Cal-Maine Foods Reports Results for Second Quarter Fiscal 2024

January 3, 2024

RIDGELAND, Miss.--(BUSINESS WIRE)--Jan. 3, 2024-- Cal-Maine Foods, Inc. (NASDAQ: CALM) ("Cal-Maine Foods" or the "Company"), the largest producer and distributor of fresh shell eggs in the United States, today reported results for the second quarter of fiscal 2024 (thirteen weeks) ended December 2, 2023.

Second Quarter Fiscal Year 2024 Highlights

- Quarterly net sales of $523.2 million
- Quarterly net income of $17.0 million or $0.35 per basic and diluted common share
- Cash dividend of $5.7 million, or $0.116 per share, pursuant to the Company's established dividend policy

Overview

Sherman Miller, president and chief executive officer of Cal-Maine Foods, Inc., stated, "Cal-Maine Foods delivered a solid financial and operating performance for the second quarter of fiscal 2024 in the face of dynamic market conditions. Our sales reflect a different market environment from a year ago, with significantly lower average selling prices. However, our total volumes sold were up slightly over a year ago, as consumer demand for shell eggs continued to be favorable in the quarter, especially leading up to the Thanksgiving holiday. As always, we strive to offer consumers a wide range of quality choices in shell eggs as well as enhanced egg products offerings. Our ability to meet changing demand trends with a favorable product mix has been an important differentiator for Cal-Maine Foods. With solid execution, we continued to meet the needs of our customers. We commend our managers and employees across our production facilities who continued to efficiently manage our operations and keep pace with changing demand.

"During the second quarter, we completed the acquisition of the assets of Fassio Egg Farms, Inc. a shell egg production and processing business located in Erda, Utah, outside of Salt Lake City. The additional production capacity, especially for cage-free eggs, will enhance our ability to serve our valued customers in this important market area. We welcome the Fassio team to Cal-Maine Foods as we apply our proven operating model and further expand our cage-free production capabilities.

"Following the end of the second quarter, we announced a definitive agreement to acquire from Tyson Foods, Inc. (NYSE:TSN) a recently closed broiler processing plant, hatchery and feed mill located in Dexter, Missouri. We expect to complete the acquisition in our third fiscal quarter and to repurpose the assets for use in egg and egg products production. We look forward to the opportunities to leverage the added production and distribution capabilities and reach more customers in Missouri and surrounding markets."

Sales Performance & Operating Highlights

Max Bowman, vice president and chief financial officer of Cal-Maine Foods, Inc., added, "For the second quarter of fiscal 2024, our net sales were $523.2 million compared with $801.7 million for the same period last year. The decline in sales revenue for the second quarter of fiscal 2024 was primarily due to the significant decrease in the net average selling price for conventional eggs. However, our sales volumes improved slightly with 288.2 million total dozens sold in the second quarter of fiscal 2024 compared with 284.1 million, an increase of 1.4%, over the same period last year.

"Net income attributable to Cal-Maine Foods, Inc. for the second quarter of fiscal 2024 was $17.0 million, or $0.35 per diluted share, compared with $198.6 million, or $4.07 per diluted share, for the second quarter of fiscal 2023. These results include a $19.6 million loss contingency accrual, reflected in SG&A expenses, for our estimated share of damages and fees awarded in a pending anti-trust legal proceeding. We are still pursuing legal actions to reverse, and if necessary, appeal the decisions.

"While conventional egg prices improved sequentially, the net average selling price per dozen was $1.458 for conventional eggs in the second quarter of fiscal 2024, down 49.4% compared with $2.883 for the prior-year quarter. Net average selling price for specialty eggs was $2.277 per dozen, compared with $2.370 per dozen for the second quarter of fiscal 2023, a decline of 3.9%. Specialty dozens sold were 33.2% of total dozens sold in the second quarter of fiscal 2024 compared with 33.8% in the prior-year period. Cage-free eggs accounted for approximately 30.4% of shell egg revenue for the second quarter of fiscal 2024.

"We reported operating income of $14.2 million for the second quarter of fiscal 2024, compared with operating income of $259.9 million for the prior-year quarter, primarily reflecting lower market prices. However, we benefitted from lower feed ingredient prices compared with the same period a year ago. We continued to focus on the aspects of our business we can control and managed our operations efficiently despite higher input costs at our production, processing and distribution centers, as well as ongoing

investments in enhanced biosecurity measures to mitigate the risk of highly pathogenic avian influenza ("HPAI").

"Current indications for corn project an overall better stocks-to-use ratio implying potentially lower prices in the near term; however, as we continue to face uncertain external forces including weather patterns and global supply chain disruptions, volatility could remain. Soybean meal supply has remained tight relative to demand in the second quarter of fiscal 2024."

	13 Weeks Ended		26 Weeks Ended	
	December 2, 2023	November 26, 2022	December 2, 2023	November 26, 2022
Dozen Eggs Sold (000)	288,173	284,086	561,299	559,403
Conventional Dozen Eggs Sold (000)	192,462	187,976	373,992	367,688
Specialty Dozen Eggs Sold (000)	95,711	96,110	187,307	191,715
Dozen Eggs Produced (000)	265,101	261,358	515,457	519,012
% Specialty Sales (dozen)	33.2%	33.8%	33.4%	34.3%
% Specialty Sales (dollars)	43.3%	29.4%	45.4%	30.5%
Net Average Selling Price (per dozen)	$ 1.730	$ 2.709	$ 1.661	$ 2.496
Net Average Selling Price Conventional Eggs (per dozen)	$ 1.458	$ 2.883	$ 1.353	$ 2.631
Net Average Selling Price Specialty Eggs (per dozen)	$ 2.277	$ 2.370	$ 2.277	$ 2.236
Feed Cost (per dozen)	$ 0.554	$ 0.685	$ 0.575	$ 0.676

HPAI & Table Egg Supply Outlook

Outbreaks of HPAI have continued to occur in U.S. poultry flocks. Prior to November 2023, there were no reported significant outbreaks of HPAI in commercial table egg layer flocks since December 2022. On January 3, 2024, the USDA division of Animal and Plant Health Inspection Service ("APHIS") reported that approximately 12.9 million commercial table egg layers and 1.5 million commercial table egg pullets have been depopulated as a result of HPAI outbreaks since the beginning of November 2023.

Cal-Maine Foods experienced an HPAI outbreak within its facilities in Kansas, resulting in depopulation of approximately 1.5 million laying hens and 240 thousand pullets, or approximately 3.3% of its total flock, subsequent to quarter end. Cal-Maine Foods believes that it can mitigate the loss of production through flock rotations. The Company remains dedicated to robust biosecurity programs across its locations; however, no farm is immune from HPAI. HPAI is still present in the wild bird population and the extent of possible future outbreaks, with heightened risk during the migration seasons, cannot be predicted. According to the U.S. Centers for Disease Control and Prevention, these detections do not present an immediate public health concern.

The Company believes the HPAI outbreak will continue to affect the overall supply of eggs until the layer hen flock is fully replenished. The layer hen flock five-year monthly average for the month of December from 2018 through 2022 was 330.1 million hens. According to the USDA, the U.S. flock consisted of 321.6 million layers producing table or market type eggs as of December 1, 2023, which is 2.6 % below the five-year average.

Looking Ahead

Miller added, "We are pleased with our ability to effectively manage our business through the first half of fiscal 2024, as we have continued to deal with the impact of HPAI. We are proud of our team's resilience and ability to quickly respond to the challenges we have faced. Our proven operating model supports our ability to manage our operations through the various cycles that characterize our business. Cal-Maine Foods is uniquely positioned to leverage our scale and continue to meet growing customer demand. We are also mindful of our important role as a contributor to the nation's food supply with an affordable and nutritious protein portfolio. We remain focused on our strategy to invest in our operations to expand capacity; pursue synergistic acquisition opportunities; and support long-term growth through investment in innovative, scale-driven products and facilities. We are fortunate to have a strong balance sheet and a disciplined capital allocation strategy that supports our growth objectives. We look forward to the opportunities ahead for Cal-Maine Foods."

Dividend Payment

For the second quarter of fiscal 2024, Cal-Maine Foods will pay a cash dividend of approximately $0.116 per share to holders of its common and Class A common stock. Pursuant to Cal-Maine Foods' variable dividend policy, for each quarter in which the Company reports net income, the Company pays a cash dividend to shareholders in an amount equal to one-third of such quarterly income. Following a quarter for which the Company does not report net income, the Company will not pay a dividend with respect to that quarter or for a subsequent profitable quarter until the Company is profitable on a cumulative basis computed from the date of the most recent quarter for which a dividend was paid. The amount paid per share will vary based on the number of outstanding shares on the record date. The dividend is payable on February 15, 2024, to holders of record on January 31, 2024.

About Cal-Maine Foods

Cal-Maine Foods, Inc. is primarily engaged in the production, grading, packaging, marketing and distribution of fresh shell eggs, including conventional, cage-free, organic, brown, free-range, pasture-raised and nutritionally enhanced eggs. The Company,

which is headquartered in Ridgeland, Mississippi, is the largest producer and distributor of fresh shell eggs in the United States and sells the majority of its shell eggs in states across the southwestern, southeastern, mid-western and mid-Atlantic regions of the United States.

Forward Looking Statements

Statements contained in this press release that are not historical facts are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. The forward-looking statements are based on management's current intent, belief, expectations, estimates and projections regarding our company and our industry. These statements are not guarantees of future performance and involve risks, uncertainties, assumptions and other factors that are difficult to predict and may be beyond our control. The factors that could cause actual results to differ materially from those projected in the forward-looking statements include, among others, (i) the risk factors set forth in the Company's SEC filings (including its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K), (ii) the risks and hazards inherent in the shell egg business (including disease, pests, weather conditions and potential for recall), including but not limited to the most recent outbreak of highly pathogenic avian influenza affecting poultry in the U.S., Canada and other countries that was first detected in commercial flocks in the U.S. in February 2022 and that first impacted our flocks in December 2023, (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, and higher and potentially further increases in inflation and interest rates, (vii) our ability to retain existing customers, acquire new customers and grow our product mix, (viii) adverse results in pending litigation matters, (ix) global instability, including as a result of the wars in Ukraine and Israel and attacks on shipping in the Red Sea, and (x) any potential resurgence of COVID-19. SEC filings may be obtained from the SEC or the Company's website , www.calmainefoods.com. Readers are cautioned not to place undue reliance on forward-looking statements because, while we believe the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance that these forward-looking statements will prove to be accurate. Further, the forward-looking statements included herein are only made as of the respective dates thereof, or if no date is stated, as of the date hereof. Except as otherwise required by law, we disclaim any intent or obligation to publicly update these forward-looking statements, whether as a result of new information, future events or otherwise.

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

SUMMARY STATEMENTS OF INCOME

	13 Weeks Ended		26 Weeks Ended	
	December 2, 2023	November 26, 2022	December 2, 2023	November 26, 2022
Net sales	$ 523,234	$ 801,700	$ 982,578	$ 1,460,044
Cost of sales	432,104	483,851	846,015	924,705
Gross profit	91,130	317,849	136,563	535,339
Selling, general and administrative	76,578	57,952	128,824	111,559
(Gain) loss on disposal of fixed assets	318	29	262	62
Operating income (loss)	14,234	259,868	7,477	423,718
Other income, net	7,884	2,400	15,374	4,030
Income before income taxes	22,118	262,268	22,851	427,748
Income tax expense	5,540	63,974	5,862	104,320
Net income	16,578	198,294	16,989	323,428
Less: Loss attributable to noncontrolling interest	(431)	(293)	(946)	(446)
Net income attributable to Cal-Maine Foods, Inc.	$ 17,009	$ 198,587	$ 17,935	$ 323,874
Net income per common share:				
Basic	$ 0.35	$ 4.08	$ 0.37	$ 6.66
Diluted	$ 0.35	$ 4.07	$ 0.37	$ 6.63
Weighted average shares outstanding:				
Basic	48,690	48,624	48,691	48,624
Diluted	48,866	48,840	48,854	48,827

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

SUMMARY BALANCE SHEETS

	December 2, 2023	June 3, 2023
ASSETS		
Cash and short-term investments	$ 567,828	$ 647,914
Receivables, net	199,162	187,213
Inventories, net	287,270	284,418
Prepaid expenses and other current assets	9,673	5,380
Current assets	1,063,933	1,124,925
Property, plant and equipment, net	815,468	744,540
Other noncurrent assets	87,404	85,060
Total assets	$ 1,966,805	$ 1,954,525
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	$ 148,105	$ 145,601
Dividends payable	5,682	37,130
Current liabilities	153,787	182,731
Deferred income taxes and other liabilities	189,054	162,211
Stockholders' equity	1,623,964	1,609,583
Total liabilities and stockholders' equity	$ 1,966,805	$ 1,954,525

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