

Cal-Maine Foods, Inc.

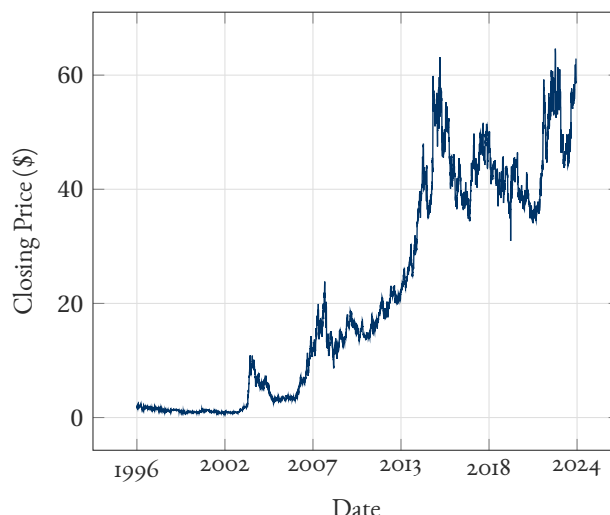
Nasdaq: CALM

ISIN	US1280302027
Market Cap	3.085B
Dividend Yield	3.31%
CEO	Mr. Sherman L. Miller
Homepage	www.calmainefoods.com

COMPANY OVERVIEW

Cal-Maine Foods, Inc. is a company that specializes in the production, grading, packaging, marketing, and distribution of shell eggs. They offer a variety of specialty shell eggs, including nutritionally enhanced, cage-free, organic, free-range, pasture-raised, and brown eggs under various brand names such as Egg-Land's Best, Land O' Lakes, Farmhouse Eggs, Sunups, Sunny Meadow, and 4Grain. Their products are sold to a wide range of customers, including national and regional grocery store chains, club stores, independent supermarkets, foodservice distributors, and egg product consumers primarily across the southwestern, southeastern, mid-western, and mid-Atlantic regions of the United States. Founded in 1957, Cal-Maine Foods, Inc. is headquartered in Ridgeland, Mississippi.

PRICE CHART



DCF BASED ON FCFE

$$\begin{aligned} \text{Equity Reinvestment Rate for 2023} &= \frac{(\text{Capital Expenditures} - \text{Depreciation} - \Delta \text{Working Capital}) \times (1 - \text{Fixed Debt Ratio})}{\text{Net Income}} \\ &= \frac{(136,569 - 72,234 - (-465,349)) \times (1 - 0.17)}{758,024} \\ &= 57\% \text{ of Net Income} \end{aligned} \quad (1)$$

With *Free Cash Flow to Equity (FCFE)* defined as:

$$\text{FCFE} = \text{Net Income} \times (1 - \text{Equity Reinvestment Rate}) \quad (2)$$

NET INCOME IN MIL \$ 758 DISCOUNT RATE % 10

Growth Stage		Terminal Stage	
YEARS	IO	YEARS	IO
GROWTH RATE %	2	GROWTH RATE %	2
VALUE PER SHARE	\$ 44.95	VALUE PER SHARE	\$ 20.71

STOCK PRICE \$ 57.00 FAIR VALUE \$ 65.66

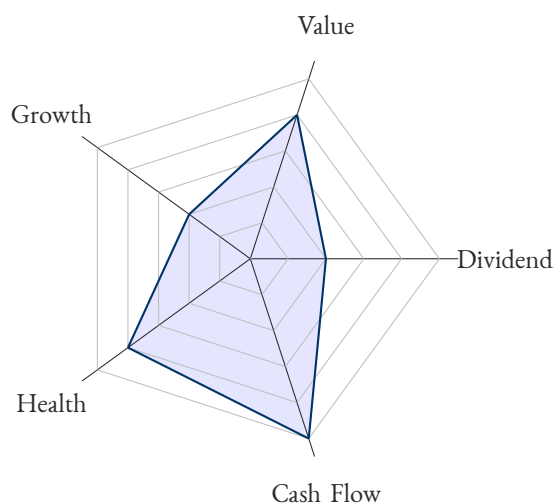
MARGIN OF SAFETY 13%

CALM seems to be undervalued on DCF basis by 13%.

RISK & REWARD

- RISK Economically sensitive/Cyclical
- Flat revenues
- REWARD Steady growth, Inflation-Resistant

KEY ATTRIBUTES



INVESTMENT THESIS

Business Rationale

Snap-on Inc. is able to convert more than 10 percent of sales to free cash flow proving that it is doing a solid job at generating excess cash. FCF has been growing at 26% CAGR over the past 10 years.

Management

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Growth

General demand for eggs in the U.S. increases basically in line with the overall U.S. population growth. According to Statista per capita consumption of eggs in the U.S. has been increasing.

Margins

Lorem Ipsum

Capital Returns

Lorem Ipsum

M&A

Lorem Ipsum

Valuation

Lorem Ipsum

Catalysts

Lorem Ipsum

RISKS & CONSIDERATIONS

Revenue is concentrated among a few customers

A significant portion (34%) of their revenue is concentrated on one customer.

Business is very cyclical

Feed is a primary cost component in the production of shell eggs and represented 63.1% of their fiscal 2023 farm production costs.

Cal-Maine only pays dividends during GAAP profitability

Cal-Maine pays a dividend to shareholders of its Common Stock and Class A Common Stock on a quarterly basis for each quarter for which the Company reports net income attributable to Cal-Maine Foods, Inc. computed in accordance with GAAP in an amount equal to one-third (1/3) of such quarterly income.

Exposed to flu outbreaks

In 2022 the HPAI virus killed many flocks of chickens across the

country, reducing egg production and driving up prices.

BUSINESS OVERVIEW

Products & Services

Earnings growth outstrips revenue growth over a long period (5 to 10 years). I would prefer to see less divergence between the top and bottom lines.

Customers & End Markets

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Competition

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MANAGEMENT

Compensation Structure

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Reputation

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