

## RESULTS OF OPERATIONS

The following table sets forth, for the fiscal years indicated, certain items from our consolidated statements of operations expressed as a percentage of net sales.

	June 1, 2019	June 2, 2018	June 3, 2017
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales	83.6 %	76.0 %	95.8 %
Gross profit	16.4 %	24.0 %	4.2 %
Selling, general and administrative	12.8 %	11.9 %	16.4 %
Legal settlement expense	0.2 %	5.4 %	— %
Loss on disposal of fixed assets	— %	— %	0.3 %
Operating income (loss)	3.4 %	6.7 %	(12.5)%
Other income	1.8 %	1.1 %	1.8 %
Income (loss) before income taxes and noncontrolling interest	5.2 %	7.8 %	(10.6)%
Income tax expense (benefit)	1.2 %	(0.6)%	(3.7)%
Net income (loss) including noncontrolling interest	4.0 %	8.4 %	(6.9)%
Less: Net income (loss) attributable to noncontrolling interest	— %	— %	— %
Net income (loss) attributable to Cal-Maine Foods, Inc.	4.0 %	8.4 %	(6.9)%

### Executive Overview of Results – Fiscal Years Ended June 1, 2019, June 2, 2018, and June 3, 2017

Our operating results are significantly affected by wholesale shell egg market prices and feed costs, which can fluctuate widely and are outside of our control. The majority of our shell eggs are sold at independently quoted wholesale market prices for shell eggs or formulas related to our costs of production which include the cost of corn and soybean meal. The following table shows our net income (loss), gross profit, net average shell egg selling price, the average Urner Barry wholesale large shell egg prices in the southeast region, and feed cost per dozen produced for each of our three most recent fiscal years.

Fiscal Year ended	June 1, 2019	June 2, 2018	June 3, 2017
Net income (loss) attributable to Cal-Maine Foods, Inc. - (in thousands)	\$ 54,229	\$ 125,932	\$ (74,278)
Gross profit (in thousands)	222,859	361,046	45,550
Net average shell egg selling price (rounded)	1.27	1.40	1.01
Average Urner Barry Spot Egg Market Quotations <sup>1</sup>	1.23	1.49	0.85
Feed cost per dozen produced	0.415	0.394	0.399

1- *Average Thursday price for the large market (i.e. generic shell eggs) in the southeastern region*

The shell egg industry has historically been subject to periods of high profitability followed by periods of significant loss. The periods of high profitability have often reflected increased consumer demand relative to supply while the periods of significant loss have often reflected excess supply for the then prevailing consumer demand. Historically, demand for shell eggs increases in line with overall population growth. As reflected above, our operating results fluctuate with changes in the spot egg market quote and feed costs. The net average shell egg selling price is the blended price for all sizes and grades of shell eggs, including non-graded shell egg sales, breaking stock and undergrades. In fiscal 2017, our net average selling price and dozens sold decreased over the previous fiscal year primarily due to the oversupply of eggs resulting from the repopulation of the national flock of laying hens to levels exceeding the flock size prior to the avian influenza outbreak in 2015, along with a reduced demand for egg products. In fiscal 2018, strong demand resulted in an increase in our average selling price and dozens sold, and feed costs decreased over prior years. Fiscal 2019 saw an increasing U.S. flock size result in oversupply of eggs, particularly in the last half of the fiscal year. This resulted in decreased gross profit and net income for fiscal 2019.

***Fiscal Year Ended June 1, 2019 Compared to Fiscal Year Ended June 2, 2018***

**NET SALES**

Net sales for the fiscal year ended June 1, 2019 were \$1,361.2 million, a decrease of \$141.7 million, or 9.4%, from net sales of \$1,502.9 million for fiscal 2018. The decrease was primarily due to lower selling prices for non-specialty eggs in fiscal 2019 due to the oversupply of eggs, particularly in the last half of the fiscal year, contrasted with fiscal 2018 in which we experienced strong demand resulting in higher prices for non-specialty eggs.

In fiscal 2019, shell egg sales made up approximately 97% of our net sales. Total dozens sold in fiscal 2019 were 1,038.9 million, an increase of 1.2 million dozen, or 0.1%, compared to 1,037.7 million sold in fiscal 2018 resulting in an increase in net sales of \$1.7 million for fiscal 2019 compared with the prior year.

Net average selling price of shell eggs decreased from \$1.397 per dozen for fiscal 2018 to \$1.265 per dozen for fiscal 2019, a decrease of \$0.132 per dozen, or 9.4%, primarily reflecting an abundance of eggs in the market. The decrease in sales price in fiscal 2019 from fiscal 2018 resulted in a corresponding decrease in net sales of approximately \$137.1 million. Our operating results are significantly affected by wholesale shell egg market prices, which are outside of our control. Small changes in production or demand levels can have a large effect on shell egg prices.

Egg products accounted for approximately 3% of our net sales. These revenues were \$41.5 million for the fiscal year ended June 1, 2019 compared with \$43.5 million for the fiscal 2018.

The table below represents an analysis of our non-specialty and specialty, as well as co-pack specialty, shell egg sales. Following the table is a discussion of the information presented in the table.

	Fiscal Years Ended				Quarters Ended			
	June 1, 2019		June 2, 2018		June 1, 2019		June 2, 2018	
	(Amounts in thousands)				(Amounts in thousands)			
Net sales	\$ 1,361,188		\$ 1,502,932		\$ 280,572		\$ 443,095	
Shell egg sales:								
Non-specialty	810,306	61.4%	956,909	65.6%	150,860	55.5%	294,892	68.8%
Specialty	478,057	36.2%	467,469	32.0%	113,835	41.9%	124,400	29.0%
Co-pack specialty	26,112	2.0%	26,092	1.8%	6,057	2.2%	7,216	1.7%
Other	5,205	0.4%	8,943	0.6%	968	0.4%	2,152	0.5%
Net shell egg sales	<u>\$ 1,319,680</u>	<u>100.0%</u>	<u>\$ 1,459,413</u>	<u>100.0%</u>	<u>\$ 271,720</u>	<u>100.0%</u>	<u>\$ 428,660</u>	<u>100.0%</u>
As a percent of net sales	97%		97%		97%		97%	
Dozens sold:								
Non-specialty	778,052	74.9%	780,362	75.2%	192,310	75.5%	184,301	73.1%
Specialty	247,614	23.8%	244,022	23.5%	59,390	23.3%	64,081	25.5%
Co-pack specialty	13,234	1.3%	13,329	1.3%	3,072	1.2%	3,573	1.4%
Total dozens sold	<u>1,038,900</u>	<u>100.0%</u>	<u>1,037,713</u>	<u>100.0%</u>	<u>254,772</u>	<u>100.0%</u>	<u>251,955</u>	<u>100.0%</u>
Net average selling price per dozen:								
All shell eggs	\$ 1.265		\$ 1.397		\$ 1.062		\$ 1.694	
Non-specialty	\$ 1.041		\$ 1.226		\$ 0.784		\$ 1.600	
Specialty	\$ 1.931		\$ 1.916		\$ 1.917		\$ 1.941	