

CAL-MAINE FOODS INC  
Form 10-Q  
April 02, 2018  
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 March 3, 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 64-0500378  
(State or other jurisdiction of incorporation or organization) (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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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

(Do not check if a 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 43,832,291 shares of Common Stock, \$0.01 par value, and 4,800,000 shares of Class A Common Stock, \$0.01 par value, outstanding as of March 29, 2018.

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CAL-MAINE FOODS, INC. AND SUBSIDIARIES  
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 FOR THE QUARTER ENDED MARCH 3, 2018

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

	March 3, 2018	June 3, 2017
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$106,178	\$17,564
Investment securities available-for-sale	177,270	138,462
Trade and other receivables (less allowance for doubtful accounts of \$521 and \$386 at March 3, 2018 and June 3, 2017, respectively)	121,642	64,509
Income tax receivable	—	52,691
Inventories	165,363	160,692
Prepaid expenses and other current assets	2,074	2,288
Total current assets	572,527	436,206
Property, plant and equipment, net	433,482	458,184
Other investments	70,417	69,296
Goodwill	35,525	35,525
Other intangible assets, net	27,018	29,149
Other assets	4,714	4,734
<b>TOTAL ASSETS</b>	<b>\$1,143,683</b>	<b>\$1,033,094</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$96,071	\$59,853
Accrued legal settlement expense - see Note 4	80,750	—
Current maturities of long-term debt and capital lease obligations	3,926	4,826
Total current liabilities	180,747	64,679
Long-term debt and capital lease obligations, less current maturities	3,351	6,113
Other noncurrent liabilities	8,038	7,527
Deferred income taxes	51,888	110,282
Total liabilities	244,024	188,601
Commitments and Contingencies - see Note 4		
Stockholders' equity:		
Common stock, \$0.01 par value, 120,000 and 70,261 shares authorized and issued at March 3, 2018 and June 3, 2017, respectively, and 43,832 and 43,777 shares outstanding at March 3, 2018 and June 3, 2017, respectively	703	703
Class A convertible common stock, \$.01 par value, 4,800 shares authorized, issued and outstanding at March 3, 2018 and June 3, 2017, respectively	48	48
Paid-in capital	52,436	49,932
Retained earnings	870,211	816,046
Accumulated other comprehensive loss, net of tax	(792)	(128)
Common stock in treasury at cost – 26,431 and 26,484 shares at March 3, 2018 and June 3, 2017, respectively	(24,967)	(23,914)
Total Cal-Maine Foods, Inc. stockholders' equity	897,639	842,687
Noncontrolling interest in consolidated entities	2,020	1,806

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Total stockholders' equity	899,659	844,493
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,143,683	\$1,033,094

See Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

(unaudited)

	13 Weeks Ended		39 Weeks Ended	
	March 3, 2018	February 25, 2017	March 3, 2018	February 25, 2017
Net sales	\$435,820	\$ 306,540	\$ 1,059,837	\$ 799,929
Cost of sales	315,722	267,375	840,007	766,385
Gross profit	120,098	39,165	219,830	33,544
Selling, general, and administrative expense	44,175	43,738	128,045	125,985
Legal settlement expense - see Note 4	—	—	80,750	—
(Gain) loss on disposal of fixed assets	(279)	) 622	(325)	) 1,361
Operating income (loss)	76,202	(5,195)	) 11,360	(93,802)
Other income (expense):				
Interest income, net	992	411	2,044	2,283
Royalty income	169	381	759	1,111
Patronage dividends	8,286	7,608	8,286	7,608
Equity in income of affiliates	2,379	1,018	2,302	1,854
Other, net	29	(58)	) (1,304)	) (197)
Total other income	11,855	9,360	12,087	12,659
Income (loss) before income taxes and noncontrolling interest	88,057	4,165	23,447	(81,143)
Income tax (benefit) expense	(8,301)	) 34	(30,653)	) (31,327)
Net income (loss) before noncontrolling interest	96,358	4,131	54,100	(49,816)
Less: Net income (loss) attributable to noncontrolling interest	64	(8)	) (65)	) (9)
Net income (loss) attributable to Cal-Maine Foods, Inc.	\$96,294	\$ 4,139	\$54,165	\$ (49,807)
Net income (loss) per common share attributable to Cal-Maine Foods, Inc.:				
Basic	\$1.99	\$ 0.09	\$ 1.12	\$ (1.03)
Diluted	\$1.99	\$ 0.09	\$ 1.12	\$ (1.03)
Weighted average shares outstanding:				
Basic	48,361	48,286	48,340	48,285
Diluted	48,476	48,417	48,460	48,285

See Notes to Condensed Consolidated Financial Statements.

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

	13 Weeks Ended		39 Weeks Ended	
	March 3, 2018	February 25, 2017	March 3, 2018	February 25, 2017
Net income (loss), including noncontrolling interests	\$96,358	\$ 4,131	\$54,100	\$ (49,816 )
Other comprehensive income (loss), before tax:				
Unrealized holding gain (loss) on available-for-sale securities, net of reclassification adjustments	(547 )	233	(1,004 )	199
Income tax benefit (expense) related to items of other comprehensive loss	155	(89 )	340	(75 )
Other comprehensive income (loss), net of tax	(392 )	144	(664 )	124
Comprehensive income (loss)	95,966	4,275	53,436	(49,692 )
Less: comprehensive income (loss) attributable to the noncontrolling interest	64	(8 )	(65 )	(9 )
Comprehensive income (loss) attributable to Cal-Maine Foods, Inc.	\$95,902	\$ 4,283	\$53,501	\$ (49,683 )

See Notes to Condensed Consolidated Financial Statements.

IndexCAL-MAINE FOODS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	39 Weeks Ended	
	March 3, 2018	February 25, 2017
Operating activities:		
Net income (loss) including noncontrolling interest	\$54,100	\$ (49,816 )
Depreciation and amortization	40,331	35,724
Other adjustments, net	51,655	(43,125 )
Net cash provided by (used in) operations	146,086	(57,217 )
Investing activities:		
Purchase of investments	(136,921 )	(25,872 )
Sales of investments	95,289	228,327
Acquisition of business	—	(68,643 )
Investment in joint venture	(4,100 )	(17,700 )
Purchases of property, plant and equipment	(13,639 )	(54,862 )
Payments received from affiliates	5,831	5,236
Net proceeds from disposal of property, plant and equipment	579	76
Net cash provided by (used in) investing activities	(52,961 )	66,562
Financing activities:		
Purchase of common stock by treasury	(1,128 )	(1,715 )
Contributions from (distributions to) noncontrolling interests	279	(73 )
Principal payments on long-term debt and capital lease obligations	(3,662 )	(4,698 )
Net cash used in financing activities	(4,511 )	(6,486 )
Net change in cash and cash equivalents	88,614	2,859
Cash and cash equivalents at beginning of period	17,564	29,046
Cash and cash equivalents at end of period	\$106,178	\$ 31,905

See Notes to Condensed Consolidated Financial Statements.



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## CAL-MAINE FOODS, INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

March 3, 2018

(unaudited)

## 1. Presentation of Interim Information

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles (“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 thirty-nine weeks ended March 3, 2018 are not necessarily indicative of the results that may be expected for the year ending June 2, 2018.

The condensed consolidated balance sheet at June 3, 2017 was derived from the audited consolidated financial statements at that date. It does not include all of the information and footnotes required by GAAP for complete financial statements.

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 3, 2017. References to “we,” “us,” “our,” or the “Company” refer to Cal-Maine Foods, Inc.

## 2. Stock Based Compensation

Total stock based compensation expense for the thirty-nine weeks ended March 3, 2018 and February 25, 2017 was \$2.6 million and \$2.5 million, respectively.

Unrecognized compensation expense as a result of non-vested shares of the 2012 Omnibus Long-Term Incentive Plan at March 3, 2018 was \$6.9 million and will be recorded over a weighted average period of 2.2 years. Refer to Note 10 of our June 3, 2017 audited financial statements for further information on our stock compensation plans.

At March 3, 2018, there were 243,060 restricted shares outstanding, with a weighted average grant date fair value of \$45.30 per share. The Company’s restricted share activity for the thirty-nine weeks ended March 3, 2018 follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding, June 3, 2017	247,735	\$ 42.76
Granted	88,965	43.81
Vested	(85,990 )	36.76
Forfeited	(7,650 )	41.75
Outstanding, March 3, 2018	243,060	\$ 45.30



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## 3. Inventories

Inventories consisted of the following (in thousands):

	March 3, 2018	June 3, 2017
Flocks	\$92,763	\$98,059
Eggs and egg products	18,153	14,911
Feed and supplies	54,447	47,722
	\$165,363	\$160,692

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 March 3, 2018, consisted of approximately 9.2 million pullets and breeders and 37.8 million layers.

## 4. Contingencies

## Financial Instruments

The Company maintained standby letters of credit (“LOC”) totaling \$4.2 million at March 3, 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.

On December 29, 2017, the Company reached an agreement on material terms of the settlement of several large direct action purchasers' antitrust claims against the Company. The agreement was finalized and effective January 30, 2018. Pursuant to the agreement, the Company settled the claims with a single \$80.8 million payment, which is \$54.8 million net of tax, or \$1.13 per basic and diluted share. As a result, the Company recorded the legal settlement expense and offsetting liability to operating expense and current liabilities, respectively, in the second quarter of fiscal 2018. The Company paid the settlement on March 23, 2018, subsequent to the end of our fiscal 2018 third quarter.

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

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## 5. 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 thirty-nine weeks ended February 25, 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 March 3, February 25, 2018 2017		39 Weeks Ended March 3, February 25, 2018 2017	
Net income (loss) attributable to Cal-Maine Foods, Inc.	\$96,294	\$ 4,139	\$54,165	\$(49,807 )
Basic weighted-average common shares	48,361	48,286	48,340	48,285
Dilutive potential common shares	48,476	48,417	48,460	48,285
Antidilutive securities excluded from computation of earnings per share	—	—	—	145
Net income (loss) per common share attributable to Cal-Maine Foods, Inc.:				
Basic	\$1.99	\$ 0.09	\$1.12	\$(1.03 )
Diluted	\$1.99	\$ 0.09	\$1.12	\$(1.03 )

## 6. Accrued Dividends Payable and Dividends per Common Share

We make an accrual of dividends payable 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. Therefore, the Company did not pay a dividend with respect to the fourth quarter of fiscal 2016, or any quarter of fiscal 2017, and will not pay a dividend for the first, second, or third quarters of fiscal 2018. At March 3, 2018, the cumulative losses that must be recovered prior to paying a dividend were \$20.5 million. When applicable, the amount of the accrual appears on the Condensed Consolidated Balance Sheets as "Accrued dividends payable."

## 7. 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

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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):

	March 3, 2018		June 3, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
5.4% – 6.2% Notes payable	\$5,875	\$5,855	\$9,250	\$9,295
Long-term leases	1,402	1,228	1,689	1,520
	\$7,277	\$7,083	\$10,939	\$10,815

#### Assets and Liabilities Measured at Fair Value on a Recurring Basis

In accordance with the fair value hierarchy described above, the following table shows the fair value of financial assets and liabilities measured at fair value on a recurring basis as of March 3, 2018 and June 3, 2017 (in thousands):

March 3, 2018	Level 1	Level 2	Level 3	Total
				Balance
Assets				
US government and agency obligations	—	\$18,888	—	\$18,888
Municipal bonds	—	21,165	—	21,165
Corporate bonds	—	133,701	—	133,701
Certificates of deposits	—	1,504	—	1,504
Asset backed securities	—	2,012	—	2,012
Mutual funds	3,008	—	—	3,008
Total assets measured at fair value	\$3,008	\$177,270	—	\$180,278

June 3, 2017	Level 1	Level 2	Level 3	Total
				Balance
Assets				
US government and agency obligations	\$—	\$20,216	\$—	—\$20,216
Municipal bonds	—	36,873	—	36,873
Corporate bonds	—	75,790	—	75,790
Asset backed securities	—	5,583	—	5,583
Mutual funds	2,459	—	—	2,459
Total assets measured at fair value	\$2,459	\$138,462	\$—	—\$140,921

Investment securities – available-for-sale, classified as level 2, consist of U.S. government and agency obligations, taxable and tax exempt municipal bonds, zero coupon municipal bonds, foreign government obligations, asset backed

securities and corporate bonds with maturities of three months or longer when purchased. We classify these securities as current, because amounts invested are available for current operations. Observable inputs for these securities are yields, credit risks, default rates, and volatility.

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## 8. Investment Securities

The following represents the Company's investment securities as of March 3, 2018 and June 3, 2017 (in thousands):

March 3, 2018	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
US government and agency obligations	\$ 19,071	\$ —	\$ 183	\$ 18,888
Municipal bonds	21,188	—	23	21,165
Corporate bonds	134,704	—	1,003	133,701
Certificates of deposits	1,504	—	—	1,504
Asset backed securities	2,027	—	15	2,012
Total current investment securities	\$ 178,494	\$ —	\$ 1,224	\$ 177,270
Mutual funds	\$ 2,023	\$ 985	\$ —	\$ 3,008
Total noncurrent investment securities	\$ 2,023	\$ 985	\$ —	\$ 3,008
June 3, 2017	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
US government and agency obligations	\$ 20,259	\$ —	\$ 43	\$ 20,216
Municipal bonds	36,839	34	—	36,873
Corporate bonds	75,769	21	—	75,790
Asset backed securities	5,583	—	—	5,583
Total current investment securities	\$ 138,450	\$ 55	\$ 43	\$ 138,462
Mutual funds	\$ 1,706	\$ 753	\$ —	\$ 2,459
Total noncurrent investment securities	\$ 1,706	\$ 753	\$ —	\$ 2,459

Proceeds from sales of available-for-sale securities were \$95.3 million and \$228.3 million during the thirty-nine weeks ended March 3, 2018 and February 25, 2017, respectively. Gross realized gains during the thirty-nine weeks ended March 3, 2018 and February 25, 2017 were \$25,000 and \$231,000, respectively. Gross realized losses during the thirty-nine weeks ended March 3, 2018 and February 25, 2017 were \$5,000 and \$6,000, respectively. For purposes of determining gross realized gains and losses, the cost of securities sold is based on the specific identification method.

Unrealized holding gains and (losses), net of taxes, for the thirty-nine weeks ended March 3, 2018 and February 25, 2017 were as follows (in thousands):

	39 Weeks Ended	
	March 3, 2018	February 25, 2017
Current investments	\$(975)	\$(30 )
Noncurrent investments	311	154
Total unrealized holding gains (losses)	\$(664)	\$ 124

Actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Contractual maturities at March 3, 2018, are as follows (in thousands):

Estimated  
Fair



	Value
Within one year	\$95,140
1-5 years	82,130
Total	\$177,270

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## 9. Equity

The following reflects the equity activity, including our noncontrolling interest, for the thirty-nine weeks ended March 3, 2018 (in thousands, except share amounts):

	Cal-Maine Foods, Inc. Stockholders							Total
	Common Stock			Paid In Capital	Accum. Other Comp. Loss	Retained Earnings	Noncontrolling Interest	
	Class A	Treasury						
	Amount	Amount	Amount					
Balance at June 3, 2017	\$703	\$ 48	\$(23,914)	\$49,932	\$(128)	\$816,046	\$ 1,806	\$844,493
Other comprehensive loss, net of tax	—	—	—	—	(664)	—	—	(664)
Grant of restricted stock	—	—	81	(81)	—	—	—	—
Forfeiture of restricted stock	—	—	(6)	6	—	—	—	—
Buyback of 25,575 shares to satisfy withholding obligation in connection with the vesting of restricted stock	—	—	(1,128)	—	—	—	—	(1,128)
Contribution from noncontrolling interest partners	—	—	—	—	—	—	279	279
Restricted stock compensation	—	—	—	2,579	—	—	—	2,579
Net income	—	—	—	—	—	54,165	(65)	54,100
Balance at March 3, 2018	\$703	\$ 48	\$(24,967)	\$52,436	\$(792)	\$870,211	\$ 2,020	\$899,659

## 10. Income Taxes

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act of 2017 (the “Act”). The new tax legislation reduces the United States corporate tax rate from 35% to 21% effective January 1, 2018.

Following the enactment of the Act, the United States Securities and Exchange Commission issued guidance in Staff Accounting Bulletin 118 which provides the Company up to a one-year measurement period, beginning on the Act’s enactment date, in which to complete the required analysis and accounting for the effects of the Act. The guidance allows the Company to record provisional adjustments related to the impacts of the Act when the accounting for the effects of the Act is incomplete, but when reasonable estimates can be made regarding the effects of the Act. Our accounting for the Act is not complete, because it required the Company to estimate the timing of settlement of the temporary differences from which our deferred taxes arose; however, we were able to make reasonable estimates, and we recorded those estimates as provisional adjustments as described in the paragraph below. The Company will complete the required analysis during its fourth quarter. If any adjustments to the provisional amounts are required, those adjustments will be recorded in the Company’s fourth quarter.

Pre-tax income, less net income attributable to noncontrolling interest, was \$88.0 million for the thirteen weeks ended March 3, 2018, compared to pre-tax income, less net income attributable to noncontrolling interest, of \$4.2 million for last year’s comparable period. For the current thirteen-week period, income tax benefit of \$8.3 million was recorded, with an effective tax rate of 31.8%, excluding the impact of any discrete items, compared to income tax expense of \$34,000, with an effective rate of 0.8%, for last year’s comparable period. Results for the current thirteen-week period were favorably impacted by a \$35 million discrete tax benefit related to the Act.

For the thirty-nine weeks ended March 3, 2018, pre-tax income, less net loss attributable to noncontrolling interest, was \$23.4 million, compared to pre-tax loss, less net loss attributable to noncontrolling interest, of \$81.1 million for

the same period of fiscal 2017. For the thirty-nine weeks ended March 3, 2018, income tax benefit of \$30.7 million was recorded, with an effective tax rate of 24.0%, excluding the impact of any discrete items, compared to an income tax benefit of \$31.3 million, with an effective rate of 38.6% for last year's comparable period. Discrete items for current thirty-nine week period primarily related to a \$35.0 million tax benefit in connection with the Act.

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The effective rate increase for the thirteen weeks ended March 3, 2018 was primarily related to the provision to return adjustments on the fiscal 2016 tax return recorded in the prior period. The effective rate decrease for the thirty-nine weeks ended March 3, 2018 was primarily related to the change in the federal statutory rate from 35% to 21%, resulting from legislation that was enacted on December 22, 2017. The rate change is administratively effective at the beginning of our fiscal year, using a blended rate for the annual period. As a result, the blended statutory tax rate for the year is 29.13%.

At March 3, 2018, accounts payable included an income tax payable of \$20.7 million compared to an income tax receivable of \$52.7 million at June 3, 2017. Not included in income taxes payable of \$20.7 million is the tax benefit from deduction of the \$80.8 million legal settlement expense, which was recorded in the second quarter of fiscal 2018, but is not deductible for income tax purposes until paid. As noted above, the legal settlement expense was paid by the Company on March 23, 2018, subsequent to the end of our third quarter. The Company will receive a tax deduction for the legal settlement expense in the fourth quarter. The remainder of the change is primarily due to the second quarter fiscal 2018 receipt of a \$45.0 million federal tax refund related to the carryback of fiscal 2017 losses.

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, the domestic manufacturers deduction, and net income or loss attributable to noncontrolling interest. The enacted rate change from 35% to 21% also caused the thirteen-week and thirty-nine week effective rate to be significantly different from the Company's historical annual effective rate. The Company's effective tax rate for future fiscal years under current legislation is expected to be 21% plus a state tax effected rate of approximately 3%.

## 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 production data, expected operating schedules, projected construction costs, and other 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 production, operating schedules, capital costs, results of operations, and other projections and estimates 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 3, 2017, 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 changes that may cause conditions to completing a pending acquisition not to be met, and (vi) adverse results in pending litigation matters. In addition, we continue to assess the impact of the recently enacted federal tax reform legislation on our business and consolidated financial statements. 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.

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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 annual average per dozen eggs of the Urner-Barry Southeastern Regional Large Egg Market Price (“UB southeastern large index”), for our last ten fiscal years ranged from a low of \$0.85 in fiscal year 2017 to a high of \$1.79 in fiscal year 2016. 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. Shell egg prices tend to increase 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 ending in August and May, respectively. Because of the seasonal and quarterly fluctuations, comparisons of our sales and operating results between different quarters within a single fiscal year are not necessarily meaningful comparisons.

In 2015, our industry experienced a significant avian influenza (“AI”) outbreak, primarily in the upper Midwestern U.S. There were no positive tests for AI at any of our locations. Based on several published industry estimates, we believe approximately 12% of the national flock of laying hens was affected. During April through June 2015, the affected laying hens were either destroyed by the disease or euthanized. The USDA data showed the supply of laying hens decreased substantially. Since that time, hen numbers have recovered and even exceeded pre-AI levels in late 2016.

Egg prices increased significantly during the summer and fall of 2015. The average of Thursday prices for the UB southeastern large index for the months of June through November 2015 was \$2.32 per dozen, with a peak of \$2.97 in August. Subsequent to November 2015, shell egg prices declined. The UB southeastern large index hit a decade-low level in both our fiscal 2016 fourth quarter and fiscal 2017 second quarter. During our fiscal 2018, shell egg prices

have rebounded due to strong demand illustrating the volatility of our industry. During the thirty-nine weeks ended March 3, 2018, the UB southeastern large index averaged \$1.37 per dozen, a 59.5% increase over the comparable period of the prior year which averaged \$0.86 per dozen.

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According to Nielsen data, retail demand for calendar year 2017 and early 2018 has been strong and exceeded normal seasonal trends, 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. The USDA reports that shell egg exports expanded in calendar 2017 and have recovered from previous low levels following the 2015 avian influenza (AI) outbreak. Export demand has also increased as a result of the reported Fipronil contaminations across Europe and Southeast Asia. Together, these demand trends have resulted in a more favorable market environment compared with a year ago despite the laying hen flock size increasing slightly over prior-year levels. Accordingly, our net average selling price for shell eggs for the third quarter of fiscal 2018 was \$1.545 compared with \$1.130 for the corresponding period of fiscal 2017. However, recent USDA reports show an increase in chicks hatched which could indicate future increases in supply.

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. During our fiscal 2016 a 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 that can easily be converted to cage-free, based on a timeline to meet our customer's needs.

For the thirteen weeks ended March 3, 2018, we produced approximately 81% of the total number of shell eggs we sold compared to 84% in the comparable prior year period. We produced 0.6% less dozens during the thirteen weeks ended March 3, 2018 than in the corresponding period of last year. For the thirteen weeks ended March 3, 2018 and February 25, 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% and 58% of our total farm egg production cost for the thirteen weeks ended March 3, 2018 and February 25, 2017, respectively. 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 and storage costs, demand, and the agricultural and energy policies of the U.S. and foreign governments. Large U.S. corn and soybean crops were harvested in 2017, which combined with the large 2016 crops should provide an adequate supply of our primary feed ingredients during the remainder of fiscal 2018.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act of 2017 (the "Act"). The new tax legislation reduces the United States corporate tax rate from 35% to 21% effective January 1, 2018. As a result, the Company recognized an income tax benefit for the period related to the remeasurement of the Company's net deferred tax liability. The Company remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future. The Company has not completed the accounting for the tax effects of enactment of the Act; however, the Company has made a reasonable estimate of the effects on existing deferred balances. The provisional amount recorded related to the remeasurement of our deferred tax balance was \$35 million, which is included as a component of income tax (benefit) expense from continuing operations.

On December 29, 2017, the Company reached an agreement on material terms of the settlement of several large direct action purchasers' antitrust claims against the Company. The agreement was finalized and effective January 30, 2018. Pursuant to the agreement, the Company settled the claims with a single \$80.8 million payment, which is \$54.8 million net of tax, or \$1.13 per basic and diluted share. As a result, the Company recorded the legal settlement expense and offsetting liability to operating expense and current liabilities, respectively, in the second quarter of fiscal 2018. The Company paid the settlement on March 23, 2018, subsequent to the end of our fiscal 2018 third quarter.





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## 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		39 Weeks Ended	
	March	February	March	February
	3, 2018	25, 2017	3, 2018	25, 2017
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	72.4 %	87.2 %	79.3 %	95.8 %
Gross profit	27.6 %	12.8 %	20.7 %	4.2 %
Selling, general, and administrative expense	10.1 %	14.3 %	12.1 %	15.7 %
Legal settlement expense	— %	— %	7.6 %	— %
(Gain) Loss on disposal of fixed assets	(0.1 )%	0.2 %	— %	0.2 %
Operating income (loss)	17.6 %	(1.7 )%	1.0 %	(11.7 )%
Other income, net	2.7 %	3.1 %	1.1 %	1.6 %
Income (loss) before income taxes and noncontrolling interest	20.3 %	1.4 %	2.1 %	(10.1 )%
Income tax (benefit) expense	(1.9 )%	— %	(2.9 )%	(3.9 )%
Net income (loss) before noncontrolling interest	22.2 %	1.4 %	5.0 %	(6.2 )%
Less: Net income (loss) attributable to noncontrolling interest	— %	— %	— %	— %
Net income (loss) attributable to Cal-Maine Foods, Inc.	22.2 %	1.4 %	5.0 %	(6.2 )%

## NET SALES

Net sales for the thirteen weeks ended March 3, 2018 were \$435.8 million, an increase of \$129.3 million, or 42.2%, compared to net sales of \$306.5 million for the thirteen weeks ended February 25, 2017. The increase was primarily due to an increase in egg selling prices and, to a lesser extent, an increase in dozens sold.

Shell egg sales made up approximately 97.2% of net sales for the thirteen weeks ended March 3, 2018. Dozens sold for the third quarter of fiscal year 2018 were up 9.6 million to 273.2 million, a 3.6% increase from 263.6 million dozen for the third quarter of fiscal 2017. The volume increase accounted for a \$10.8 million increase in net sales.

Net average selling price per dozen of shell eggs was \$1.545 for the thirteen weeks ended March 3, 2018, compared to \$1.130 for the thirteen weeks ended February 25, 2017. The 36.7% increase in average selling price accounted for a \$113.4 million increase in net sales. Net average selling price is the blended price for all sizes and grades of shell eggs, including non-graded shell egg sales, breaking stock, and undergrades.

Egg products accounted for 2.8% of net sales for the thirteen weeks ended March 3, 2018. These revenues were \$12.1 million for the thirteen weeks ended March 3, 2018, compared to \$6.4 million for the thirteen weeks ended February 25, 2017.

Net sales for the thirty-nine weeks ended March 3, 2018 were \$1,059.8 million, an increase of \$259.9 million, or 32.5%, compared to net sales of \$799.9 million for the thirty-nine weeks ended February 25, 2017. The increase was primarily due to an increase in egg selling prices and, to a lesser extent, an increase in dozens sold.

Shell egg sales made up approximately 97.3% of net sales for the thirty-nine weeks ended March 3, 2018. Dozens sold for the thirty-nine weeks ended March 3, 2018 were 785.8 million, a 3.6% increase from 758.1 million dozen for the same period of fiscal 2017. The volume increase accounted for a \$28.2 million increase in net sales.

Net average selling price per dozen of shell eggs was \$1.303 for the thirty-nine weeks ended March 3, 2018, compared to \$1.020 for the thirty-nine weeks ended February 25, 2017. The 27.7% increase in average selling price accounted for a \$222.4 million increase in net sales.

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Egg products accounted for 2.7% of net sales for the thirty-nine weeks ended March 3, 2018. These revenues were \$29.1 million for the thirty-nine weeks ended March 3, 2018, compared to \$18.3 million for the thirty-nine weeks ended February 25, 2017.

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			39 Weeks Ended				
	March 3, 2018	February 25, 2017		March 3, 2018	February 25, 2017			
Total net sales	\$435,820	\$306,540		\$1,059,837	\$799,929			
Non-specialty shell egg	\$286,994	67.7 %	\$166,893	55.6 %	\$662,017	64.2 %	\$403,404	51.6 %
Specialty shell egg	128,079	30.2 %	122,337	40.8 %	343,069	33.3 %	344,873	44.1 %
Co-pack specialty shell egg	6,956	1.7 %	8,522	2.8 %	18,875	1.8 %	25,492	3.3 %
Other	1,697	0.4 %	2,346	0.8 %	6,792	0.7 %	7,828	1.0 %
Net shell egg sales	\$423,726	100.0%	\$300,098	100.0%	\$1,030,753	100.0%	\$781,597	100.0%
Net shell egg sales as a percent of total net sales	97.2 %		97.9 %		97.3 %		97.7 %	
Dozens sold:								
Non-specialty shell egg	203,444	74.4 %	196,998	74.7 %	596,061	75.9 %	571,111	75.3 %
Specialty shell egg	66,260	24.3 %	62,265	23.6 %	179,941	22.9 %	174,204	23.0 %
Co-pack specialty shell egg	3,505	1.3 %	4,350	1.7 %	9,756	1.2 %	12,799	1.7 %
Total dozens sold	273,209	100.0%	263,613	100.0%	785,758	100.0%	758,114	100.0%
Net average selling price per dozen:								
Non-specialty shell eggs	\$1.411		\$0.847		\$1.111		\$0.706	
Specialty shell eggs	\$1.933		\$1.965		\$1.907		\$1.980	
All shell eggs	\$1.545		\$1.130		\$1.303		\$1.020	

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 March 3, 2018, non-specialty shell egg dozens sold increased 3.3%, and the average selling price increased 66.6% to \$1.411 from \$0.847 for the same period of fiscal 2017. For the thirty-nine weeks ended March 3, 2018, non-specialty shell egg dozens sold increased approximately 4.4%, and the average selling price increased 57.4% to \$1.111 from \$0.706 for the same period of fiscal 2017.

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. As non-specialty egg prices declined, we experienced some margin and volume pressures on specialty egg sales. For the thirteen weeks ended March 3, 2018, specialty shell egg dozens sold increased 6.4%, but the average selling price decreased 1.6% to \$1.933 from \$1.965 for the same period of fiscal 2017. For the thirty-nine weeks ended March 3, 2018, specialty shell egg dozens sold increased 3.3%, but the average selling price decreased 3.7% to \$1.907 from \$1.980 for the same period of fiscal 2017.

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 thirty-nine weeks ended March 3, 2018 and February 25, 2017 were 9.8 million and 12.8 million, which represented 1.2% and 1.7% of total dozens sold for those periods, respectively.

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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 consolidated subsidiaries American Egg Products, LLC (“AEP”) and Texas Egg Products, LLC (“TEP”).

For the third quarter of fiscal 2018, egg product sales were \$12.1 million, an increase of \$5.7 million, or 87.8%, compared to \$6.4 million for the same period of 2017. Pounds sold for the third quarter of fiscal 2018 were 15.5 million, a decrease of 6.9%, compared to 16.7 million for the same period of fiscal 2017. The selling price per pound for the third quarter of fiscal 2018 was \$0.782 compared to \$0.391 for the same period of fiscal 2017, a 99.4% increase.

For the thirty-nine weeks ended March 3, 2018, egg product sales were \$29.1 million, an increase of \$10.8 million, or 58.7%, compared to \$18.3 million for the same period of fiscal 2017. Pounds sold for the thirty-nine weeks ended March 3, 2018 were 45.4 million, a decrease of 2.2 million, or 4.6%, compared to 47.6 million for the same period of fiscal 2017. The selling price per pound for the thirty-nine weeks ended March 3, 2018 was \$0.644 compared to \$0.391 for the same period of fiscal 2017, a 64.1% 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.

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

	13 Weeks Ended			39 Weeks Ended		
	March 3, 2018	February 25, 2017	Percent Change	March 3, 2018	February 25, 2017	Percent Change
Cost of Sales:						
Farm production	\$152,242	\$151,478	0.5 %	\$448,416	\$438,929	2.2 %
Processing, packaging, and warehouse	55,525	53,038	4.7 %	160,344	147,329	8.8 %
Egg purchases and other (including change in inventory)	97,778	57,806	69.1 %	205,849	165,833	24.1 %
Total shell eggs	305,545	262,322	16.5 %	814,609	752,091	8.3 %
Egg products	10,041	4,959	102.5 %	24,808	13,691	81.2 %
Other	136	94	44.7 %	590	603	(2.2 )%
Total	\$315,722	\$267,375	18.1 %	\$840,007	\$766,385	9.6 %
Farm production cost (per dozen produced)						
Feed	\$0.396	\$0.396	— %	\$0.387	\$0.406	(4.7 )%
Other	\$0.297	\$0.290	2.4 %	\$0.300	\$0.293	2.4 %
Total	\$0.693	\$0.686	1.0 %	\$0.687	\$0.699	(1.7 )%

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Outside egg purchases (average cost per dozen)	\$1.60	\$ 1.10	45.5 %	\$1.35	\$ 1.04	29.8 %
Dozen produced	221,119	222,492	(0.6 )%	657,577	633,246	3.8 %
Dozen sold	273,209	263,613	3.6 %	785,758	758,114	3.6 %

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Cost of sales for the third quarter of fiscal 2018 was \$315.7 million, an increase of \$48.3 million, or 18.1%, from \$267.4 million for the third quarter of fiscal 2017. This increase was primarily driven by an increase in the cost of eggs purchased for the quarter. Feed cost per dozen was \$0.396 for the third quarter of both fiscal 2018 and 2017. Other farm production cost increased 2.4% to \$0.297 for the third quarter of fiscal 2018 compared to \$0.290 for the same period of last year.

Cost of sales for the thirty-nine weeks ended March 3, 2018 was \$840.0 million, an increase of \$73.6 million, or 9.6%, from \$766.4 million for the same period of fiscal 2017. The increase was primarily driven by an increase in the cost of eggs purchased in 2018, including the freight cost for delivery of those eggs, and, to a lesser extent, an increase in dozens produced during the period. Dozens produced increased 3.8% resulting in higher farm production, processing, and packaging costs. These increases were offset by a lower feed cost per dozen produced. Feed cost per dozen for the thirty-nine weeks ended March 3, 2018, was \$0.387, compared to \$0.406 per dozen for the comparable period of fiscal 2017, a decrease of 4.7%, resulting in a decrease in cost of sales of approximately \$12.0 million for the comparable period. Other farm production cost increased 2.4% to \$0.300 for the thirty-nine weeks ended March 3, 2018, compared to \$0.293 for the same period of last year primarily due to increased facility costs related to capital improvement and conversion projects.

Gross profit for the third quarter of fiscal 2018 was \$120.1 million compared to \$39.2 million for the third quarter of fiscal 2017. For the thirty-nine weeks ended March 3, 2018, gross profit increased to \$219.8 million from \$33.5 million for the same period of fiscal 2017 primarily due to the increased average customer selling prices and sales volumes.

## 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			
	March 3, 2018	February 25, 2017	\$ Change	% Change
Specialty egg expense	\$13,848	\$15,329	\$(1,481)	(9.7)%
Delivery expense	13,443	13,875	(432)	(3.1)%
Payroll and overhead	9,425	6,783	2,642	39.0%
Stock compensation expense	841	823	18	2.2%
Other expenses	6,618	6,928	(310)	(4.5)%
Total	\$44,175	\$43,738	\$437	1.0%

For the thirteen weeks ended March 3, 2018, selling, general, and administrative expenses was \$44.2 million compared to \$43.7 million for the thirteen weeks ended February 25, 2017. Specialty egg expense decreased \$1.5 million, or 9.7%, compared to the same period of last year. Specialty egg expense typically fluctuates with specialty egg dozens sold, which increased 6.4% for the thirteen weeks ended March 3, 2018; however, this was more than offset by reduced advertising expense, which is a component of specialty egg expense and decreased 75.9% compared to the same period of fiscal 2017 due to increased reimbursements of promotional expenses and reduced current year promotions. Payroll and overhead increased \$2.6 million, or 39.0%, compared to the same period of fiscal 2017 primarily due to reduced prior year bonus accruals. Other expenses decreased 4.5% to \$6.6 million for the thirteen weeks ended March 3, 2018 from \$6.9 million for the comparable period of fiscal 2017 primarily due to reduced legal expense partially offset by increased automobile liability claims in the current period.





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	39 Weeks Ended			
	March 3, 2018	February 25, 2017	\$ Change	% Change
Specialty egg expense	\$37,422	\$ 42,158	\$(4,736)	(11.2)%
Delivery expense	39,680	39,570	110	0.3 %
Payroll and overhead	27,168	23,945	3,223	13.5 %
Stock compensation expense	2,579	2,480	99	4.0 %
Other expenses	21,196	17,832	3,364	18.9 %
Total	\$ 128,045	\$ 125,985	\$ 2,049	1.6 %

For the thirty-nine weeks ended March 3, 2018, selling, general, and administrative expenses was \$128.0 million, an increase of \$2.0 million, or 1.6%, compared to \$126.0 million for the thirty-nine weeks ended February 25, 2017. Specialty egg expense decreased \$4.7 million, or 11.2%, compared to the same period of last year. Specialty egg expense typically fluctuates with specialty egg dozens sold, which increased 3.3% for the thirty-nine weeks ended March 3, 2018; however, this was more than offset by reduced advertising expense, which is a component of specialty egg expense and decreased 72.8% compared to the same period for fiscal 2017 due to refunded promotional allowances and reduced current year promotions. Payroll and overhead increased \$3.2 million, or 13.5%, compared to the same period of fiscal 2017 primarily due to reduced prior year bonus accruals. Other expenses increased 18.9% to \$21.2 million for the thirty-nine weeks ended March 3, 2018 from \$17.8 million for the comparable period of fiscal 2017 primarily due to increased insurance, amortization of intangible assets, bad debt, and professional fees.

## LEGAL SETTLEMENT EXPENSE

On December 29, 2017, the Company reached an agreement on material terms of the settlement of several large direct action purchasers' antitrust claims against the Company. Pursuant to the agreement, the Company settled the claims with a single \$80.8 million payment, which is \$54.8 million net of tax, or \$1.13 per basic and diluted share. As a result, the Company has recorded the legal settlement expense and offsetting liability to operating expense and current liabilities, respectively, during the thirteen and thirty-nine weeks ended March 3, 2018. The agreement was effective January 30, 2018. The Company paid the settlement on March 23, 2018, subsequent to the end of our fiscal 2018 third quarter.

## (GAIN) LOSS ON DISPOSAL OF FIXED ASSETS

During the thirty-nine weeks ended February 25, 2017 we recorded a \$1.4 million loss on disposal of fixed assets due to a roof replacement at one of our Texas locations and the replacement of equipment at our Utah location to comply with California regulations.

## OPERATING INCOME

As a result of the above, operating income was \$76.2 million for the third quarter of fiscal 2018, compared to a loss of \$5.2 million for the fiscal 2017 third quarter.

For the thirty-nine weeks ended March 3, 2018, we recorded an operating income of \$11.4 million compared to a loss of \$93.8 million for the same period of fiscal 2017.

## 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.

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For the third quarter of fiscal 2018, we recorded \$1.1 million of interest income compared to \$587,000 for the same period of last year. The increase resulted primarily from higher average invested balances and higher rates earned. The Company recorded interest expense of \$112,000 and \$386,000, of which \$8,000 and \$210,000 was capitalized, in the third quarters of fiscal 2018 and 2017, respectively. The \$274,000 reduction in interest expense resulted from the Company reducing outstanding debt.

Equity in income (loss) of affiliates for the third quarter of fiscal 2018 was income of \$2.4 million compared to \$1.0 million for the same period of last year. The increase of \$1.4 million is primarily due to improved results at our Red River joint venture.

For the thirty-nine weeks ended March 3, 2018, we recorded \$2.2 million of interest income compared to \$2.5 million for the same period of fiscal 2017. The decrease resulted primarily from lower average invested balances partially offset by higher rates earned during the period. The Company recorded interest expense of \$387,000 and \$1.1 million, of which \$214,000 and \$959,000 was capitalized, for the thirty-nine weeks ended March 3, 2018 and February 25, 2017, respectively. The \$755,000 reduction in interest expense resulted from the Company reducing outstanding debt.

Patronage dividends, which represent distributions from our membership in Egglan's Best, Inc., increased \$678,000 from \$7.6 million in fiscal 2017 to \$8.3 million in fiscal 2018.

Equity in income (loss) of affiliates for the thirty-nine weeks ended March 3, 2018 was a income of \$2.3 million compared to income of \$1.9 million for the same period of fiscal 2017. The increase of \$448,000 is primarily due to improved results at our Red River joint venture.

Other, net for the thirty-nine weeks ended March 3, 2018, was a loss of \$1.3 million compared to \$156,000 for the same period of fiscal 2017, primarily driven by a reduction in miscellaneous income.

## INCOME TAXES

As previously discussed in the Overview of MD&A, the Tax Cuts and Jobs Act of 2017 favorably impacted our third quarter results. The new tax legislation reduces the United States corporate tax rate from 35% to 21%.

Following the enactment of the Act, the United States Securities and Exchange Commission issued guidance in Staff Accounting Bulletin 118 which provides the Company up to a one-year measurement period, beginning on the Act's enactment date, in which to complete the required analysis and accounting for the effects of the Act. The guidance allows the Company to record provisional adjustments related to the impacts of the Act when the accounting for the effects of the Act is incomplete, but when reasonable estimates can be made regarding the effects of the Act. Our accounting for the Act is not complete, because it required the Company to estimate the timing of settlement of the temporary differences from which our deferred taxes arose; however, we were able to make reasonable estimates, and we recorded those estimates as provisional adjustments as described in the paragraph below. The Company will complete the required analysis during its fourth quarter. If any adjustments to the provisional amounts are required, those adjustments will be recorded in the Company's fourth quarter.

Pre-tax income, less net income attributable to noncontrolling interest, was \$88.0 million for the thirteen weeks ended March 3, 2018, compared to \$4.2 million for last year's comparable period. For the current thirteen-week period, income tax benefit of \$8.3 million was recorded, with an effective tax rate of 31.8%, excluding the impact of any discrete items, compared to an income tax expense of \$34,000, with an effective rate of 0.8%, for last year's comparable period. Results for the current thirteen week period were favorably impacted by a \$35 million discrete tax benefit related to the Act.



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For the thirty-nine weeks ended March 3, 2018, pre-tax income, less net loss attributable to noncontrolling interest, was \$23.4 million, compared to pre-tax loss, less net loss attributable to noncontrolling interest, of \$81.1 million for the same period of fiscal 2017. For the thirty-nine weeks ended March 3, 2018 income tax benefit of \$30.7 million was recorded, with an effective tax rate of 24.0%, excluding the impact of any discrete items, compared to an income tax benefit of \$31.3 million, with an effective rate of 38.6% for last year's comparable period. Discrete items for the current thirty-nine weeks ended week period primarily related to a \$35 million tax benefit in connection with the Act.

The effective rate increase for the thirteen weeks ended March 3, 2018 was primarily related to the provision to return adjustments on the fiscal 2016 tax return recorded in the prior period. The effective rate decrease for the thirty-nine weeks ended March 3, 2018 was primarily related to the change in the federal statutory rate from 35% to 21%, resulting from legislation that was enacted on December 22, 2017. The rate change is administratively effective at the beginning of our fiscal year, using a blended rate for the annual period. As a result, the blended statutory tax rate for the year is 29.13%.

At March 3, 2018, accounts payable included an income tax payable of \$20.7 million compared to an income tax receivable of \$52.7 million at June 3, 2017. Not included in income taxes payable of \$20.7 million is the tax benefit from deduction of the \$80.8 million legal settlement expense, which was recorded in the second quarter of fiscal 2018, but is not deductible for income tax purposes until paid. As noted above, the legal settlement expense was paid by the Company on March 23, 2018, subsequent to the end of our third quarter. The Company will receive a tax deduction for the legal settlement expense in the fourth quarter. The remainder of the change is primarily due to the second quarter fiscal 2018 receipt of a \$45.0 million federal tax refund related to the carryback of fiscal 2017 losses.

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, the domestic manufacturers deduction, and net income or loss attributable to noncontrolling interest. The enacted rate change from 35% to 21% also caused the thirteen-week and thirty-nine week effective rate to be significantly different from the Company's historical annual effective rate. The Company's effective tax rate for future fiscal years under current legislation is expected to be 21% plus a state tax effected rate of approximately 3%.

**NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTEREST**

For the thirteen weeks ended March 3, 2018, net income attributable to noncontrolling interest was \$64,000 compared to a loss of \$8,000 for the same period of fiscal 2017.

For the thirty-nine weeks ended March 3, 2018, net loss attributable to noncontrolling interest was \$65,000 compared to \$9,000 for the same period of fiscal 2017. This is attributable to income and losses from the Company's consolidated joint ventures.

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

Net income for the thirteen weeks ended March 3, 2018 was \$96.3 million, or \$1.99 per basic and diluted share, compared to \$4.1 million, or \$0.09 per basic and diluted share for the same period last year.

Net income for the thirty-nine weeks ended March 3, 2018 was \$54.2 million, or \$1.12 per basic and diluted share, compared to a loss of \$49.8 million, or \$1.03 per basic and diluted share, for the same period of fiscal 2017.



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CAPITAL RESOURCES AND LIQUIDITY

Our working capital at March 3, 2018 was \$391.8 million, compared to \$371.5 million at June 3, 2017. The calculation of working capital is defined as current assets less current liabilities. Our current ratio was 3.17 at March 3, 2018, compared with 6.74 at June 3, 2017. The decrease was due to the accrual of the legal settlement expense and higher accounts payable balances at period end due to the increase in the cost of purchased eggs. We have \$4.2 million in outstanding standby letters of credit, which are collateralized by cash for the benefit of certain insurance companies. Our long-term debt at March 3, 2018, including current maturities, amounted to \$7.3 million, compared to \$10.9 million at June 3, 2017. Refer to Note 9 of our June 3, 2017 audited financial statements for further information on our long-term debt.

For the thirty-nine weeks ended March 3, 2018, \$146.1 million in net cash was provided by operating activities, an improvement of \$203.3 million, compared to net cash used in operations of \$57.2 million for the comparable period in fiscal 2017. Improved gross profit margins primarily resulting from higher sales volumes and egg selling prices as well as increased accounts payable at March 3, 2018 contributed to our increase in cash flow from operations.

For the thirty-nine weeks ended March 3, 2018, approximately \$95.3 million was provided from the sale of short-term investments compared to \$228.3 million for the thirty-nine weeks ended February 25, 2017. We used \$136.9 million and \$25.9 million for purchases of short-term investments for the thirty-nine weeks ended March 3, 2018 and February 25, 2017, respectively.

We invested an additional \$4.1 million in our Red River Valley Egg Farm, LLC joint venture (“Red River JV”) compared to \$17.7 million for the first three quarters of fiscal 2017. Approximately \$13.6 million was used to purchase property, plant and equipment compared to \$54.9 million in the thirty-nine weeks ended February 25, 2017. This decrease represents the completion of several major expansion projects over the past twelve months. In fiscal 2017 we used \$68.6 million for the acquisition of Foodonics International, Inc.

As of March 3, 2018, cash increased approximately \$88.6 million since June 3, 2017 compared to an increase of \$2.9 million during the same period of fiscal 2017.

Over the past five fiscal years the Company has completed over \$300 million in capital expenditures. The Company continues to undertake expansion projects as needed to meet customer demand for cage-free eggs. At March 3, 2018, there are not any material projects underway.

The Company expects to continue to fund its 50% share of the Red River JV. As of March 20, 2018, we have contributed \$58.0 million to the joint venture to fund our share of construction, startup costs, and operating losses. At March 3, 2018, the farm is in full production. We estimate we will make additional contributions of approximately \$2 million to fund our share of the remaining construction costs, which are primarily related to the construction of a feed mill.

Property, plant, and equipment at certain of our locations is pledged as collateral on our notes payable and senior secured notes. Unless otherwise approved by our lenders, we are required by provisions of our loan agreements 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 (not to exceed 55%); and (4) maintain various cash-flow coverage ratios (1.25 to 1), among other restrictions. At March 3, 2018, we were in compliance with the financial covenant requirements of all loan



agreements. Under certain of the loan agreements, 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 applicable loan agreement. Our debt agreements require 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.

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We believe our current cash balances, investments, and cash flows from operations 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. To date the Company’s assessments efforts include evaluation of certain revenue contracts with customers and the method of retrospective application, either full or modified. We currently expect to utilize the full retrospective transition on date of adoption. Based on the findings to date, the Company does not expect ASU 2014-09 to have a material impact on the results of operations or financial position; however, the Company’s assessment is not complete. The Company plans to complete its review and method of adoption in fiscal 2018.

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.

In February 2018, the FASB issued ASU 2018-02, Income Statement - Reporting Comprehensive Income, which allows for reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. ASU 2018-02 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 2018-02 to have a material impact on the results of operations or financial position; however, the Company's assessment is not complete.

### 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 3, 2017, be read in conjunction with Management’s Discussion and Analysis of Financial Condition and Results of Operations. There

have been no changes to critical accounting policies identified in our Annual Report on Form 10-K for the year ended June 3, 2017.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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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 3, 2017.

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 March 3, 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 March 3, 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 periods ended December 2, 2017 and September 2, 2017, under Part II, Item 1: Legal Proceedings, and our Annual Report on Form 10-K for the year ended June 3, 2017, 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 (3) groups of cases - the "Direct Purchaser Putative Class Action", the "Indirect Purchaser Putative Class Action" and the "Non-Class Cases."

The Direct Purchaser Putative Class Action. The named plaintiffs in these cases alleged that they purchased eggs or egg products directly from a defendant and sued on behalf of themselves and a putative class of others who claimed to be similarly situated. As previously reported, in November 2014, the District Court approved the Company's settlement with the direct purchaser plaintiff class and entered final judgment dismissing with prejudice the class members' claims against the Company.

The Indirect Purchaser Putative Class Action. The named plaintiffs in these cases are individuals or companies who allege that they purchased shell eggs indirectly from one or more of the defendants - that is, they purchased from retailers that had previously purchased from defendants or other parties - and have sued on behalf of themselves and a putative class of others who claim to be similarly situated. The indirect purchaser plaintiffs filed two (2) motions for class certification, one of which sought certification of 21 separate classes seeking damages under the laws of 21 states and another which sought certification of an injunctive-relief class under federal law, and the District Court

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denied both of these motions. After each ruling, the plaintiffs filed a petition with the United States Court of Appeals for the Third Circuit, asking that court to hear an immediate appeal of the District Court's refusal to certify a class. The Third Circuit denied both petitions. Therefore, there is no certified class in the indirect purchaser putative class action case, although the plaintiffs could appeal the denials of class certification after a trial on the merits. At this time, all that remains for trial are the claims of the individual named plaintiffs, who seek treble damages under the statutes and common law of various states and injunctive relief under the Sherman Act attacking certain features of the United Egg Producers' (UEP) animal-welfare guidelines and program used by the Company and many other egg producers. Management believes that neither the aggregate treble damages nor the injunctive relief sought by the individual plaintiffs in these cases, even if awarded, would be material to the Company. The District Court has not set a trial date for the indirect purchaser case.

**The Non-Class Cases.** In the remaining cases, the named plaintiffs allege that they purchased shell eggs and egg products directly from one or more of the defendants but sue only for their own alleged damages and not on behalf of a putative class. Effective January 30, 2018, the Company entered into a settlement agreement resolving all claims brought by the following non-class plaintiffs: The Kroger Co.; Publix Super Markets, Inc.; SUPERVALU, Inc.; Safeway, Inc.; Albertsons LLC; H.E. Butt Grocery Co.; The Great Atlantic & Pacific Tea Company, Inc.; Walgreen Co.; Hy-Vee, Inc.; and Giant Eagle, Inc. Pursuant to the agreement, the Company paid the non-class plaintiffs \$80.8 million on March 23, 2018.

The only non-class plaintiffs that are not included in the settlement agreement are the following companies that sought substantial damages allegedly arising from the purchase of egg products (as opposed to shell eggs): Conopco, Inc., Kraft Food Global, Inc., General Mills, Inc., Nestle USA, Inc., and The Kellogg Company. The egg products plaintiffs sought treble damages and injunctive relief under the Sherman Act 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. The court has not issued a ruling.

**Allegations in Each Case.** In all of the cases described above, the plaintiffs allege that the Company and certain other large domestic egg producers conspired to reduce the domestic supply of eggs in a concerted effort to raise the price of eggs to artificially high levels. In each case, plaintiffs allege that all defendants agreed to reduce the domestic supply of eggs by: (a) agreeing to limit production; (b) manipulating egg exports; and (c) implementing industry-wide animal welfare guidelines that reduced the number of hens and eggs.

The Company intends to continue to defend the remaining cases 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 these cases. 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.

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At this time, it is not possible for us to predict the ultimate outcome of the matters set forth above.

## ITEM 1A. RISK FACTORS

In the Company's Annual Report on Form 10-K for the fiscal year ended June 3, 2017, we discussed rules proposed by the United States Department of Agriculture ("USDA") Agricultural Marketing Service that, if adopted, would have increased our costs to produce organic eggs. During our third quarter of fiscal 2018, the USDA withdrew these rules.

There have been no other material changes in the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended June 3, 2017.

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

The following table is a summary of our third quarter 2018 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
12/03/17 to 12/30/17	—	\$ —	—	—
12/31/17 to 01/28/18	24,937	44.20	—	—
01/29/18 to 03/03/18	—	—	—	—
	24,937	\$ 44.20	—	—

(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 common stock.



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ITEM 6. EXHIBITS

Exhibits

No.	Description
3.1	<u>Composite Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 in the Registrant's Form 10-Q for the quarter ended November 29, 2014, filed December 29, 2014).</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>
10.1*	<u>Settlement Agreement, dated January 30, 2018, between the Registrant and the Direct Action Plaintiffs from the multidistrict litigation in In re Processed Egg Products Antitrust Litigation, MDL 2002, Case No. 2:08-md-2002-GEKP</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 April 2, 2018 announcing interim period financial information (incorporated by reference to Exhibit 99.1 in the Company's Form 8-K, filed on April 2, 2018)</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.

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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: April 2, 2018 /s/ Timothy A. Dawson  
Timothy A. Dawson  
Vice President, Chief Financial Officer  
(Principal Financial Officer)

Date: April 2, 2018 /s/ Michael D. Castleberry  
Michael D. Castleberry  
Vice President, Controller  
(Principal Accounting Officer)