conventional egg sales.

Gross profit for the thirty-nine weeks ended February 25, 2023 was \$998.4 million compared to \$142.0 million for the same period of fiscal 2022. The increase of \$856.4 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 and the decreased volume of conventional egg sales.



SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

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

	Thirteen Weeks Ended			
	February 25, 2023	February 26, 2022	\$ Change	% Change
Specialty egg expense	\$ 15,689	\$ 17,318	\$ (1,629)	(9.4) %
Delivery expense	19,453	16,440	3,013	18.3 %
Payroll, taxes and benefits	14,325	11,398	2,927	25.7 %
Stock compensation expense	1,059	1,007	52	5.2 %
Other expenses	7,963	6,523	1,440	22.1 %
Total	<u>\$ 58,489</u>	<u>\$ 52,686</u>	<u>\$ 5,803</u>	<u>11.0 %</u>

Third Quarter – Fiscal 2023 vs. Fiscal 2022

Specialty egg expense

- Specialty egg expense decreased primarily due to a significant reduction in advertising costs. The higher prices for conventional eggs and the comparatively lower prices for specialty eggs diminished the need to promote specialty eggs in the third quarter of fiscal 2023.

Delivery expense

- The increased delivery expense is primarily due to an increase in contract trucking expenses of approximately \$2.0 million in the third quarter of fiscal 2023 compared to the third quarter of fiscal 2022.

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 inflationary pressure increasing costs.

	Thirty-nine Weeks Ended			
	February 25, 2023	February 26, 2022	\$ Change	% Change
Specialty egg expense	\$ 43,429	\$ 45,295	\$ (1,866)	(4.1) %
Delivery expense	57,544	44,771	12,773	28.5 %
Payroll, taxes and benefits	39,139	32,640	6,499	19.9 %
Stock compensation expense	3,071	2,983	88	3.0 %
Other expenses	26,865	21,302	5,563	26.1 %
Total	<u>\$ 170,048</u>	<u>\$ 146,991</u>	<u>\$ 23,057</u>	<u>15.7 %</u>

Thirty-nine weeks – 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 21.6% for fiscal 2023 compared to fiscal 2022. However, our specialty egg expense decreased by 4.1%, primarily due to a significant reduction in advertising expense as well as increased sales to other Egglund'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 an increase in fuel and labor costs for both our fleet and contract trucking. Compared to fiscal 2022, contract trucking and labor expenses increased approximately \$9.2 million for fiscal 2023.

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 \$3.6 million.

OPERATING INCOME (LOSS)

For the third quarter of fiscal 2023, we recorded operating income of \$407.8 million compared to \$39.6 million for the same period of fiscal 2022.

For the thirty-nine weeks ended February 25, 2023, we recorded operating income of \$831.5 million compared to an operating loss of \$2.2 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 third quarter of fiscal 2023, we earned \$6.3 million of interest income compared to \$205 thousand for the same period of fiscal 2022. The increase resulted from significantly higher investment balances and higher interest rates. The Company recorded interest expense of \$143 thousand and \$126 thousand for the third quarters ended February 25, 2023 and February 26, 2022, respectively.

For the thirty-nine weeks ended February 25, 2023, we earned \$9.4 million of interest income compared to \$702 thousand for the same period of fiscal 2022. The increase resulted from significantly higher investment balances and higher interest rates. The Company recorded interest expense of \$433 thousand and \$262 thousand for the thirty-nine weeks ended February 25, 2023 and February 26, 2022, respectively.

Other, net for the third quarter ended February 25, 2023 was an expense of \$1.5 million compared to income of \$1.1 million for the same period of fiscal 2022. The majority of the decrease is due to a \$2 million impairment of an investment in an unconsolidated entity in the third quarter of fiscal 2023.

Other, net for the thirty-nine weeks ended February 25, 2023 was an expense of \$205 thousand compared to income of \$8.2 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. Additionally, the Company recorded a \$2 million impairment of an investment in an unconsolidated entity in the third quarter of fiscal 2023.

INCOME TAXES

For the third quarter of fiscal 2023, pre-tax income was \$424.9 million compared to \$53.0 million for the same period of fiscal 2022. We recorded income tax expense of \$102.1 million for the third quarter of fiscal 2023, which reflects an effective tax rate of 24.0%. Income tax expense was \$13.6 million for the comparable period of fiscal 2022, which reflects an effective tax rate of 25.6%.

For the thirty-nine weeks ended February 25, 2023, pre-tax income was \$852.6 million compared to \$19.7 million for the same period of fiscal 2022. We recorded income tax expense of \$206.4 million, which reflects an effective tax rate of 24.2%. We recorded an income tax benefit of \$2.9 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 expense for the comparable period of fiscal 2022 was \$5.3 million with an adjusted effective tax rate of 27.3%.

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 third quarter ended February 25, 2023, was \$323.2 million, or \$6.64 per basic and \$6.62 per diluted common share, compared to net income attributable to Cal-Maine Foods, Inc. of \$39.5 million or \$0.81 per basic and diluted common share for the same period of fiscal 2022.

Net income attributable to Cal-Maine Foods, Inc. for the thirty-nine weeks ended February 25, 2023, was \$647.1 million, or \$13.31 per basic and \$13.25 per diluted share, compared to net income attributable to Cal-Maine Foods, Inc. of \$22.6 million or \$0.46 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 February 25, 2023 was \$880.3 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 3.8 at February 25, 2023, 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 thirty-nine weeks ended February 25, 2023, \$706.5 million in net cash was provided by operating activities, compared to \$20.8 million provided 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 \$86.2 million used to purchase property, plant and equipment for the thirty-nine weeks ended February 25, 2023, compared to \$49.2 million in the same period of fiscal 2022. Purchases of investment securities were \$442.6 million in the third quarter of fiscal 2023, compared to \$47.1 million in fiscal 2022. The increase in purchases of investment securities is primarily due to the utilization of increased liquidity resulting from increased cash flows provided by operating activities noted above. During the thirty-nine weeks ended February 26, 2022, we acquired the remaining 50% membership interest in Red River for \$48.5 million.

##### Cash Flows from Financing Activities

We paid dividends of \$144.6 million for the thirty-nine weeks ended February 25, 2023.

As of February 25, 2023, cash increased \$162.5 million since May 28, 2022, compared to a decrease of \$41.8 million during the same period of fiscal 2022.

##### Credit Facility

We had no long-term debt outstanding at February 25, 2023 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 February 25, 2023, 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 February 25, 2023 (in thousands):

Project(s) Type	Projected Completion	Projected Cost	Spent as of February 25, 2023	Remaining Projected Cost
Cage-Free Layer & Pullet Houses	Fiscal 2024	42,591	4,830	37,761
Cage-Free Layer & Pullet Houses	Fiscal 2025	40,099	26,350	13,749
Cage-Free Layer & Pullet Houses	Fiscal 2026	38,883	15,894	22,989
Cage-Free Layer & Pullet Houses	Fiscal 2027	56,923	13,617	43,306
		<u>\$ 178,496</u>	<u>\$ 60,691</u>	<u>\$ 117,805</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 thirty-nine weeks ended February 25, 2023 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 February 25, 2023 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 February 25, 2023 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**

The following table is a summary of our third quarter 2023 share repurchases:

Period	Issuer Purchases of Equity Securities		Total Number of Shares Purchased as Part of Publicly Announced Plans Or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
	Total Number of Shares Purchased (1)	Average Price Paid per Share		
11/27/22 to 12/24/22	—	\$ —	—	—
12/25/22 to 01/21/23	(29,344)	54.10	—	—
01/22/23 to 02/25/23	—	—	—	—
	(29,344)	\$ 54.10	—	—

(1) As permitted under our Amended and Restated 2012 Omnibus Long-Term Incentive Plan, these shares were withheld by us to satisfy tax withholding obligations for employees in connection with the vesting of restricted common stock.

**ITEM 6. EXHIBITS**

Exhibits

<u>No.</u>	<u>Description</u>
3.1	<a href="#">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)</a>
3.2	<a href="#">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)</a>
31.1*	<a href="#">Rule 13a-14(a) Certification of the Chief Executive Officer</a>
31.2*	<a href="#">Rule 13a-14(a) Certification of the Chief Financial Officer</a>
32**	<a href="#">Section 1350 Certification of the Chief Executive Officer and the Chief Financial Officer</a>
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: March 28, 2023

/s/ Max P. Bowman

Max P. Bowman

Vice President, Chief Financial Officer  
(Principal Financial Officer)

Date: March 28, 2023

/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

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Sherman L. Miller

President and Chief Executive Officer

Date: March 28, 2023

**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: March 28, 2023



**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 February 25, 2023 (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

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Sherman L. Miller

President and Chief Executive Officer

/s/ Max P. Bowman

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Max P. Bowman

Vice President and Chief Financial Officer

Date:        March 28, 2023

