

Edgar Filing: CAL-MAINE FOODS INC - Form 10-Q

CAL-MAINE FOODS INC

Form 10-Q

January 04, 2019

P60DP65DP15D0.3333false--06-01Q220192018-12-0110-Q0000016160438279234800000falseLarge Accelerated FilerCAL-MAINE FOODS

INCfalsecalm2680004420000.010.010.010.0112000000048000001200000004800000702610004800000702610004800000438

0000016160 2018-06-03 2018-12-01 0000016160 us-gaap:CommonClassAMember 2019-01-02 0000016160
calm:CommonStockNonConvertibleMember 2019-01-02 0000016160 2018-06-02 0000016160 2018-12-01
0000016160 us-gaap:CommonClassAMember 2018-06-02 0000016160 calm:CommonStockNonConvertibleMember
2018-06-02 0000016160 us-gaap:CommonClassAMember 2018-12-01 0000016160
calm:CommonStockNonConvertibleMember 2018-12-01 0000016160 2017-09-03 2017-12-02 0000016160
2018-09-02 2018-12-01 0000016160 2017-06-04 2017-12-02 0000016160 2017-06-03 0000016160 2017-09-02
0000016160 calm:FeatherlandEggFarmsInc.Member 2018-10-14 0000016160
calm:FeatherlandEggFarmsInc.Member 2018-10-14 2018-10-14 0000016160 us-gaap:RestrictedStockMember
2018-06-03 2018-12-01 0000016160 us-gaap:RestrictedStockMember 2018-12-01 0000016160
us-gaap:RestrictedStockMember 2018-06-02 0000016160 us-gaap:RestrictedStockMember 2018-06-03 2018-12-01
0000016160 us-gaap:RestrictedStockMember 2017-09-03 2017-12-02 0000016160 us-gaap:RestrictedStockMember
2017-06-04 2017-12-02 0000016160 us-gaap:RestrictedStockMember 2018-09-02 2018-12-01 0000016160
2017-12-02 0000016160 us-gaap:CommonStockMember 2017-12-02 0000016160 us-gaap:CommonStockMember
2018-12-01 0000016160 us-gaap:CommonClassAMember 2017-12-02 0000016160
us-gaap:VariableRateDemandObligationMember 2018-06-02 0000016160 calm:MutualFundsMember
us-gaap:FairValueInputsLevel1Member 2018-06-02 0000016160 calm:MutualFundsMember
us-gaap:FairValueInputsLevel3Member 2018-06-02 0000016160 us-gaap:CommercialPaperMember 2018-06-02
0000016160 us-gaap:USGovernmentDebtSecuritiesMember us-gaap:FairValueInputsLevel3Member 2018-06-02
0000016160 us-gaap:VariableRateDemandObligationMember us-gaap:FairValueInputsLevel2Member 2018-06-02
0000016160 us-gaap:CorporateDebtSecuritiesMember 2018-06-02 0000016160
us-gaap:VariableRateDemandObligationMember us-gaap:FairValueInputsLevel1Member 2018-06-02 0000016160
us-gaap:USGovernmentDebtSecuritiesMember 2018-06-02 0000016160 us-gaap:MunicipalBondsMember
us-gaap:FairValueInputsLevel2Member 2018-06-02 0000016160 us-gaap:CommercialPaperMember
us-gaap:FairValueInputsLevel2Member 2018-06-02 0000016160 us-gaap:MunicipalBondsMember
us-gaap:FairValueInputsLevel1Member 2018-06-02 0000016160 us-gaap:AssetBackedSecuritiesMember
us-gaap:FairValueInputsLevel1Member 2018-06-02 0000016160 us-gaap:AssetBackedSecuritiesMember 2018-06-02
0000016160 us-gaap:CertificatesOfDepositMember 2018-06-02 0000016160 us-gaap:CertificatesOfDepositMember
us-gaap:FairValueInputsLevel2Member 2018-06-02 0000016160 us-gaap:CommercialPaperMember
us-gaap:FairValueInputsLevel1Member 2018-06-02 0000016160 us-gaap:AssetBackedSecuritiesMember
us-gaap:FairValueInputsLevel2Member 2018-06-02 0000016160 us-gaap:CommercialPaperMember
us-gaap:FairValueInputsLevel3Member 2018-06-02 0000016160 us-gaap:AssetBackedSecuritiesMember
us-gaap:FairValueInputsLevel3Member 2018-06-02 0000016160 us-gaap:FairValueInputsLevel1Member 2018-06-02
0000016160 us-gaap:USGovernmentDebtSecuritiesMember us-gaap:FairValueInputsLevel2Member 2018-06-02
0000016160 us-gaap:CorporateDebtSecuritiesMember us-gaap:FairValueInputsLevel3Member 2018-06-02
0000016160 us-gaap:MunicipalBondsMember us-gaap:FairValueInputsLevel3Member 2018-06-02 0000016160
us-gaap:CorporateDebtSecuritiesMember us-gaap:FairValueInputsLevel1Member 2018-06-02 0000016160
us-gaap:CertificatesOfDepositMember us-gaap:FairValueInputsLevel1Member 2018-06-02 0000016160
calm:MutualFundsMember us-gaap:FairValueInputsLevel2Member 2018-06-02 0000016160
us-gaap:VariableRateDemandObligationMember us-gaap:FairValueInputsLevel3Member 2018-06-02 0000016160
calm:MutualFundsMember 2018-06-02 0000016160 us-gaap:CorporateDebtSecuritiesMember
us-gaap:FairValueInputsLevel2Member 2018-06-02 0000016160 us-gaap:USGovernmentDebtSecuritiesMember
us-gaap:FairValueInputsLevel1Member 2018-06-02 0000016160 us-gaap:CertificatesOfDepositMember
us-gaap:FairValueInputsLevel3Member 2018-06-02 0000016160 us-gaap:FairValueInputsLevel2Member 2018-06-02
0000016160 us-gaap:MunicipalBondsMember 2018-06-02 0000016160 us-gaap:FairValueInputsLevel3Member
2018-06-02 0000016160 us-gaap:CommercialPaperMember us-gaap:FairValueInputsLevel2Member 2018-12-01

Edgar Filing: CAL-MAINE FOODS INC - Form 10-Q

0000016160 us-gaap:USGovernmentDebtSecuritiesMember us-gaap:FairValueInputsLevel1Member 2018-12-01
0000016160 us-gaap:MunicipalBondsMember us-gaap:FairValueInputsLevel1Member 2018-12-01 0000016160
us-gaap:CertificatesOfDepositMember us-gaap:FairValueInputsLevel2Member 2018-12-01 0000016160
us-gaap:AssetBackedSecuritiesMember us-gaap:FairValueInputsLevel1Member 2018-12-01 0000016160
us-gaap:USGovernmentDebtSecuritiesMember us-gaap:FairValueInputsLevel3Member 2018-12-01 0000016160
us-gaap:MunicipalBondsMember us-gaap:FairValueInputsLevel3Member 2018-12-01 0000016160
us-gaap:USGovernmentDebtSecuritiesMember 2018-12-01 0000016160
us-gaap:USGovernmentDebtSecuritiesMember us-gaap:FairValueInputsLevel2Member 2018-12-01 0000016160
calm:MutualFundsMember 2018-12-01 0000016160 us-gaap:CorporateDebtSecuritiesMember
us-gaap:FairValueInputsLevel3Member 2018-12-01 0000016160 us-gaap:CertificatesOfDepositMember 2018-12-01
0000016160 us-gaap:FairValueInputsLevel3Member 2018-12-01 0000016160 calm:MutualFundsMember
us-gaap:FairValueInputsLevel1Member 2018-12-01 0000016160 us-gaap:CorporateDebtSecuritiesMember
us-gaap:FairValueInputsLevel1Member 2018-12-01 0000016160 us-gaap:MunicipalBondsMember
us-gaap:FairValueInputsLevel2Member 2018-12-01 0000016160 us-gaap:FairValueInputsLevel1Member 2018-12-01
0000016160 us-gaap:CommercialPaperMember us-gaap:FairValueInputsLevel3Member 2018-12-01 0000016160
us-gaap:AssetBackedSecuritiesMember us-gaap:FairValueInputsLevel2Member 2018-12-01 0000016160
us-gaap:CorporateDebtSecuritiesMember 2018-12-01 0000016160 us-gaap:CommercialPaperMember 2018-12-01
0000016160 us-gaap:MunicipalBondsMember 2018-12-01 0000016160 us-gaap:FairValueInputsLevel2Member
2018-12-01 0000016160 calm:MutualFundsMember us-gaap:FairValueInputsLevel2Member 2018-12-01
0000016160 us-gaap:CertificatesOfDepositMember us-gaap:FairValueInputsLevel1Member 2018-12-01 0000016160
us-gaap:AssetBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member 2018-12-01 0000016160
us-gaap:CertificatesOfDepositMember us-gaap:FairValueInputsLevel3Member 2018-12-01 0000016160
us-gaap:CorporateDebtSecuritiesMember us-gaap:FairValueInputsLevel2Member 2018-12-01 0000016160
us-gaap:CommercialPaperMember us-gaap:FairValueInputsLevel1Member 2018-12-01 0000016160
calm:MutualFundsMember us-gaap:FairValueInputsLevel3Member 2018-12-01 0000016160
us-gaap:AssetBackedSecuritiesMember 2018-12-01 0000016160
us-gaap:CarryingReportedAmountFairValueDisclosureMember us-gaap:NotesPayableToBanksMember 2018-12-01
0000016160 us-gaap:CarryingReportedAmountFairValueDisclosureMember
us-gaap:CapitalLeaseObligationsMember 2018-06-02 0000016160
us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:NotesPayableToBanksMember 2018-12-01
0000016160 us-gaap:EstimateOfFairValueFairValueDisclosureMember 2018-12-01 0000016160
us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:NotesPayableToBanksMember 2018-06-02
0000016160 us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:CapitalLeaseObligationsMember
2018-06-02 0000016160 us-gaap:EstimateOfFairValueFairValueDisclosureMember
us-gaap:CapitalLeaseObligationsMember 2018-12-01 0000016160
us-gaap:CarryingReportedAmountFairValueDisclosureMember 2018-06-02 0000016160
us-gaap:CarryingReportedAmountFairValueDisclosureMember 2018-12-01 0000016160
us-gaap:EstimateOfFairValueFairValueDisclosureMember 2018-06-02 0000016160
us-gaap:CarryingReportedAmountFairValueDisclosureMember us-gaap:CapitalLeaseObligationsMember 2018-12-01
0000016160 us-gaap:CarryingReportedAmountFairValueDisclosureMember us-gaap:NotesPayableToBanksMember
2018-06-02 0000016160 calm:NoncurrentAssetsMember 2017-06-04 2017-12-02 0000016160
calm:NoncurrentAssetsMember 2018-06-03 2018-12-01 0000016160 calm:CurrentAssetsMember 2018-06-03
2018-12-01 0000016160 calm:CurrentAssetsMember 2017-06-04 2017-12-02 0000016160
calm:CurrentAssetsMember us-gaap:USGovernmentDebtSecuritiesMember 2018-12-01 0000016160
calm:CurrentAssetsMember us-gaap:CertificatesOfDepositMember 2018-12-01 0000016160
calm:CurrentAssetsMember 2018-12-01 0000016160 calm:NoncurrentAssetsMember calm:MutualFundsMember
2018-12-01 0000016160 calm:CurrentAssetsMember us-gaap:AssetBackedSecuritiesMember 2018-12-01
0000016160 calm:CurrentAssetsMember us-gaap:CorporateDebtSecuritiesMember 2018-12-01 0000016160
calm:CurrentAssetsMember us-gaap:CommercialPaperMember 2018-12-01 0000016160 calm:CurrentAssetsMember
us-gaap:MunicipalBondsMember 2018-12-01 0000016160 calm:NoncurrentAssetsMember 2018-12-01 0000016160
calm:NoncurrentAssetsMember calm:MutualFundsMember 2018-06-02 0000016160 calm:CurrentAssetsMember

Edgar Filing: CAL-MAINE FOODS INC - Form 10-Q

us-gaap:CorporateDebtSecuritiesMember 2018-06-02 0000016160 calm:CurrentAssetsMember
us-gaap:CertificatesOfDepositMember 2018-06-02 0000016160 calm:CurrentAssetsMember 2018-06-02 0000016160
calm:CurrentAssetsMember us-gaap:MunicipalBondsMember 2018-06-02 0000016160 calm:CurrentAssetsMember
us-gaap:AssetBackedSecuritiesMember 2018-06-02 0000016160 calm:NoncurrentAssetsMember 2018-06-02
0000016160 calm:CurrentAssetsMember us-gaap:USGovernmentDebtSecuritiesMember 2018-06-02 0000016160
calm:CurrentAssetsMember us-gaap:CommercialPaperMember 2018-06-02 0000016160 calm:CurrentAssetsMember
us-gaap:VariableRateDemandObligationMember 2018-06-02 0000016160 us-gaap:TreasuryStockMember
2018-06-03 2018-12-01 0000016160 us-gaap:NoncontrollingInterestMember 2018-12-01 0000016160
us-gaap:RetainedEarningsMember 2017-06-04 2017-12-02 0000016160 us-gaap:RetainedEarningsMember
2018-06-02 0000016160 us-gaap:RetainedEarningsMember 2018-06-03 2018-12-01 0000016160
us-gaap:CommonClassAMember us-gaap:CommonStockMember 2018-12-01 0000016160
us-gaap:AdditionalPaidInCapitalMember 2018-06-03 2018-12-01 0000016160
us-gaap:NoncontrollingInterestMember 2018-06-02 0000016160 us-gaap:TreasuryStockMember 2018-06-02
0000016160 us-gaap:AdditionalPaidInCapitalMember 2018-12-01 0000016160
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-06-02 0000016160
us-gaap:RetainedEarningsMember 2018-12-01 0000016160
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-12-01 0000016160 us-gaap:TreasuryStockMember
2018-12-01 0000016160 us-gaap:CommonClassAMember us-gaap:CommonStockMember 2018-06-02 0000016160
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-06-03 2018-12-01 0000016160
us-gaap:AdditionalPaidInCapitalMember 2018-06-02 0000016160 us-gaap:NoncontrollingInterestMember
2018-06-03 2018-12-01 0000016160 calm:CommonStockNonConvertibleMember us-gaap:CommonStockMember
2018-06-02 0000016160 calm:CommonStockNonConvertibleMember us-gaap:CommonStockMember 2018-12-01
0000016160 calm:CoPackSpecialtyShellEggSalesMember 2018-09-02 2018-12-01 0000016160
calm:CoPackSpecialtyShellEggSalesMember 2017-09-03 2017-12-02 0000016160
calm:CoPackSpecialtyShellEggSalesMember 2017-06-04 2017-12-02 0000016160
calm:NonSpecialtyShellEggSalesMember 2017-06-04 2017-12-02 0000016160 calm:SpecialtyShellEggSalesMember
2018-06-03 2018-12-01 0000016160 calm:SpecialtyShellEggSalesMember 2018-09-02 2018-12-01 0000016160
calm:NonSpecialtyShellEggSalesMember 2018-09-02 2018-12-01 0000016160 calm:EggProductsMember
2018-09-02 2018-12-01 0000016160 calm:EggProductsMember 2018-06-03 2018-12-01 0000016160
calm:OtherMember 2017-09-03 2017-12-02 0000016160 calm:OtherMember 2018-06-03 2018-12-01 0000016160
calm:EggProductsMember 2017-09-03 2017-12-02 0000016160 calm:EggProductsMember 2017-06-04 2017-12-02
0000016160 calm:SpecialtyShellEggSalesMember 2017-09-03 2017-12-02 0000016160 calm:OtherMember
2018-09-02 2018-12-01 0000016160 calm:CoPackSpecialtyShellEggSalesMember 2018-06-03 2018-12-01
0000016160 calm:NonSpecialtyShellEggSalesMember 2017-09-03 2017-12-02 0000016160 calm:OtherMember
2017-06-04 2017-12-02 0000016160 calm:SpecialtyShellEggSalesMember 2017-06-04 2017-12-02 0000016160
calm:NonSpecialtyShellEggSalesMember 2018-06-03 2018-12-01 xbrli:shares iso4217:USD calm:layer iso4217:USD
xbrli:shares xbrli:pure calm:pullet_and_breeder

[Index](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(mark one)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended December 1, 2018

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: 000-04892

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.)

3320 Woodrow Wilson Avenue, Jackson, Mississippi 39209

(Address of principal executive offices) (Zip Code)

(601) 948-6813

(Registrant's telephone number, including area code)

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 Accelerated filer

Non – Accelerated filer Smaller reporting company

Emerging growth company

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 43,827,923 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 January 2, 2019.

Index

CAL-MAINE FOODS, INC. AND SUBSIDIARIES
FORM 10-Q
INDEX
FOR THE QUARTER ENDED DECEMBER 1, 2018

	Page Number
Part I.	
	<u>Financial Information</u>
Item 1.	<u>Condensed Consolidated Financial Statements (Unaudited)</u>
	<u>Condensed Consolidated Balance Sheets - December 1, 2018 and June 2, 2018</u>
	<u>2</u>
	<u>Condensed Consolidated Statements of Operations - Thirteen and Twenty-Six Weeks Ended December 1, 2018 and December 2, 2017</u>
	<u>3</u>
	<u>Condensed Consolidated Statements of Comprehensive Income (Loss) - Thirteen and Twenty-Six Weeks Ended December 1, 2018 and December 2, 2017</u>
	<u>4</u>
	<u>Condensed Consolidated Statements of Cash Flow - Twenty-Six Weeks Ended December 1, 2018 and December 2, 2017</u>
	<u>5</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>
	<u>6</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	<u>13</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	<u>25</u>
Item 4.	<u>Controls and Procedures</u>
	<u>25</u>
Part II.	
	<u>Other Information</u>
Item 1.	<u>Legal Proceedings</u>
	<u>25</u>
Item 1A.	<u>Risk Factors</u>
	<u>26</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	<u>27</u>
Item 6.	<u>Exhibits</u>
	<u>27</u>
	<u>Signatures</u>
	<u>28</u>

Index

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CAL-MAINE FOODS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 1, 2018	June 2, 2018
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$46,205	\$48,431
Investment securities available-for-sale	252,072	282,586
Trade and other receivables (less allowance for doubtful accounts of \$442 and \$268 at December 1, 2018 and June 2, 2018, respectively)	110,837	85,839
Inventories	176,735	168,644
Prepaid expenses and other current assets	4,499	2,020
Total current assets	590,348	587,520
Property, plant and equipment, net	434,398	425,384
Investments in unconsolidated entities	68,966	66,806
Goodwill	35,525	35,525
Other intangible assets, net	25,174	26,307
Other long-lived assets	8,816	8,905
TOTAL ASSETS	\$1,163,227	\$1,150,447
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$86,901	\$87,209
Accrued dividends payable	7,246	17,093
Current maturities of long-term debt and capital lease obligations	3,192	3,536
Total current liabilities	97,339	107,838
Long-term debt and capital lease obligations, less current maturities	713	2,554
Other noncurrent liabilities	8,294	8,318
Deferred income taxes	76,253	76,055
Total liabilities	182,599	194,765
Commitments and Contingencies - see Note 5		
Stockholders' equity:		
Common stock, \$0.01 par value, 120,000 and 70,261 shares authorized and issued at December 1, 2018, and June 2, 2018, respectively, and 43,828 and 43,831 shares outstanding at December 1, 2018 and June 2, 2018, respectively	703	703
Class A convertible common stock, \$.01 par value, 4,800 shares authorized, issued and outstanding at December 1, 2018 and June 2, 2018	48	48
Paid-in capital	55,079	53,323
Retained earnings	947,768	924,918
Accumulated other comprehensive loss, net of tax	(882)	(693)
Common stock in treasury at cost – 26,432 and 26,430 shares at December 1, 2018 and June 2, 2018	(24,974)	(24,966)

Edgar Filing: CAL-MAINE FOODS INC - Form 10-Q

Total Cal-Maine Foods, Inc. stockholders' equity	977,742	953,333
Noncontrolling interest in consolidated entities	2,886	2,349
Total stockholders' equity	980,628	955,682
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,163,227	\$1,150,447

See Notes to Condensed Consolidated Financial Statements.

Index

CAL-MAINE FOODS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	13 Weeks Ended		26 Weeks Ended	
	December 1,	December 2,	December 1,	December 2,
	2018	2017	2018	2017
Net sales	\$356,040	\$361,172	\$696,623	\$624,017
Cost of sales	285,505	278,776	568,960	524,285
Gross profit	70,535	82,396	127,663	99,732
Selling, general, and administrative expense	42,981	42,160	87,491	83,870
Legal settlement expense	2,250	80,750	2,250	80,750
Gain on disposal of fixed assets	(30)	(50)	(89)	(46)
Operating income (loss)	25,334	(40,464)	38,011	(64,842)
Other income (expense):				
Interest income, net	1,688	578	3,473	1,052
Royalty income	719	312	1,220	590
Equity in income (loss) of affiliates	909	276	2,338	(77)
Other, net	124	(795)	225	(1,333)
Total other income	3,440	371	7,256	232
Income (loss) before income taxes and noncontrolling interest	28,774	(40,093)	45,267	(64,610)
Income tax (benefit) expense	6,768	(14,012)	10,518	(22,352)
Net income (loss) before noncontrolling interest	22,006	(26,081)	34,749	(42,258)
Less: Net income (loss) attributable to noncontrolling interest	199	55	537	(129)
Net income (loss) attributable to Cal-Maine Foods, Inc.	\$21,807	\$(26,136)	\$34,212	\$(42,129)
Net income (loss) per common share attributable to Cal-Maine Foods, Inc.:				
Basic	\$0.45	\$(0.54)	\$0.71	\$(0.87)
Diluted	\$0.45	\$(0.54)	\$0.71	\$(0.87)
Weighted average shares outstanding:				
Basic	48,391	48,330	48,390	48,330
Diluted	48,534	48,330	48,525	48,330

See Notes to Condensed Consolidated Financial Statements.

Index

CAL-MAINE FOODS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(unaudited)

	13 Weeks Ended		26 Weeks Ended	
	December 2018	December 2017	December 2018	December 2017
Net income (loss), including noncontrolling interests	\$22,006	\$ (26,081)	\$34,749	\$ (42,258)
Other comprehensive income, before tax:				
Unrealized holding loss on available-for-sale securities, net of reclassification adjustments	(717)	(508)	(250)	(457)
Income tax benefit related to items of other comprehensive loss	175	204	61	185
Other comprehensive loss, net of tax	(542)	(304)	(189)	(272)
Comprehensive income (loss)	21,464	(26,385)	34,560	(42,530)
Less: comprehensive income (loss) attributable to the noncontrolling interest	199	55	537	(129)
Comprehensive income (loss) attributable to Cal-Maine Foods, Inc.	\$21,265	\$ (26,440)	\$34,023	\$ (42,401)

See Notes to Condensed Consolidated Financial Statements.

Index

CAL-MAINE FOODS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	26 Weeks Ended	
	December 2018	December 2, 2017
Operating activities:		
Net income (loss) including noncontrolling interest	\$34,749	\$ (42,258)
Depreciation and amortization	27,229	26,612
Other adjustments, net	(34,290)	80,488
Net cash provided by operations	27,688	64,842
Investing activities:		
Purchases of investment securities	(78,564)	(112,804)
Sales and maturities of investment securities	108,274	61,737
Investment in unconsolidated entities	(4,272)	(2,800)
Proceeds from unconsolidated entities	4,456	3,385
Acquisition of business	(17,889)	—
Purchases of property, plant and equipment	(18,972)	(10,171)
Net proceeds from disposal of property, plant and equipment	454	220
Net cash used by investing activities	(6,513)	(60,433)
Financing activities:		
Purchase of common stock by treasury	(6)	(25)
Contributions from noncontrolling interests	—	279
Principal payments on long-term debt and capital lease obligations	(2,185)	(2,419)
Payment of dividends	(21,210)	—
Net cash used in financing activities	(23,401)	(2,165)
Net change in cash and cash equivalents	(2,226)	2,244
Cash and cash equivalents at beginning of period	48,431	17,564
Cash and cash equivalents at end of period	\$46,205	\$ 19,808

See Notes to Condensed Consolidated Financial Statements.

Index**CAL-MAINE FOODS, INC. AND SUBSIDIARIES**

Notes to Condensed Consolidated Financial Statements

December 1, 2018

(unaudited)

1. Presentation of Interim Information

The condensed consolidated balance sheet at June 2, 2018 was derived from the audited consolidated financial statements at that date. It does not include all of the information and footnotes required by generally accepted accounting principles (“GAAP”) for complete financial statements.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the results for the interim periods presented have been included. The preparation of condensed consolidated financial statements requires us to make estimates and assumptions. These estimates and assumptions affected reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and assumptions. Operating results for the thirteen and twenty-six weeks ended December 1, 2018 are not necessarily indicative of the results that may be expected for the year ending June 1, 2019.

For further information, refer to the consolidated financial statements and footnotes thereto included in Cal-Maine Foods, Inc.’s annual report on Form 10-K for the fiscal year ended June 2, 2018. References to “we,” “us,” “our,” or the “Company” refer to Cal-Maine Foods, Inc.

Note 2. Acquisition

On October 14, 2018, the Company acquired substantially all of the assets of Featherland Egg Farms, Inc. (“Featherland”) for \$17.9 million in cash. The acquired assets include commercial egg production and processing facilities with current capacity for approximately 600,000 laying hens, a feed mill, and related production and distribution facilities located near Marion, Texas. The acquired operations of Featherland are included in the accompanying financial statements as of October 14, 2018. Acquisition related costs incurred during the period were immaterial to the financial statements.

Pending the finalization of the Company’s valuation, the following table presents the preliminary fair values of the assets acquired (in thousands):

Inventory	\$1,433
Property, plant and equipment	16,206
Intangible assets	250
Purchase price	\$17,889

Pro-forma information was not material to the Company’s Condensed Consolidated Financial Statements.

3. Stock Based Compensation

Total stock based compensation expense for the twenty-six weeks ended December 1, 2018 and December 2, 2017 was \$1.8 million and \$1.7 million, respectively.

Index

Unrecognized compensation expense as a result of non-vested shares of the 2012 Omnibus Long-Term Incentive Plan at December 1, 2018 was \$4.1 million, and will be recorded over a weighted average period of 1.7 years. Refer to Note 10 of our June 2, 2018 audited financial statements for further information on our stock compensation plans.

At December 1, 2018, there were 237,590 restricted shares outstanding, with a weighted average grant date fair value of \$45.28 per share. The Company's restricted share activity for the twenty-six weeks ended December 1, 2018 follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding, June 2, 2018	241,290	\$ 45.30
Granted	—	—
Vested	(1,650)	48.48
Forfeited	(2,050)	45.21
Outstanding, December 1, 2018	237,590	\$ 45.28

4. Inventories

Inventories consisted of the following (in thousands):

	December 1, 2018	June 2, 2018
Flocks	\$ 101,402	\$96,594
Eggs and egg products	20,319	17,313
Feed and supplies	55,014	54,737
	\$ 176,735	\$ 168,644

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 December 1, 2018, consisted of approximately 8.6 million pullets and breeders and 38.6 million layers.

5. Contingencies*Financial Instruments*

The Company maintained standby letters of credit ("LOC") totaling \$4.2 million at December 1, 2018. The LOCs are collateralized with cash which is included in the line item "Other assets" in the Condensed Consolidated Balance Sheets.

The outstanding LOCs are for the benefit of certain insurance companies, and are not recorded as a liability on the consolidated balance sheets.

Legal Contingencies

The Company is a defendant in certain legal actions, and intends to vigorously defend its position in these actions. If the Company's assessment of a contingency indicates it is probable a material loss has been incurred and the amount of the liability can be reasonably estimated, the estimated liability is accrued in the Company's financial statements. If the assessment indicates a potential material loss contingency is not probable, but is reasonably possible, or probable but cannot be reasonably estimated, then the nature of the contingent liability, together with an estimate of the possible loss or range of possible loss will be disclosed, or a statement will be made that such an estimate cannot be made.

These legal actions are discussed in detail at Part II, Item 1, of this report.

7

Index**6. Net Income (Loss) per Common Share**

Basic net income (loss) per share was calculated by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share was calculated by dividing net income (loss) by the weighted-average number of common shares outstanding during the period plus the dilutive effects of options and restricted stock. Due to the net loss in the twenty-six weeks ended December 2, 2017, restricted shares were excluded from the calculation of diluted net loss per share because their inclusion would have been antidilutive. The computations of basic and diluted net income (loss) per share attributable to the Company are as follows (in thousands, except per share data):

	13 Weeks Ended December 2, 2018		26 Weeks Ended December 2, 2017	
Net income (loss) attributable to Cal-Maine Foods, Inc.	\$21,807	\$(26,136)	\$34,212	\$(42,129)
Basic weighted-average common shares	48,391	48,330	48,390	48,330
Effect of dilutive securities:				
Restricted shares	143	—	135	—
Dilutive potential common shares	48,534	48,330	48,525	48,330
Antidilutive securities excluded from computation of earnings per share	—	138	—	127
Net income (loss) per common share attributable to Cal-Maine Foods, Inc.:				
Basic	\$0.45	\$(0.54)	\$0.71	\$(0.87)
Diluted	\$0.45	\$(0.54)	\$0.71	\$(0.87)

7. Accrued Dividends Payable and Dividends per Common Share

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 generally accepted accounting principles 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 last quarter for which a dividend was paid. The amount of the accrual appears on the Condensed Consolidated Balance Sheets as "Accrued dividends payable."

Index

On our condensed consolidated statement of operations, we determine dividends per common share in accordance with the computation in the following table (in thousands, except per share data):

	13 Weeks Ended		26 Weeks Ended	
	December 2, 2018	December 2, 2017	December 2, 2018	December 2, 2017
Net income (loss) attributable to Cal-Maine Foods, Inc. available for dividend	\$21,807	\$(26,136)	\$34,212	\$(42,129)
1/3 of net income attributable to Cal-Maine Foods, Inc.	\$7,246	\$—	\$11,381	\$—
Common stock outstanding (shares)	43,828	43,773		
Class A common stock outstanding (shares)	4,800	4,800		
Total common stock outstanding (shares)	48,628	48,573		
Dividends per common share*	\$0.149	\$—	\$0.234	\$—

*Dividends per common share = 1/3 of Net income (loss) attributable to Cal-Maine Foods, Inc. available for dividend ÷ Total common stock outstanding (shares).

8. 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

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: The carrying amount approximates fair value due to the short maturity of these instruments.

Long-term debt: The carrying value of the Company's long-term debt is at its stated value. We have not elected to carry our long-term debt at fair value. Fair values for debt are based on quoted market prices or published forward interest rate curves, which are level 2 inputs. The fair value and carrying value of the Company's borrowings under its long-term debt were as follows (in thousands):

	December 1, 2018		June 2, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Note payable	\$2,756	\$2,783	\$4,750	\$4,732
Long-term leases	1,149	1,001	1,340	1,171
	\$3,905	\$3,784	\$6,090	\$5,903

IndexAssets 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 December 1, 2018 and June 2, 2018 (in thousands):

				Total
December 1, 2018	Level 1	Level 2	Level 3	Balance
Assets				
US government and agency obligations	—	\$27,719	—	\$27,719
Municipal bonds	—	46,733	—	46,733
Commercial paper	—	9,833	—	9,833
Corporate bonds	—	162,299	—	162,299
Certificates of deposits	—	2,500	—	2,500
Asset backed securities	—	2,988	—	2,988
Mutual funds	3,083	—	—	3,083
Total assets measured at fair value	\$3,083	\$252,072	—	\$255,155

				Total
June 2, 2018	Level 1	Level 2	Level 3	Balance
Assets				
US government and agency obligations	\$—	\$23,817	\$—	—\$23,817
Municipal bonds	—	20,666	—	20,666
Certificates of deposits	—	2,507	—	2,507
Commercial paper	—	17,920	—	17,920
Corporate bonds	—	214,083	—	214,083
Variable rate demand notes	—	600	—	600
Asset backed securities	—	2,993	—	2,993
Mutual funds	3,071	—	—	3,071
Total assets measured at fair value	\$3,071	\$282,586	\$—	—\$285,657

Investment securities – available-for-sale have maturities of three months or longer when purchased, and are classified as current, because they are available for current operations. Observable inputs for these securities are yields, credit risks, default rates, and volatility.

Index**9. Investment Securities**

The following represents the Company's investment securities as of December 1, 2018 and June 2, 2018 (in thousands):

December 1, 2018	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
US government and agency obligations	\$ 27,899	\$ —	\$ 180	\$ 27,719
Municipal bonds	46,803	—	70	46,733
Commercial paper	9,836	—	3	9,833
Corporate bonds	163,702	—	1,403	162,299
Certificates of deposits	2,507	—	7	2,500
Asset backed securities	2,999	—	11	2,988
Total current investment securities	\$ 253,746	\$ —	\$ 1,674	\$ 252,072
Mutual funds	\$ 2,046	\$ 1,037	\$ —	\$ 3,083
Total noncurrent investment securities	\$ 2,046	\$ 1,037	\$ —	\$ 3,083
June 2, 2018	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
US government and agency obligations	\$ 23,991	\$ —	\$ 174	\$ 23,817
Municipal bonds	20,697	—	31	20,666
Certificates of deposits	2,510	—	3	2,507
Commercial paper	17,926	—	6	17,920
Corporate bonds	215,273	—	1,190	214,083
Variable rate demand notes	600	—	—	600
Asset backed securities	3,010	—	17	2,993
Total current investment securities	\$ 284,007	\$ —	\$ 1,421	\$ 282,586
Mutual funds	\$ 2,037	\$ 1,034	\$ —	\$ 3,071
Total noncurrent investment securities	\$ 2,037	\$ 1,034	\$ —	\$ 3,071

Proceeds from sales and maturities of investment securities were \$108.3 million and \$61.7 million during the twenty-six weeks ended December 1, 2018 and December 2, 2017, respectively. Gross realized gains for the twenty-six weeks ended December 1, 2018 and December 2, 2017 were approximately \$1,000 and \$16,000, respectively. Gross realized losses for the twenty-six weeks ended December 1, 2018 and December 2, 2017 were approximately \$26,000 and zero, respectively. For purposes of determining gross realized gains and losses, the cost of securities sold is based on the specific identification method.

Unrealized holding losses, net of taxes, for the twenty-six weeks ended December 1, 2018 and December 2, 2017 were as follows (in thousands):

	26 Weeks Ended	
	December 1, 2018	December 2, 2017
Current investments	\$(191)	\$(420)
Noncurrent investments	2	148
Total unrealized holding losses	\$(189)	\$(272)

Index

Actual maturities may differ from contractual maturities as some borrowers have the right to call or prepay obligations with or without penalties. Contractual maturities at December 1, 2018, are as follows (in thousands):

	Estimated Fair Value
Within one year	\$ 127,516
1-5 years	124,556
Total	\$ 252,072

10. Equity

The following reflects the equity activity, including our noncontrolling interest, for the twenty-six weeks ended December 1, 2018 (in thousands, except share amounts):

	Cal-Maine Foods, Inc. Stockholders							Total
	Common Stock						Noncontrolling Interest	
	Class A Amount	Treasury Amount	Paid In Capital	Accum. Other Comp. Loss	Retained Earnings			
Balance at June 2, 2018	\$ 703	\$ 48	\$(24,966)	\$ 53,323	\$(693)	\$ 924,918	\$ 2,349	\$ 955,682
Other comprehensive loss, net of tax	—	—	—	—	(189)	—	—	(189)
Purchase of company stock - shares withheld to satisfy withholding obligations in connection with the vesting of restricted stock	—	—	(6)	—	—	—	—	(6)
Forfeiture of restricted stock	—	—	(2)	2	—	—	—	—
Restricted stock compensation	—	—	—	1,754	—	—	—	1,754
Dividends	—	—	—	—	—	(11,362)	—	(11,362)
Net income	—	—	—	—	—	34,212	537	34,749
Balance at December 1, 2018	\$ 703	\$ 48	\$(24,974)	\$ 55,079	\$(882)	\$ 947,768	\$ 2,886	\$ 980,628

11. Revenue Recognition*Satisfaction of Performance Obligation*

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

Revenues are recognized in an amount that reflects the net consideration we expect to receive in exchange for the goods. Our shell eggs are sold at prices related to Urner Barry Spot Egg Market Quotations, negotiated 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 provides for an estimate of 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.

Index*Disaggregation of Revenue*

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

	13 Weeks Ended		26 Weeks Ended	
	December 2018	December 2017	December 2018	December 2017
Non-specialty shell egg sales	216,324	228,709	\$424,486	\$ 374,758
Specialty shell egg sales	120,839	113,293	233,102	214,990
Co-pack specialty shell egg sales	6,636	5,839	13,003	11,919
Egg products	11,082	10,855	23,135	16,990
Other	1,159	2,476	2,897	5,360
	\$356,040	\$ 361,172	\$696,623	\$ 624,017

Contract Costs

The Company can incur costs to obtain or fulfill a contract with a customer. The amortization period of these costs is less than one year; therefore, they are expensed as incurred.

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.

Impact of Adoption

The Company adopted the revenue recognition standard (“ASU 2014-09”) on June 3, 2018 utilizing the full retrospective method. The Company’s assessment efforts included an evaluation of certain revenue contracts with customers and related sales incentives. Adoption of ASU 2014-09 did not have an impact on the Company’s results of operations or financial position; therefore, there was no adjustment to previously reported results.

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

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 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,” “pro,” “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 Item 1A of our Annual Report on Form 10-K for the fiscal year ended June 2, 2018, as updated by our subsequent Quarterly Reports on Form 10-Q, (ii) the risks and hazards inherent in the shell egg business (including disease, pests, weather conditions, and potential for product recall), (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

Index

changes that may cause conditions to completing a pending acquisition not to be met, and (vi) adverse results in pending litigation matters. Readers are cautioned not to place undue reliance on forward-looking statements because, while we believe the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance that these forward-looking statements will prove to be accurate. Further, forward-looking statements included herein are only made as of the respective dates thereof, or if no date is stated, as of the date hereof. Except as otherwise required by law, we disclaim any intent or obligation to update publicly these forward-looking statements, whether because of new information, future events, or otherwise.

OVERVIEW

Cal-Maine Foods, Inc. (“we,” “us,” “our,” or the “Company”) is primarily engaged in the production, grading, packaging, marketing, and distribution of fresh shell eggs. Our fiscal year end is the Saturday closest to May 31.

Our operations are fully integrated. At our facilities we hatch chicks, grow and maintain flocks of pullets (young female chickens, under 18 weeks of age), layers (mature female chickens) and breeders (male and female birds used to produce fertile eggs to hatch for egg production flocks), manufacture feed, and produce, process, and distribute shell eggs. We are the largest producer and marketer of shell eggs in the United States (“U.S.”). We market the majority of our shell eggs in the southwestern, southeastern, mid-western, and mid-Atlantic regions of the U.S. We market shell eggs through an extensive distribution network to a diverse group of customers, including national and regional grocery store chains, club stores, foodservice distributors, and egg product consumers.

The Company has one operating segment, which is the production, grading, packaging, marketing and distribution of shell eggs. The majority of our customers rely on us to provide most of their shell egg needs, including specialty and non-specialty eggs. Specialty eggs represent a broad range of products. We classify nutritionally enhanced, cage free, organic and brown eggs as specialty products for accounting and reporting purposes. We classify all other shell eggs as non-specialty products. While we report separate sales information for these types of eggs, there are a number of cost factors which are not specifically available for non-specialty or specialty eggs due to the nature of egg production. We manage our operations and allocate resources to these types of eggs on a consolidated basis based on the demands of our customers.

Our operating results are directly tied to egg prices, which are highly volatile and subject to wide fluctuations, and are outside of our control. For example, the Urner-Barry Southeastern Regional Large Egg Market Price per dozen eggs (“UB southeastern large index”), for our fiscal years 2014-2018 ranged from a low of \$0.58 in fiscal year 2016 to a high of \$3.00 in fiscal year 2018. The shell egg industry has traditionally been subject to periods of high profitability followed by periods of significant loss. In the past, during periods of high profitability, shell egg producers tended to increase the number of layers in production with a resulting increase in the supply of shell eggs, which generally caused a drop in shell egg prices until supply and demand returned to balance. As a result, our financial results from year to year may vary significantly. Shorter term, retail sales of shell eggs historically have been greatest during the fall and winter months and lowest during the summer months. Prices for shell eggs fluctuate in response to seasonal factors and a natural increase in shell egg production in the spring and early summer. Historically, shell egg prices have increased with the start of the school year and are highest prior to holiday periods, particularly Thanksgiving, Christmas, and Easter. Consequently, we generally experience lower sales and net income in our first and fourth fiscal quarters. 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.

According to data from IRI, a consumer market research firm, retail demand for calendar year 2018 has been strong, supported by increased egg promotions in grocery stores. After a period of sluggish demand from institutional food customers, this sector has seen increasing egg usage in recent months. However, the laying hen flock size has

increased over prior-year levels. According to the USDA, the hatch is up 10 percent year to date, although the actual hen inventory is up only 2.8 percent. Hen numbers are forecasted to continue to trend upwards for the next several months, which has resulted in supply concerns which appear to be affecting market prices. Accordingly, our net average selling price for shell eggs for the thirteen weeks ended December 1, 2018 was \$1.311 compared with \$1.321 for the corresponding period of fiscal 2018.

14

Index

We are one of the largest producers and marketers of value-added specialty shell eggs in the U.S. They have been a significant and growing portion of the market. In recent years, a significant number of large restaurant chains, food service companies and grocery chains, including our largest customers, announced goals to transition to a cage-free egg supply chain by specified future dates. We are working with our customers to achieve smooth progress in meeting their goals. Our focus for future expansion at our farms will be environments that are cage-free or with equipment convertible to cage-free, based on a timeline to meet our customer's needs. Additionally, California recently passed Proposition 12, which mandates that all eggs or egg products sold in California be cage-free by 2022. While our direct sales into California are not material, we expect the referendum to affect future supply and pricing in other areas of the country.

For the thirteen weeks ended December 1, 2018 and December 2, 2017, we produced approximately 85% of the total number of shell eggs we sold. For the thirteen weeks ended December 1, 2018 and December 2, 2017, approximately 9% of such production was provided by contract producers who utilize their facilities in the production of shell eggs by layers owned by us. We own the shell eggs produced under these arrangements.

Our cost of production is materially affected by feed costs. Feed costs averaged 57% of our total farm egg production cost for the thirteen weeks ended December 1, 2018 and December 2, 2017. Changes in market prices for corn and soybean meal, the primary ingredients in the feed we use, result in changes in our cost of goods sold. The cost of feed ingredients, which are commodities, are subject to factors over which we have little or no control such as volatile price changes caused by weather, size of harvest, transportation, storage costs, demand, and the agricultural and energy policies of the U.S. and foreign governments. The USDA reported a record harvest for this calendar year's corn and soybean crops, which should provide an ample supply of feed ingredients for fiscal 2019. However, grain prices have been volatile due to the geopolitical issues and uncertainties surrounding the latest international tariff policies.

RESULTS OF OPERATIONS

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

	13 Weeks Ended		26 Weeks Ended	
	December	December	December	December
	1, 2018	2, 2017	1, 2018	2, 2017
Net sales	100.0%	100.0 %	100.0%	100.0 %
Cost of sales	80.2 %	77.2 %	81.7 %	84.0 %
Gross profit	19.8 %	22.8 %	18.3 %	16.0 %
Selling, general, and administrative expense	12.1 %	11.7 %	12.5 %	13.4 %
Legal settlement expense	0.6 %	22.3 %	0.3 %	13.0 %
Operating income (loss)	7.1 %	(11.2)%	5.5 %	(10.4)%
Other income, net	1.0 %	0.1 %	1.0 %	— %
Income (loss) before income taxes and noncontrolling interest	8.1 %	(11.1)%	6.5 %	(10.4)%
Income tax (benefit) expense	1.9 %	(3.9)%	1.5 %	(3.6)%
Net income (loss) before noncontrolling interest	6.2 %	(7.2)%	5.0 %	(6.8)%
Less: Net income (loss) attributable to noncontrolling interest	0.1 %	— %	0.1 %	— %
Net income (loss) attributable to Cal-Maine Foods, Inc.	6.1 %	(7.2)%	4.9 %	(6.8)%

Index

NET SALES

Net sales for the thirteen weeks ended December 1, 2018 were \$356.0 million, a decrease of \$5.1 million, or 1.4%, compared to net sales of \$361.2 million for the thirteen weeks ended December 2, 2017. The decrease was primarily due to a decrease in egg selling prices as well as a small reduction in dozens sold for the current year period.

Shell egg sales made up approximately 96.9% of net sales for the thirteen weeks ended December 1, 2018. Dozens sold for the thirteen weeks ended December 1, 2018 were 262.3 million, a 0.3% decrease from 263.1 million dozen for the same period of fiscal 2018. The volume decrease accounted for a \$1.1 million decrease in net sales.

Net average selling price per dozen of shell eggs was \$1.311 for the thirteen weeks ended December 1, 2018, compared to \$1.321 for the thirteen weeks ended December 2, 2017. The 0.8% decrease in average selling price accounted for a \$2.6 million decrease in net sales.

Egg products accounted for 3.1% of net sales for the thirteen weeks ended December 1, 2018. These revenues were \$11.1 million for the thirteen weeks ended December 1, 2018, compared to \$10.9 million for the thirteen weeks December 2, 2017.

Net sales for the twenty-six weeks ended December 1, 2018 were \$696.6 million, an increase of \$72.6 million, or 11.6%, compared to net sales of \$624.0 million for the twenty-six weeks ended December 2, 2017. The increase was primarily due to an increase in egg selling prices.

Shell egg sales made up approximately 96.7% of net sales for the twenty-six weeks ended December 1, 2018. Dozens sold for the twenty-six weeks ended December 1, 2018 were 512.3 million, a slight decrease from 512.5 million dozen for the same period of fiscal 2018. The volume decrease accounted for a \$265,000 decrease in net sales.

Net average selling price per dozen of shell eggs was \$1.309 for the twenty-six weeks ended December 1, 2018, compared to \$1.173 for the twenty-six weeks ended December 2, 2017. The 11.6% increase in average selling price accounted for a \$69.7 million increase in net sales.

Egg products accounted for 3.3% of net sales for the twenty-six weeks ended December 1, 2018. These revenues were \$23.1 million for the twenty-six weeks ended December 1, 2018, compared to \$17.0 million for the twenty-six weeks ended December 2, 2017.

Index

The table below represents an analysis of our non-specialty and specialty shell egg sales (in thousands, except percentage data). Following the table is a discussion of the information presented in the table.

	13 Weeks Ended				26 Weeks Ended			
	December 1, 2018		December 2, 2017		December 1, 2018		December 2, 2017	
Total net sales	\$356,040		\$361,172		\$696,623		\$624,017	
Non-specialty shell eggs	\$216,324	62.7 %	\$228,709	65.3 %	\$424,486	63.0 %	\$374,758	61.7 %
Specialty shell eggs	120,839	35.0 %	113,293	32.3 %	233,102	34.6 %	214,990	35.4 %
Co-pack specialty shell eggs	6,636	2.0 %	5,839	1.7 %	13,003	1.9 %	11,919	2.0 %
Other	1,159	0.3 %	2,476	0.7 %	2,897	0.5 %	5,360	0.9 %
Net shell egg sales	\$344,958		\$350,317		\$673,488		\$607,027	
Net shell egg sales as a percent of total net sales	96.9	%	97.0	%	96.7	%	97.3	%
Dozens sold:								
Non-specialty shell eggs	197,163	75.2 %	200,449	76.2 %	384,562	75.1 %	392,617	76.6 %
Specialty shell eggs	61,717	23.5 %	59,544	22.6 %	121,131	23.6 %	113,681	22.2 %
Co-pack specialty shell eggs	3,383	1.3 %	3,093	1.2 %	6,630	1.3 %	6,251	1.2 %
Total dozens sold	262,263		263,086		512,323		512,549	
Net average selling price per dozen:								
Non-specialty shell eggs	\$1.097		\$1.142		\$1.104		\$0.955	
Specialty shell eggs	\$1.958		\$1.903		\$1.924		\$1.891	
All shell eggs	\$1.311		\$1.321		\$1.309		\$1.173	

Non-specialty shell eggs include all shell egg sales not specifically identified as specialty or co-pack specialty shell egg sales. This market is characterized generally by an inelasticity of demand. Small increases or decreases in production or demand can have a large positive or adverse effect on selling prices. For the thirteen weeks ended December 1, 2018, non-specialty egg dozens sold decreased 1.6%. The average selling price decreased 3.9% to \$1.097 from \$1.142 for the same period of fiscal 2018. For the twenty-six weeks ended December 1, 2018, non-specialty shell egg dozens sold decreased 2.1%. The average selling price increased 15.6% to \$1.104 from \$0.955 for the same period of fiscal 2018.

Index

Specialty shell eggs, which include nutritionally enhanced, cage-free, organic, and brown eggs continue to make up a large portion of our total shell egg revenue and dozens sold. Specialty egg retail prices are less cyclical than non-specialty shell egg prices and are generally higher due to consumer willingness to pay for the perceived benefits from these products. For the thirteen weeks ended December 1, 2018, specialty shell egg dozens sold increased 3.7%, and the average selling price increased 2.9% to \$1.958 from \$1.903 for the same period of fiscal 2018. For the twenty-six weeks ended December 1, 2018, specialty shell egg dozens sold increased 6.6%, and the average selling price increased 1.7% to \$1.924 from \$1.891 for the same period of fiscal 2018.

Co-pack specialty shell eggs are sold primarily through co-pack arrangements, a common practice in the industry whereby production and processing of certain products is outsourced to another producer. Co-pack specialty shell eggs sold during the twenty-six weeks ended December 1, 2018 and December 2, 2017 were 6.6 million and 6.3 million dozen, respectively, which represented 1.3% and 1.2% of total dozens sold for those periods.

The shell egg sales classified as “Other” represent sales of hard cooked eggs, hatching eggs, and other miscellaneous products, which are included with our shell egg operations.

Egg products are shell eggs that are broken and sold in liquid, frozen, or dried form. Our egg products are sold through our wholly-owned subsidiary American Egg Products, LLC (“AEP”) and our majority owned subsidiary Texas Egg Products, LLC (“TEP”).

For the second quarter of fiscal 2019, egg product sales were \$11.1 million, an increase of \$227,000, or 2.1%, compared to \$10.9 million for the same period of fiscal 2018. Pounds sold for the second quarter of fiscal 2019 were 15.1 million, an increase of 0.7 million, or 4.9%, compared to the same period of fiscal 2018. The selling price per pound for the second quarter of fiscal 2019 was \$0.740 compared to \$0.760 for the same period of fiscal 2018, a 2.6% decrease.

twenty-six weeks ended December 1, 2018, egg product sales were \$23.1 million, an increase of \$6.1 million compared to \$17.0 million for the same period of fiscal 2018. Pounds sold for the twenty-six weeks ended December 1, 2018 were 30.5 million, an increase of 0.7 million, or 2.2%, compared to the same period of fiscal 2018. The selling price per pound for the twenty-six weeks ended December 1, 2018 was \$0.761 compared to \$0.572 for the same period of fiscal 2018, a 33.0% increase.

COST OF SALES

Cost of sales consists of costs directly related to production, processing and packing of 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.

Index

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

	13 Weeks Ended			26 Weeks Ended		
	December 2018	December 2017	December 2, 2018, Percent Change	December 2018	December 2017	December 2, 2018, Percent Change
<u>Cost of Sales:</u>						
Farm production	\$ 160,241	\$ 151,902	5.5 %	\$ 311,060	\$ 296,191	5.0 %
Processing, packaging, and warehouse	55,381	53,707	3.1 %	110,055	104,819	5.0 %
Egg purchases and other (including change in inventory)	61,581	64,276	(4.2)%	130,801	108,054	21.1 %
Total shell eggs	277,203	269,885	2.7 %	551,916	509,064	8.4 %
Egg products	8,140	8,722	(6.7)%	16,438	14,767	11.3 %
Other	162	169	(4.1)%	606	454	33.5 %
Total	\$ 285,505	\$ 278,776	2.4 %	\$ 568,960	\$ 524,285	8.5 %
<u>Farm production cost (per dozen produced)</u>						
Feed	\$ 0.415	\$ 0.388	7.0 %	\$ 0.414	\$ 0.382	8.4 %
Other	\$ 0.309	\$ 0.298	3.7 %	\$ 0.313	\$ 0.301	4.0 %
Total	\$ 0.724	\$ 0.686	5.5 %	\$ 0.727	\$ 0.683	6.4 %
Outside egg purchases (average cost per dozen)	\$ 1.30	\$ 1.39	(6.5)%	\$ 1.32	\$ 1.20	10.0 %
Dozen produced	222,955	222,889	— %	432,168	436,459	(1.0)%
Dozen sold	262,263	263,086	(0.3)%	512,323	512,549	— %

Cost of sales for the second quarter of fiscal 2019 was \$285.5 million, an increase of \$6.7 million, or 2.4%, from \$278.8 million for the second quarter of fiscal 2018. This increase was primarily driven by increased farm production costs partially offset by a decrease in the cost of outside egg purchases. Feed cost per dozen for the second quarter of fiscal 2019 was \$0.415, compared to \$0.388 per dozen for the second quarter of fiscal 2018, an increase of 7.0%, due to increased ingredient costs. This resulted in an increase in cost of sales of approximately \$6.0 million. The increase in ingredient costs was primarily related to less favorable crop conditions in the south central United States, which adversely affected ingredient prices at some of our larger feed mill operations. Other farm production cost increased 3.7% to \$0.309 per dozen for the second quarter of fiscal 2019 compared to \$0.298 for the same period of last year. Processing, packaging, and warehouse cost increased 3.1% for the current year period over the same period of a year ago primarily due to increases in packaging and container costs.

Cost of sales for the twenty-six weeks ended December 1, 2018 was \$569.0 million, an increase of \$44.7 million, or 8.5%, from \$524.3 million for the same period of fiscal 2018. The increase was primarily driven by an increase farm production costs and in the cost of eggs purchased in 2018, including the freight cost for delivery of those eggs. Dozens produced decreased 1.0% compared to the same period of fiscal 2018 as we adjusted flock rotations early in fiscal 2019 in order to maximize production for the holiday season. Feed cost per dozen for the twenty-six weeks ended December 1, 2018, was \$0.414, compared to \$0.382 per dozen for the comparable period of fiscal 2018, an increase of 8.4%, due to increased ingredient costs. This resulted in an increase in cost of sales of approximately \$14.0 million compared to the prior year period. Other farm production cost per dozen produced increased 4.0% to \$0.313 for the twenty-six weeks ended December 1, 2018, compared to \$0.301 for the same period of last year primarily due to increased costs for year over year periods and reduced dozens produced. Processing, packaging, and warehouse cost increased 5.0% for the current year period over the same period of a year ago primarily due to processing more

outside egg purchases and increases in packaging and container costs.

Index

Gross profit for the second quarter of fiscal 2019 was \$70.5 million compared to \$82.4 million for the second quarter of fiscal 2018. For the twenty-six weeks ended December 1, 2018, gross profit increased to \$127.7 million from \$99.7 million for the same period of fiscal 2018 primarily due to the increased average customer selling prices.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

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

	13 Weeks Ended			
	December 1, 2018	December 2, 2017	Change	% Change
Specialty egg expense	\$13,545	\$11,840	\$1,705	14.4 %
Delivery expense	13,460	13,113	347	2.6 %
Payroll and overhead	8,575	8,246	329	4.0 %
Stock compensation expense	851	879	(28)	(3.2)%
Other expenses	6,550	8,082	(1,532)	(19.0)%
Total	\$42,981	\$42,160	\$821	1.9 %

December 1, 2018, selling, general, and administrative expense was \$43.0 million compared to \$42.2 million for the thirteen weeks ended December 2, 2017. Specialty egg expense increased \$1.7 million, or 14.4%, compared to the same period of the prior year. Specialty egg expense typically fluctuates with specialty egg dozens sold, which increased 3.6% for the thirteen weeks ended December 1, 2018. Advertising expense, which is a component of specialty egg expense, also contributed to the increase in specialty egg expense due to an increase in refunded promotional allowances in the prior year period. Other expenses for the thirteen weeks ended December 1, 2018 compared to the same period of prior year, were down \$1.5 million, or 19.0%, primarily due to reduced legal and audit expense.

	26 Weeks Ended			
	December 1, 2018	December 2, 2017	Change	% Change
Specialty egg expense	\$26,755	\$23,574	\$3,181	13.5 %
Delivery expense	26,703	26,237	466	1.8 %
Payroll and overhead	19,182	17,743	1,439	8.1 %
Stock compensation expense	1,754	1,738	16	0.9 %
Other expenses	13,097	14,578	(1,481)	(10.2)%
Total	\$87,491	\$83,870	\$3,621	4.3 %

For the twenty-six weeks ended December 1, 2018, selling, general, and administrative expense was \$87.5 million, an increase of \$3.6 million, or 4.3%, compared to \$83.9 million for the twenty-six weeks ended December 2, 2017. Specialty egg expense increased \$3.2 million, or 13.5%, compared to the same period of last year. Specialty egg expense typically fluctuates with specialty egg dozens sold, which increased 6.6% for the twenty-six weeks ended December 1, 2018. Advertising expense, which is a component of specialty egg expense, also contributed to the increase in specialty egg expense due to an increase in refunded promotional allowances in the prior year period. Payroll and overhead increased \$1.4 million, or 8.1%, compared to the same period of fiscal 2018 primarily due to a change in the timing of accruals related to sick leave benefits. Other expenses for the twenty-six weeks ended December 1, 2018 compared to the same period of prior year, were down \$1.5 million, or 10.2%, primarily due to

reduced legal and audit expense.

20

Index

LEGAL SETTLEMENT EXPENSE

twenty-six weeks ended December 1, 2018 was \$2.3 million compared to \$80.8 million for the same periods of last fiscal year, reflecting settlements of several direct action purchasers' antitrust claims against the Company.

OPERATING INCOME

As a result of the above, operating income was \$25.3 million for the second quarter of fiscal 2019, compared to an operating loss of \$40.5 million for the same period of fiscal 2018.

For the twenty-six weeks ended December 1, 2018, we recorded an operating income of \$38.0 million compared to a loss of \$64.8 million for the same period of fiscal 2018.

OTHER INCOME (EXPENSE)

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

second quarter of fiscal 2019, we earned \$1.8 million of interest income compared to \$618,000 for the same period of last year. This resulted from higher interest rates earned during the period and higher average invested balances. The Company recorded interest expense of \$130,000 and \$40,000, of which \$0 and \$90,000 was capitalized, in the second quarters of fiscal 2019 and 2018, respectively.

Other, net, for the thirteen weeks ended December 1, 2018 was income of \$124,000 compared to a loss of \$795,000 for the same period of fiscal 2018, primarily driven by uninsured losses in the prior year period.

For the twenty-six weeks ended December 1, 2018, we earned \$3.7 million of interest income compared to \$1.1 million for the same period of fiscal 2018. The increase resulted from higher interest rates during the period and higher average invested balances. The Company recorded interest expense of \$243,000 and \$275,000, of which zero and \$205,000 was capitalized, for the twenty-six weeks ended December 1, 2018 and December 2, 2017, respectively.

Equity in income (loss) of affiliates for the twenty-six weeks ended December 1, 2018 was income of \$2.3 million compared to a loss of \$77,000 for the same period of fiscal 2018. The increase of \$2.4 million is primarily due to improved results at our Red River Valley Egg Farm joint venture.

Other, net for the twenty-six weeks ended December 1, 2018, was income of \$225,000 compared to a loss of \$1.3 million for the same period of fiscal 2018, primarily driven by uninsured losses in the prior year period.

INCOME TAXES

For the thirteen weeks ended December 1, 2018, pre-tax income was \$28.8 million compared to pre-tax loss of \$40.1 million for the same period of fiscal 2018. For thirteen weeks ended December 1, 2018, income tax expense of \$6.8 million was recorded, with an effective tax rate of 23.7%, compared to income tax benefit of \$14.0 million with an effective rate of 34.9% for last year's comparable period.

For the twenty-six weeks ended December 1, 2018, pre-tax income was \$45.3 million compared to pre-tax loss of \$64.6 million for the same period of fiscal 2018. For the twenty-six weeks ended December 1, 2018 income tax expense of \$10.5 million was recorded, with an effective tax rate of 23.5%, compared to an income tax benefit of

\$22.4 million, with an effective rate of 34.7% for last year's comparable period.

The effective rate decrease for the twenty-six weeks ended December 1, 2018 was primarily related to the change in the federal statutory rate from 35% to 21%, resulting from legislation enacted on December 22, 2017.

21

Index

At December 1, 2018, trade and other receivables included income taxes receivable of \$1.2 million compared to income taxes payable recorded in accounts payable and accrued expenses of \$17.4 million at June 2, 2018. The receivable balance at December 1, 2018, is the result of overpayment of estimated tax payments during the first two quarters of fiscal 2019.

Our effective rate differs from the federal statutory income tax rate due to state income taxes 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 and net income or loss attributable to noncontrolling interest.

NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTEREST

For the thirteen weeks ended December 1, 2018, net income attributable to noncontrolling interest was \$199,000 compared to net income of \$55,000 for the same period of fiscal 2018.

For the twenty-six weeks ended December 1, 2018, net income attributable to noncontrolling interest was \$537,000 compared to net loss of \$129,000 for the same period of fiscal 2018. This is attributable to income and losses from the Company's majority owned subsidiary.

NET INCOME (LOSS) ATTRIBUTABLE TO CAL-MAINE FOODS, INC.

Net income for the thirteen weeks ended December 1, 2018 was \$21.8 million, or \$0.45 per basic and diluted share, compared to a loss of \$26.1 million, or \$0.54 per basic and diluted share for the same period of last year.

Net income for the twenty-six weeks ended December 1, 2018 was \$34.2 million, or \$0.71 per basic and diluted share, compared to a loss of \$42.1 million, or \$0.87 per basic and diluted share, for the same period of fiscal 2018.

CAPITAL RESOURCES AND LIQUIDITY

Our working capital at December 1, 2018 was \$493.0 million, compared to \$479.7 million at June 2, 2018. The calculation of working capital is defined as current assets less current liabilities. Our current ratio was 6.06 at December 1, 2018, compared with 5.45 at June 2, 2018.

Our long-term debt at December 1, 2018, including current maturities, was \$3.9 million, compared to \$6.1 million at June 2, 2018. On July 10, 2018, we entered into a \$100.0 million Senior Secured Revolving Credit Facility ("the Revolving Credit Facility"). As of December 1, 2018, no amounts were borrowed under the Revolving Credit Facility. We have \$4.2 million in outstanding standby letters of credit, which are collateralized by cash for the benefit of certain insurance companies. Refer to Notes 8 and 16 of our June 2, 2018 audited financial statements for further information regarding our long-term debt.

For the twenty-six weeks ended December 1, 2018, \$27.7 million in net cash was provided by operating activities, a decrease of \$37.2 million, compared to \$64.8 million for the comparable period in fiscal 2018. Decreased accounts payable, due to the prior-year accrual of the \$80.8 million legal settlement, and an increase in receivables in the current year contributed to our decrease in cash flow from operations.

For the twenty-six weeks ended December 1, 2018, approximately \$108.3 million was provided from the sale and maturity of short-term investments compared to \$61.7 million for the twenty-six weeks ended December 2, 2017. We used \$78.6 million and \$112.8 million for purchases of short-term investments for the twenty-six weeks ended December 1, 2018 and December 2, 2017, respectively.

We invested \$4.3 million in unconsolidated entities in fiscal 2019 compared to \$2.8 million for the same period fiscal 2018. Approximately \$19.0 million was used to purchase property, plant and equipment compared to \$10.2 million in the twenty-six weeks ended December 2, 2017. In fiscal 2019, we used \$17.9 million for the acquisition of

Index

Featherland Egg Farms, Inc. We received \$4.5 million in distributions from unconsolidated entities during the twenty-six weeks ended December 1, 2018 compared to \$3.4 million first quarter of fiscal 2018. We used \$2.2 million for principal payments on long-term debt and capital leases, including the final payment on a 5.4% note payable that matured in the first quarter, compared to \$2.4 million for the same period of fiscal 2018. We paid out \$21.2 million in dividends during fiscal 2019 compared to zero for the same period of last year.

As of December 1, 2018, cash decreased approximately \$2.2 million since June 2, 2018 compared to an increase of \$2.2 million during the same period of fiscal 2018.

Certain property, plant, and equipment is pledged as collateral on our note payable. Unless otherwise approved by our lenders, we are required by provisions of our loan agreement governing the note to (1) maintain minimum levels of working capital (current ratio of not less than 1.25 to 1) and net worth (minimum of \$90.0 million tangible net worth, plus 45% of cumulative net income since the fiscal year ended May 28, 2005); (2) limit dividends paid in any given quarter to not exceed an amount equal to one-third of the previous quarter's consolidated net income (allowed if no events of default); (3) maintain minimum total funded debt to total capitalization (debt to total tangible capitalization ratio not to exceed 55%); and (4) maintain various cash-flow coverage ratios (1.25 to 1), among other restrictions. At December 1, 2018, we were in compliance with the financial covenant requirements of all loan agreements. Under the loan agreement, the lenders have the option to require the prepayment of any outstanding borrowings in the event we undergo a change in control, as defined in the loan agreement. Our debt agreement requires Fred R. Adams, Jr., our Founder and Chairman Emeritus, or his family, to maintain ownership of Company shares representing not less than 50% of the outstanding voting power of the Company.

The Revolving Credit Facility is guaranteed by all the current and future wholly-owned direct and indirect domestic subsidiaries of the Company, and is secured by a first-priority perfected security interest in substantially all of the Company's and the guarantors' accounts, payment intangibles, instruments (including promissory notes), chattel paper, inventory (including farm products) and deposit accounts maintained with the administrative agent. The credit agreement governing our Revolving Credit Facility contains customary covenants including restrictions on the incurrence of liens, incurrence of additional debt, sales of assets and other fundamental corporate changes and investments. The credit agreement requires maintenance of two financial covenants (i) a minimum working capital ratio of 2.0 to 1.0 and (ii) an annual limit on capital expenditures of \$100.0 million. Additionally, the credit agreement requires that Fred R. Adams Jr., his spouse, natural children, sons-in-law or grandchildren, or any trust, guardianship, conservatorship or custodianship for the primary benefit of any of the foregoing, or any family limited partnership, similar limited liability company or other entity that 100% of the voting control of such entity is held by any of the foregoing, shall maintain at least 50% of the outstanding voting power of the Company. Failure to satisfy any of these covenants will constitute a default under the terms of the credit agreement. In addition, under the terms of the credit agreement, dividends are restricted to the Company's current dividend policy of one-third of the Company's net income computed in accordance with generally accepted accounting principles. The Company is allowed to repurchase up to \$75.0 million of its capital stock in any year provided there is no default under the credit agreement and the borrower has availability of at least \$20.0 million under the Revolving Credit Facility.

Index

In recent years we have made significant investments in new and remodeled facilities to meet the increasing demand for cage-free, organic and other specialty eggs, including our Red River joint venture. The following table represents material construction projects approved as of January 2, 2019 (in thousands):

Project	Location	Projected Completion	Projected Cost	Spent as of December 1, 2018	Remaining Projected Cost
Pullet Houses	Lake City, FL	January 2019	\$ 4,672	\$ 3,170	\$ 1,502
Convertible/Cage-Free Layer Houses	Pittsburg, TX	June 2019	11,069	2,512	8,557
Convertible/Cage-Free Layer Houses	Lake City, FL	August 2019	11,782	1,378	10,404
Convertible/Cage-Free Layer Houses	Bushnell, FL	October 2019	11,543	2,123	9,420
Convertible/Cage-Free Layer Houses	Harwood, TX	October 2019	12,505	—	12,505
Convertible/Cage-Free Layer Houses	Bushnell, FL	February 2020	6,151	—	6,151
			\$ 57,722	\$ 9,183	\$ 48,539

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

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09). The standard provides companies with a single model for use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The core principle of the model is to recognize revenue when control of the goods or services transfers to the customer in an amount that reflects the consideration that is expected to be received for those goods or services. In August 2015, FASB issued ASU 2015-14 which deferred the effective date of ASU 2014-09 until annual reporting periods beginning after December 15, 2017. Early adoption is not permitted. The guidance permits companies to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption, through a cumulative adjustment.

The Company adopted the new standard on June 3, 2018 utilizing the full retrospective method. The Company’s assessment efforts included an evaluation of certain revenue contracts with customers and related sales incentives. The Company’s adoption of ASU 2014-09 did not have an impact on the results of operations or financial position; therefore, there was no adjustment to previously reported results.

In February 2016, the FASB issued ASU 2016-02, Leases. The purpose of the standard is to improve transparency and comparability related to the accounting and reporting of leasing arrangements. The guidance will require balance sheet recognition for assets and liabilities associated with rights and obligations created by leases with terms greater than twelve months. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within those annual periods. Early adoption is permitted. Based on the findings to date, the Company does not expect ASU 2016-02 to have a material impact on the results of operations or financial position; however, the Company’s assessment is not complete.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment, which removes step 2 from the goodwill impairment test. As a result, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting units’ fair value. The guidance is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019, our fiscal 2021. Early adoption is permitted for annual or interim goodwill impairment tests performed on testing dates after January 1,

2017, and the prospective transition method should be applied. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

Index

CRITICAL ACCOUNTING POLICIES

We suggest our Summary of Significant Accounting Policies, as described in Note 1 of the Notes to Consolidated Financial Statements included our Annual Report on Form 10-K for the fiscal year ended June 2, 2018, be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations. Except for the adoption of ASU 2014-09, there have been no changes to critical accounting policies identified in our Annual Report on Form 10-K for the year ended June 2, 2018.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the market risk reported in the Company's Annual Report on Form 10-K for the fiscal year ended June 2, 2018.

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 December 1, 2018 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 December 1, 2018 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 our Quarterly Report on Form 10-Q for the period ended September 1, 2018, under Part II, Item 1: Legal Proceedings, and our Annual Report on Form 10-K for the year ended June 2, 2018, Part I Item 3: Legal Proceedings, and Part II Item 8, Notes to Consolidated Financial Statements, Note 12: Contingencies, which discussions are incorporated herein by reference, as well as the following:

Egg Antitrust Litigation

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 cases were consolidated into In re: Processed Egg Products Antitrust Litigation, No. 2:08-md-02002-GP, in the United States District Court for the Eastern District of Pennsylvania (the

“District Court”), in three groups of cases - the “Direct Purchaser Putative Class Action”, the “Indirect Purchaser Putative Class Action” and the “Non-Class Cases.” As previously reported, the Company settled all of the Direct Purchaser Putative Class Action cases and the Indirect Purchaser Putative Class Action cases.

The Company settled all Non-Class 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). On November 7, 2018, the Company

Index

agreed to settle all claims brought by one of these plaintiffs, Conopco, Inc. on a confidential basis and for an amount that does not have a material impact on the Company's financial condition or results. The settlement is, however, reflected in our results of operations along with certain other legal settlements and expenses. The Court entered a final judgment dismissing Conopco's claims against the Company on November 21, 2018. The remaining plaintiffs are Kraft Food Global, Inc., General Mills, Inc., Nestle USA, Inc., and The Kellogg Company. These egg products plaintiffs seek treble damages and injunctive relief under the Sherman Act and are attacking certain features of the UEP animal-welfare guidelines and program used by the Company and many other egg producers. On September 6, 2016, the District Court granted defendants' motion for summary judgment and dismissed with prejudice all claims based on the purchase of egg products. That ruling was appealed to the United States Court of Appeals for the Third Circuit, and on January 22, 2018, the Third Circuit reversed the District Court's grant of summary judgment and remanded the case to the District Court. Even though the appealing egg-products plaintiffs had asked the Third Circuit to remand the case for trial, the Third Circuit declined, instead remanding the case for further proceedings, including the suggestion that the District Court determine whether the egg-products plaintiffs had sufficient evidence of causation and damages to submit the case to a jury. On March 5, 2018, defendants filed a motion in the District Court seeking leave to file a motion for summary judgment in light of the remand statements in the Third Circuit's opinion. Plaintiffs opposed that motion, and on March 26, 2018, the defendants filed a reply in support of the motion. On July 16, 2018, the court granted the defendants' motion for leave and on August 17, 2018, defendants filed their motions for summary judgment and requested oral argument. The plaintiffs filed their responses on September 21, 2018, and sur-replies on October 19, 2018, and the defendants filed their replies on October 12, 2018. On December 19, 2018, the District Court heard oral argument on the renewed motions for summary judgment but has not issued a ruling.

The Company intends to continue to defend the remaining case as vigorously as possible based on defenses which the Company believes are meritorious and provable. While management believes that the likelihood of a material adverse outcome in the overall egg antitrust litigation has been significantly reduced as a result of the settlements and rulings described above, there is still a reasonable possibility of a material adverse outcome in the remaining egg antitrust litigation. At the present time, however, it is not possible to estimate the amount of monetary exposure, if any, to the Company because of this remaining case. Adjustments, if any, which might result from the resolution of these remaining legal matters, have not been reflected in the financial statements.

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 1A. RISK FACTORS

There have been no material changes in the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended June 2, 2018.

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

The following table is a summary of our second quarter 2019 share repurchases:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
09/02/18 to 09/29/18	—	\$ —	—	—
09/30/18 to 10/27/18	129	49.00	—	—
10/28/18 to 12/01/18	—	—	—	—
	129	\$ 49.00	—	—

(1) As permitted under our 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	<u>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</u>
3.2	<u>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).</u>
31.1*	<u>Rule 13a-14(a) Certification of the Chief Executive Officer</u>
31.2*	<u>Rule 13a-14(a) Certification of the Chief Financial Officer</u>
32**	<u>Section 1350 Certification of the Chief Executive Officer and the Chief Financial Officer</u>
99.1	<u>Press release dated January 4, 2019 announcing interim period financial information (incorporated by reference to Exhibit 99.1 in the Company's Form 8-K, filed on January 4, 2019)</u>
101.INS*+	XBRL Instance Document Exhibit
101.SCH*+	XBRL Taxonomy Extension Schema Document Exhibit
101.CAL*+	XBRL Taxonomy Extension Calculation Linkbase Document Exhibit
101.LAB*+	XBRL Taxonomy Extension Label Linkbase Document Exhibit
101.PRE*+	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith as an Exhibit.

** Furnished herewith as an Exhibit.

+ Submitted electronically with this Quarterly Report.

Index

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: January 4, 2019 /s/ Max P. Bowman
Max P. Bowman
Vice President, Chief Financial Officer
(Principal Financial Officer)

Date: January 4, 2019 /s/ Michael D. Castleberry
Michael D. Castleberry
Vice President, Controller
(Principal Accounting Officer)