

Cal-Maine Foods, Inc. (NASDAQ: CALM)

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Business Analysis - Nov 13, 2023

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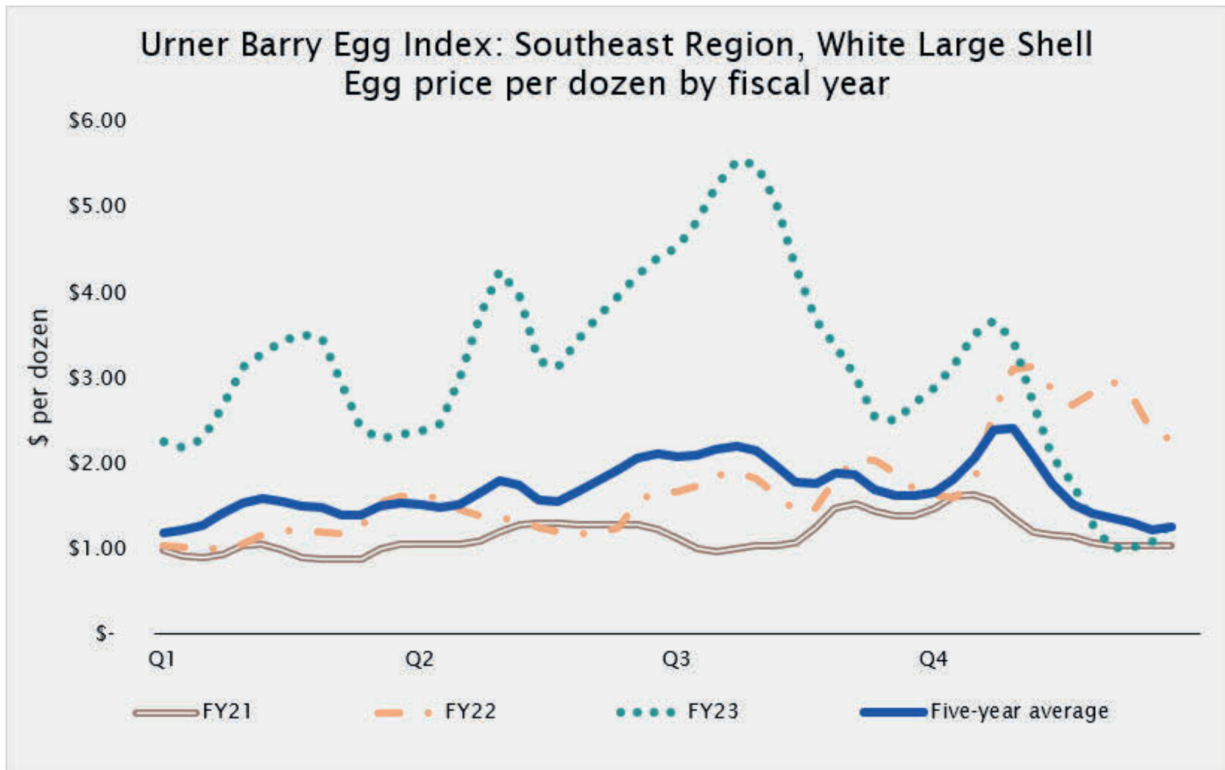
Our Business

We are the largest producer and distributor of shell eggs in the United States. Our mission is to be the most sustainable producer and reliable supplier of consistent, high quality fresh shell eggs and egg products in the country, demonstrating a "Culture of Sustainability" in everything we do, and creating value for our shareholders, customers, team members and communities. We sell most of our shell eggs in the southwestern, southeastern, mid-western and mid-Atlantic regions of the U.S. and aim to maintain efficient, state-of-the-art operations located close to our customers. We were founded in 1957 by the late Fred R. Adams, Jr. and are headquartered in Ridgeland, Mississippi.

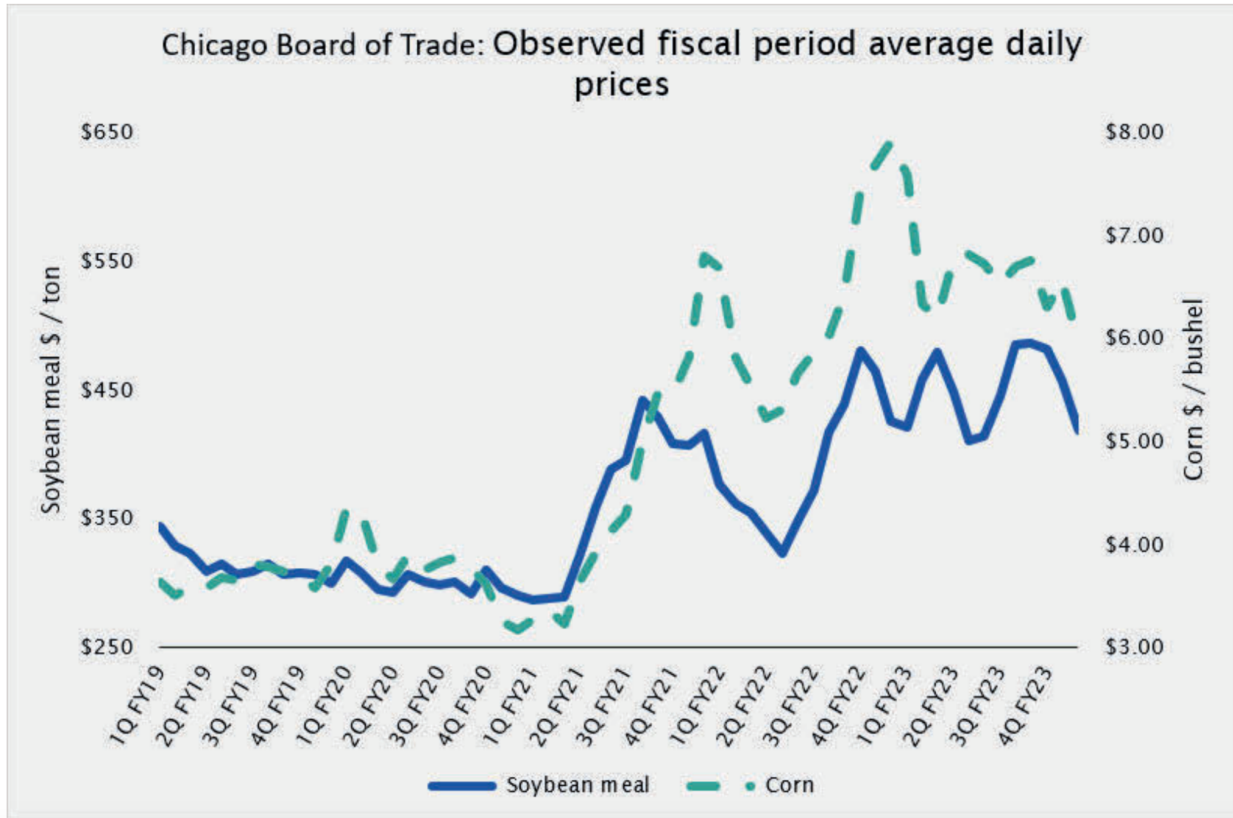
The Company has one reportable operating segment, which is the production, grading, packaging, marketing and distribution of shell eggs. Our integrated operations consist of hatching chicks, growing and maintaining flocks of pullets, layers and breeders, manufacturing feed, and producing, processing, packaging, and distributing shell eggs. Layers are mature female chickens, pullets are female chickens usually less than 18 weeks of age, and breeders are male and female chickens used to produce fertile eggs to be hatched for egg production flocks. Our total flock as of June 3, 2023 consisted of approximately 41.2 million layers and 10.8 million pullets and breeders.

Many of our customers rely on us to provide most of their shell egg needs, including specialty and conventional eggs. Specialty eggs encompass a broad range of products. We classify cage-free, organic, brown, free-range, pasture-raised and nutritionally enhanced as specialty eggs for accounting and reporting purposes. We classify all other shell eggs as conventional products. While we report separate sales information for these egg types, there are many cost factors that are not specifically available for conventional 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.

The business of CALM is very simple to understand.



FY23 saw unusually higher egg prices, which we should not expect to continue long-term.



There were several factors which led to higher prices, one of them, was higher feed prices.

	2023		2022		2021	
	Revenue	Volume	Revenue	Volume	Revenue	Volume
Conventional Eggs	65.2 %	65.3 %	59.8 %	69.0 %	56.8 %	73.2 %
Specialty Eggs						
Egg-Land's Best®	14.7 %	16.6 %	19.2 %	15.9 %	20.9 %	13.5 %
Other Specialty Eggs	15.7 %	18.1 %	17.3 %	15.1 %	19.1 %	13.3 %
Total Specialty Eggs	30.4 %	34.7 %	36.5 %	31.0 %	40.0 %	26.8 %
Egg Products	3.9 %		3.4 %		2.7 %	

Demand for specialty eggs is increasing.

We are one of the largest producers and marketers of value-added specialty shell eggs in the U.S., which continues to be a significant and growing segment of the market. We classify cage-free, organic, brown, free-range, pasture-raised and nutritionally enhanced as specialty eggs for accounting and reporting purposes. Specialty eggs are intended to meet the demands of consumers sensitive to environmental, health and/or animal welfare issues and to comply with state requirements for cage-free eggs.

Egg products are shell eggs broken and sold in liquid, frozen, or dried form. We sell liquid and frozen egg products primarily to the institutional, foodservice and food manufacturing sectors in the U.S. Our egg products are primarily sold through our wholly owned subsidiaries American Egg Products, LLC located in Georgia and Texas Egg Products, LLC located in Texas.

Customers

Our top three customers accounted for an aggregate of 50.1%, 45.9% and 48.6% of net sales dollars for fiscal 2023, 2022, and 2021, respectively. Our largest customer, Walmart Inc. (including Sam's Club), accounted for 34.2%, 29.5% and 29.8% of net sales dollars for fiscal 2023, 2022 and 2021, respectively.

In fiscal 2023, approximately 85.3% of our revenue related to sales to retail customers, 10.8% to sales to foodservice providers and 3.9% to egg products sales. Retail customers include primarily national and regional grocery store chains, club stores, and companies servicing independent supermarkets in the U.S. Foodservice customers include primarily companies that sell food products and related items to restaurants, healthcare and education facilities and hotels.

Competition

The production, processing, and distribution of shell eggs is an intensely competitive business, which has traditionally attracted large numbers of producers in the United States. Shell egg competition is generally based on price, service and product quality. The shell egg production industry remains highly fragmented. According to *Egg Industry Magazine*, the ten largest producers owned approximately 53% of industry table egg layer hens at year-end 2022 and 2021. We believe industry consolidation may continue, and we plan to capitalize on opportunities as they arise. We believe further concentration could result in reduced cyclicity of shell egg prices, but no assurance can be given in that regard.

	Fiscal Years Ended		
	June 3, 2023	May 28, 2022	May 29, 2021
Net sales (in thousands)	\$ 3,146,217	\$ 1,777,159	\$ 1,348,987
Gross profit (in thousands)	\$ 1,196,457	\$ 337,059	\$ 160,661
Net income attributable to Cal-Maine Foods, Inc.	\$ 758,024	\$ 132,650	\$ 2,060
Net income per share attributable to Cal-Maine Foods, Inc.			
Basic	\$ 15.58	\$ 2.73	\$ 0.04
Diluted	\$ 15.52	\$ 2.72	\$ 0.04
Net average shell egg price ^(a)	\$ 2.622	\$ 1.579	\$ 1.217
Average UB Southeast Region - Shell Eggs - White Large	\$ 3.115	\$ 1.712	\$ 1.155
Feed costs per dozen produced	\$ 0.676	\$ 0.571	\$ 0.446

The higher sales and profits in 2023 are not to be expected for the long-term.

	June 03, 2023		May 28, 2022	
Total net sales	\$ 3,146,217		\$ 1,777,159	
Conventional	\$ 2,051,961	67.9 %	\$ 1,061,995	61.8 %
Specialty	956,993	31.6 %	648,838	37.8 %
Egg sales, net	3,008,954	99.5 %	1,710,833	99.6 %
Other	14,993	0.5 %	6,322	0.4 %
Net shell egg sales	\$ 3,023,947	100.0 %	\$ 1,717,155	100.0 %
Dozens sold:				
Conventional	749,076	65.3 %	747,914	69.0 %
Specialty	398,297	34.7 %	335,875	31.0 %
Total dozens sold	1,147,373	100.0 %	1,083,789	100.0 %
Net average selling price per dozen:				
Conventional	\$ 2.739		\$ 1.420	
Specialty	\$ 2.403		\$ 1.932	
All shell eggs	\$ 2.622		\$ 1.579	
Egg products sales:				
Egg products net sales	\$ 122,270		\$ 60,004	
Pounds sold	70,035		63,968	
Net average selling price per pound	\$ 1.746		\$ 0.938	

Despite higher prices, volume sold still increased. Eggs are something people are always going to eat.

Project(s) Type	Projected Completion	Projected Cost	Spent as of June 3, 2023	Remaining Projected Cost
Cage-Free Layer & Pullet Houses	Fiscal 2024	\$ 54,702	\$ 18,900	\$ 35,802
Cage-Free Layer & Pullet Houses	Fiscal 2025	40,099	27,152	12,947
Cage-Free Layer & Pullet Houses	Fiscal 2026	38,883	19,218	19,665
Cage-Free Layer & Pullet Houses	Fiscal 2027	56,923	20,472	36,451
		\$ 190,607	\$ 85,742	\$ 104,865

The following table summarizes by fiscal year the future estimated cash payments, in thousands, to be made under existing contractual obligations as of June 3, 2023. Further information on debt obligations is contained in [Note 10 – Credit Facility](#) in Part II. Item 8. Notes to the Consolidated Financial Statements. As of June 3, 2023, we had no outstanding long-term debt.

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Lease obligations	\$ 1,714	\$ 796	\$ 914	\$ 4	\$ —
Purchase obligations:					
Feed ingredients and fuel ^(a)	123,321	123,321	—	—	—
Construction contracts and other equipment	105,414	61,108	44,306	—	—
Total	\$ 230,449	\$ 185,225	\$ 45,220	\$ 4	\$ —

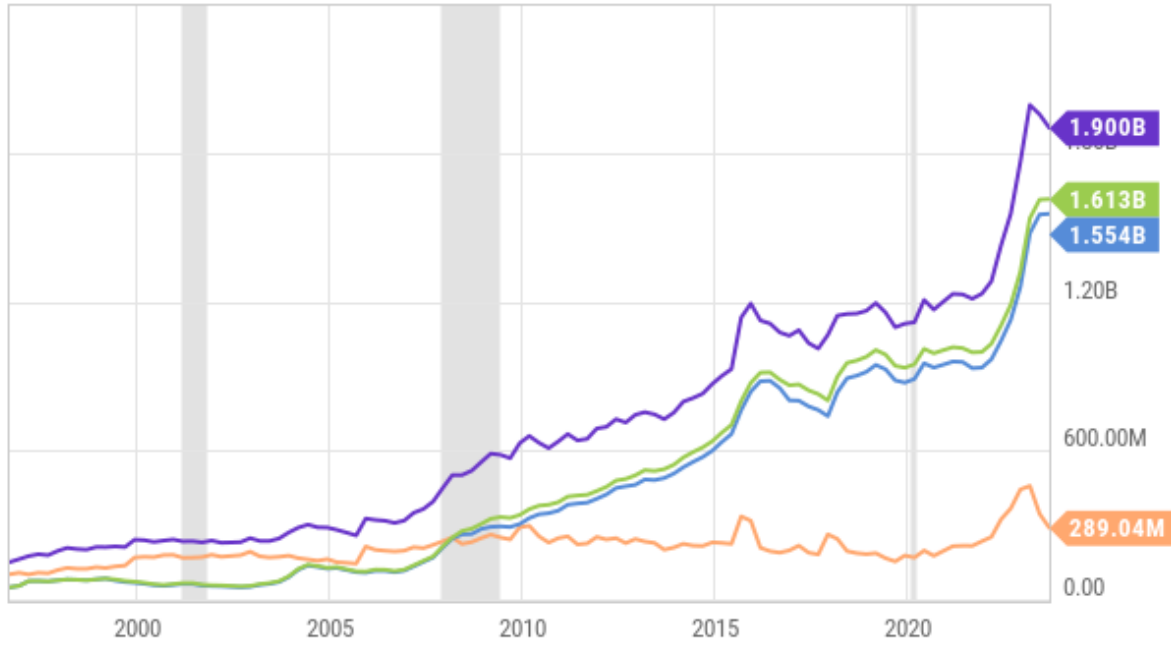
	June 3, 2023	May 28, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 292,824	\$ 59,084
Investment securities available-for-sale	355,090	115,429
Receivables:		
Trade receivables, net	110,980	169,109
Income tax receivable	66,966	42,147
Other	9,267	8,148
Total receivables, net	187,213	219,404
Inventories, net	284,418	263,316
Prepaid expenses and other current assets	5,380	4,286
Total current assets	1,124,925	661,519
Property, plant & equipment, net	744,540	677,796
Investments in unconsolidated entities	14,449	15,530
Goodwill	44,006	44,006
Intangible assets, net	15,897	18,131
Other long-term assets	10,708	10,507
Total assets	\$ 1,954,525	\$ 1,427,489
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 82,590	\$ 82,049
Dividends payable	37,130	36,656
Accrued wages and benefits	38,733	26,059
Income tax payable	8,288	25,687
Accrued expenses and other liabilities	15,990	14,223
Total current liabilities	182,731	184,674
Other noncurrent liabilities	9,999	10,274
Deferred income taxes	152,212	128,196
Total liabilities	344,942	323,144
Commitments and contingencies - see Note 16		
Stockholders' equity:		
Common stock (\$0.01 par value):		
Common stock – authorized 120,000 shares, issued 70,261 shares	703	703
Class A convertible common stock – authorized and issued 4,800 shares	48	48
Paid-in capital	72,112	67,989
Retained earnings	1,571,112	1,065,854
Accumulated other comprehensive loss, net of tax	(2,886)	(1,596)
Common stock in treasury, at cost – 26,077 and 26,121 shares in 2023 and 2022, respectively	(30,008)	(28,447)
Total Cal-Maine Foods, Inc. stockholders' equity	1,611,081	1,104,551
Noncontrolling interest in consolidated equity	(1,498)	(206)
Total stockholders' equity	1,609,583	1,104,345
Total liabilities and stockholders' equity	\$ 1,954,525	\$ 1,427,489

The company has a really good balance sheet.

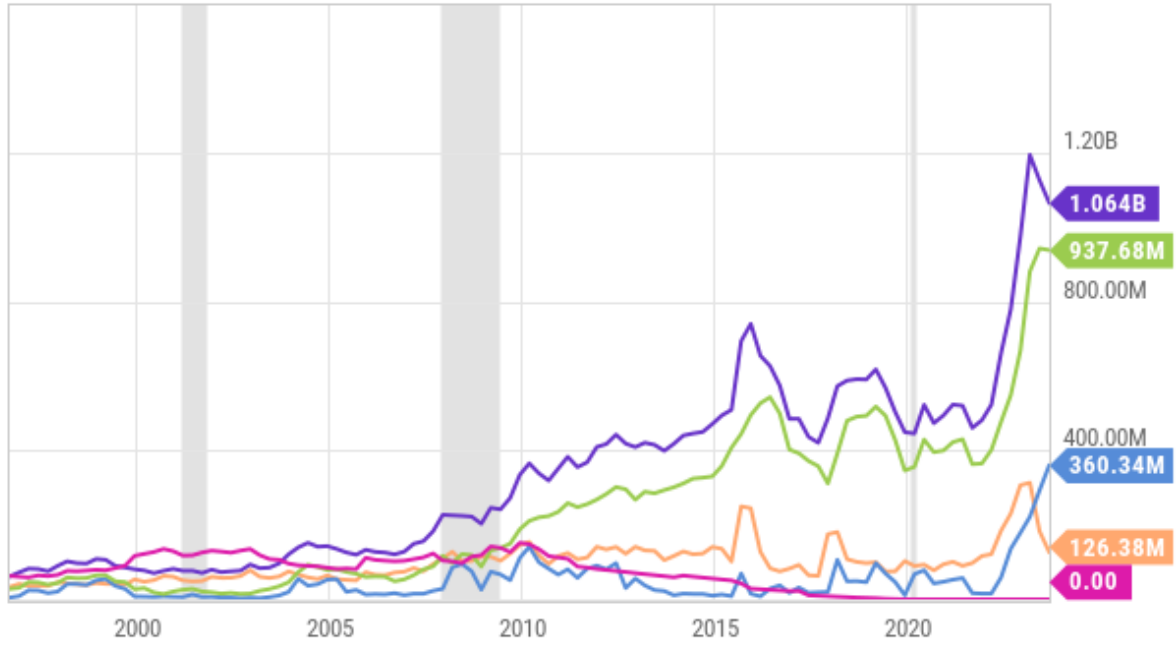
With a positive net current asset value.

And no debt.

- Cal-Maine Foods Inc (CALM) Total Assets (Quarterly)
- Cal-Maine Foods Inc (CALM) Total Liabilities (Quarterly)
- Cal-Maine Foods Inc (CALM) Tangible Book Value (Quarterly)
- Cal-Maine Foods Inc (CALM) Book Value (Quarterly)



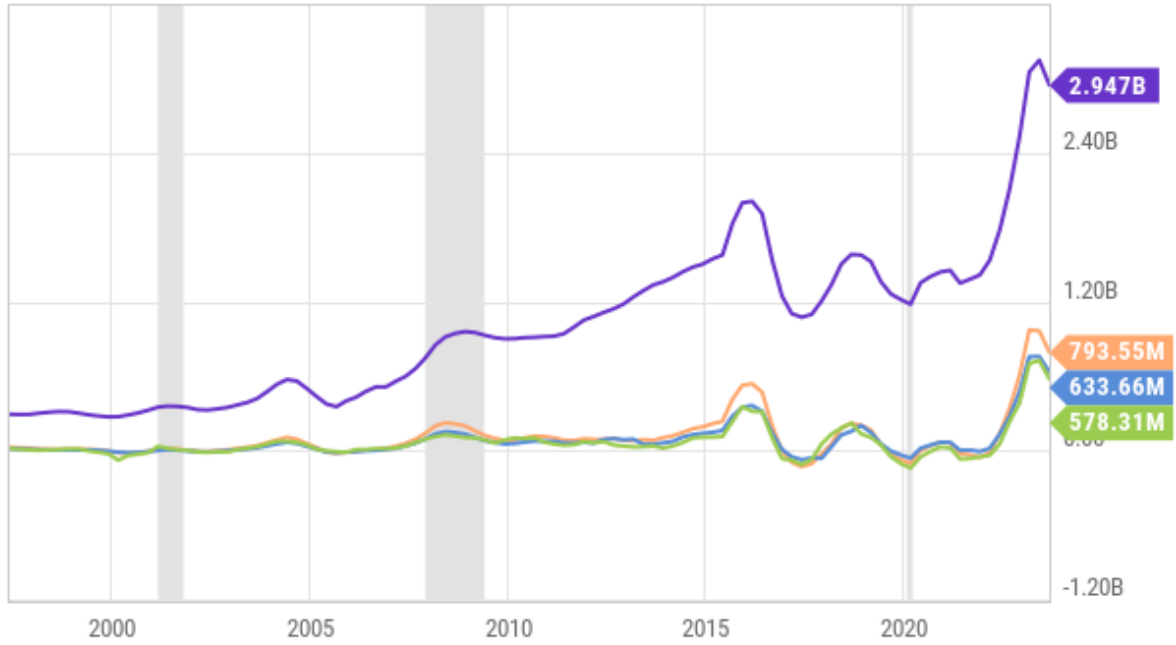
- Cal-Maine Foods Inc (CALM) Total Current Assets (Quarterly)
- Cal-Maine Foods Inc (CALM) Total Current Liabilities (Quarterly)
- Cal-Maine Foods Inc (CALM) Cash and Equivalents (Quarterly)
- Cal-Maine Foods Inc (CALM) Working Capital (Quarterly)
- Cal-Maine Foods Inc (CALM) Total Long Term Debt (Quarterly)

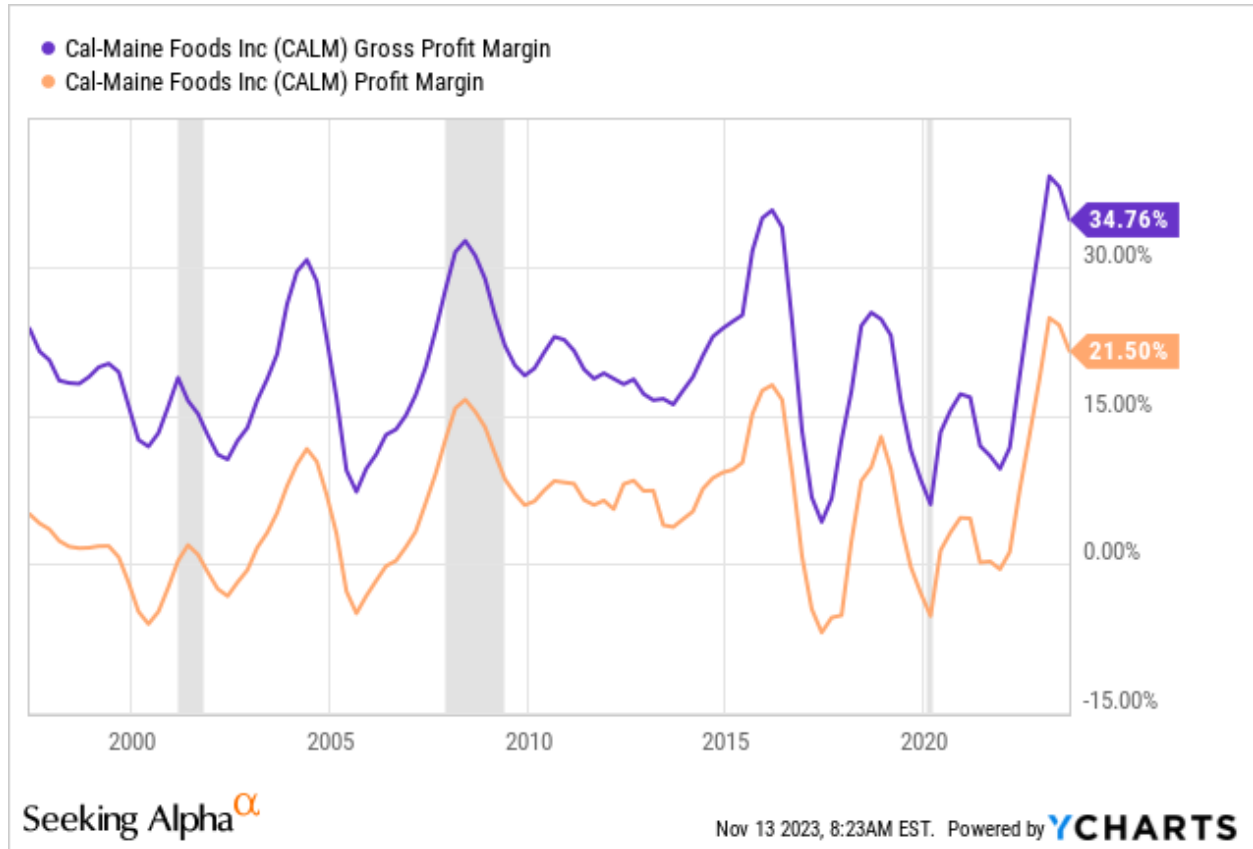


	Fiscal years ended		
	June 3, 2023	May 28, 2022	May 29, 2021
	53 weeks	52 weeks	52 weeks
Net sales	\$ 3,146,217	\$ 1,777,159	\$ 1,348,987
Cost of sales	1,949,760	1,440,100	1,188,326
Gross profit	1,196,457	337,059	160,661
Selling, general and administrative	232,207	198,631	183,943
Gain on insurance recoveries	(3,345)	(5,492)	—
(Gain) loss on disposal of fixed assets	(131)	383	2,982
Operating income (loss)	967,726	143,537	(26,264)
Other income (expense):			
Interest expense	(583)	(403)	(213)
Interest income	18,553	988	2,828
Patronage dividends	10,239	10,130	9,004
Equity in income of unconsolidated entities	746	1,943	622
Other, net	1,869	9,820	4,074
Total other income	30,824	22,478	16,315
Income (loss) before income taxes	998,550	166,015	(9,949)
Income tax expense (benefit)	241,818	33,574	(12,009)
Net income	756,732	132,441	2,060
Less: Net loss attributable to noncontrolling interest	(1,292)	(209)	—
Net income attributable to Cal-Maine Foods, Inc.	<u>\$ 758,024</u>	<u>\$ 132,650</u>	<u>\$ 2,060</u>
Net income per share attributable to Cal-Maine Foods, Inc.:			
Basic	<u>\$ 15.58</u>	<u>\$ 2.73</u>	<u>\$ 0.04</u>
Diluted	<u>\$ 15.52</u>	<u>\$ 2.72</u>	<u>\$ 0.04</u>
Weighted average shares outstanding:			
Basic	<u>48,648</u>	<u>48,581</u>	<u>48,522</u>
Diluted	<u>48,834</u>	<u>48,734</u>	<u>48,656</u>

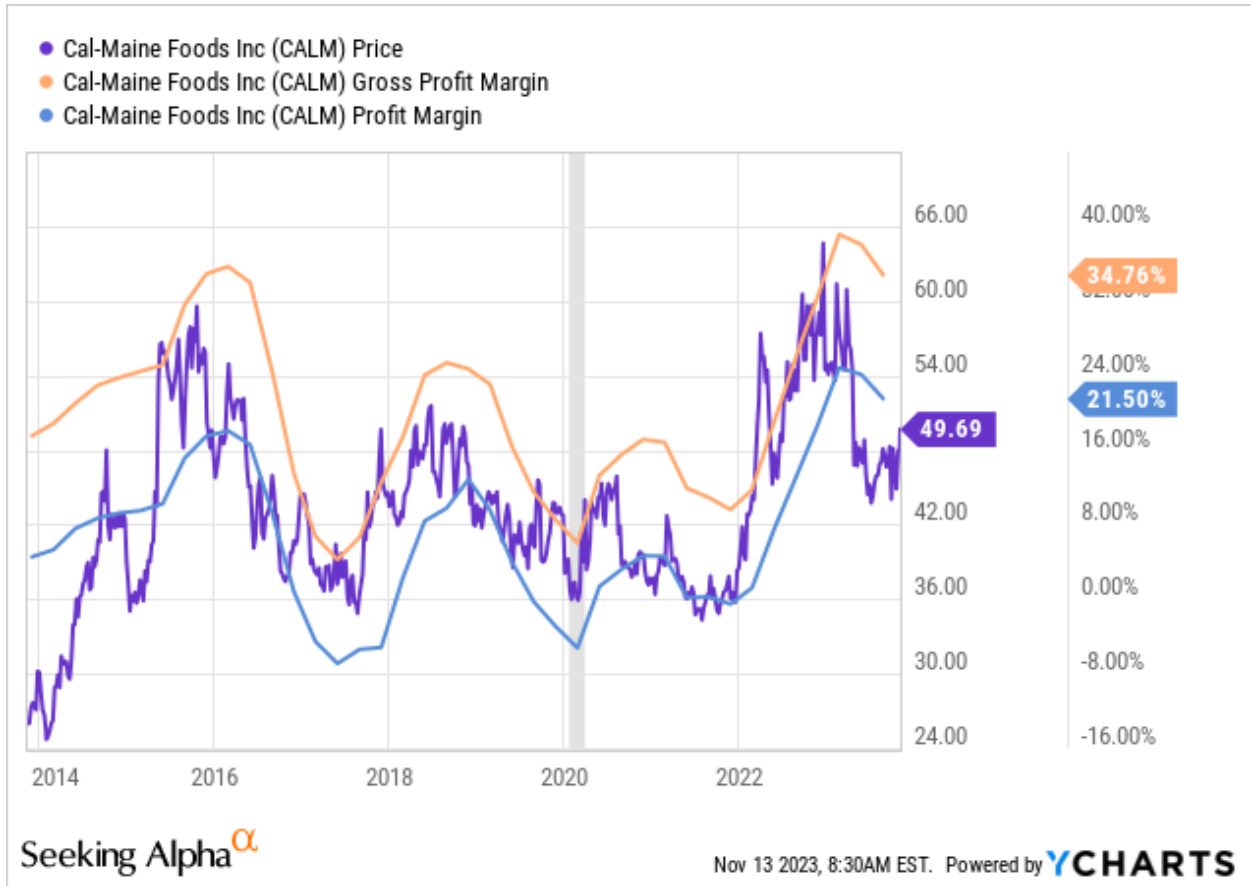
We should understand why the company lost money in 2021.

- Cal-Maine Foods Inc (CALM) Revenue (TTM)
- Cal-Maine Foods Inc (CALM) Operating Income (TTM)
- Cal-Maine Foods Inc (CALM) Net Income (TTM)
- Cal-Maine Foods Inc (CALM) Free Cash Flow



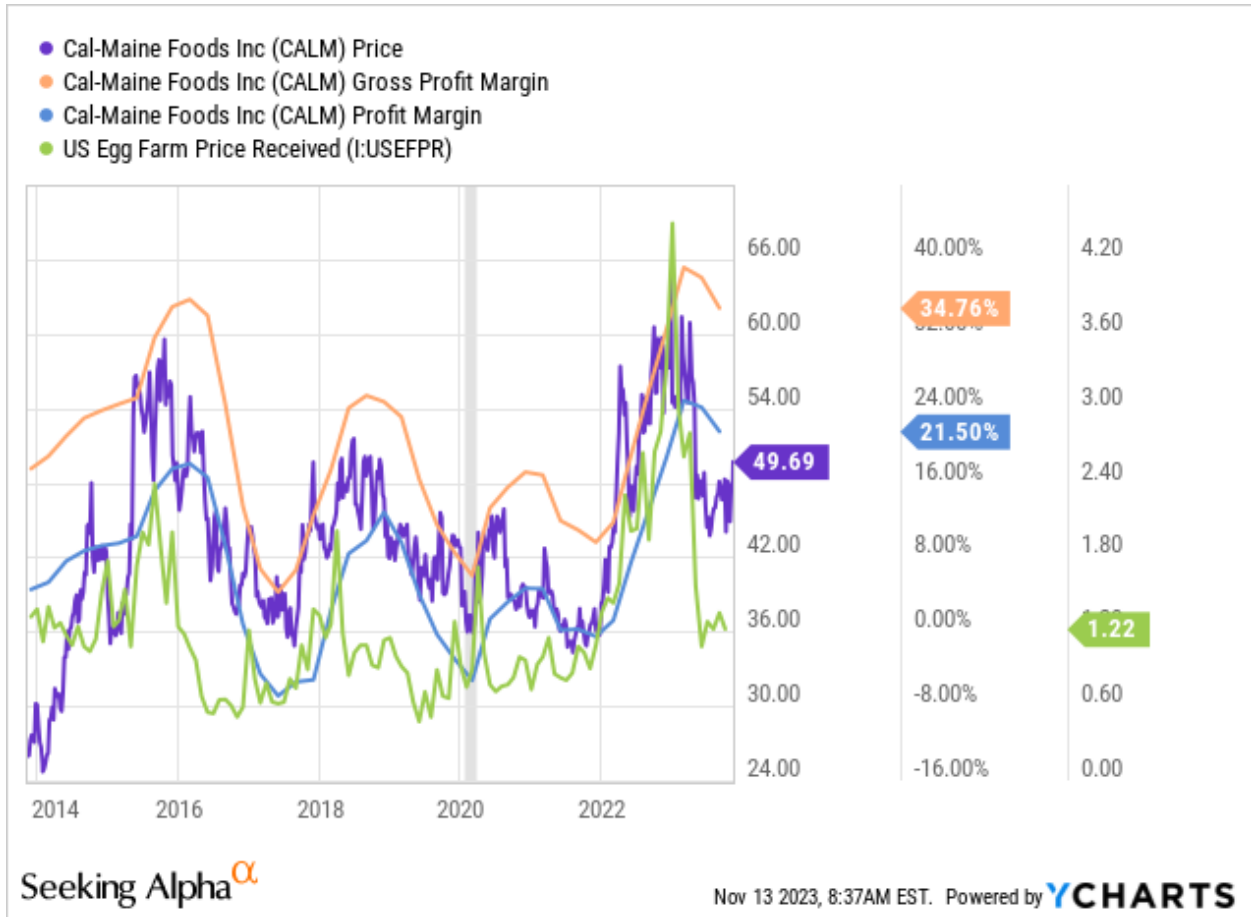


The margins of the company varies a lot depending mostly on feed prices.



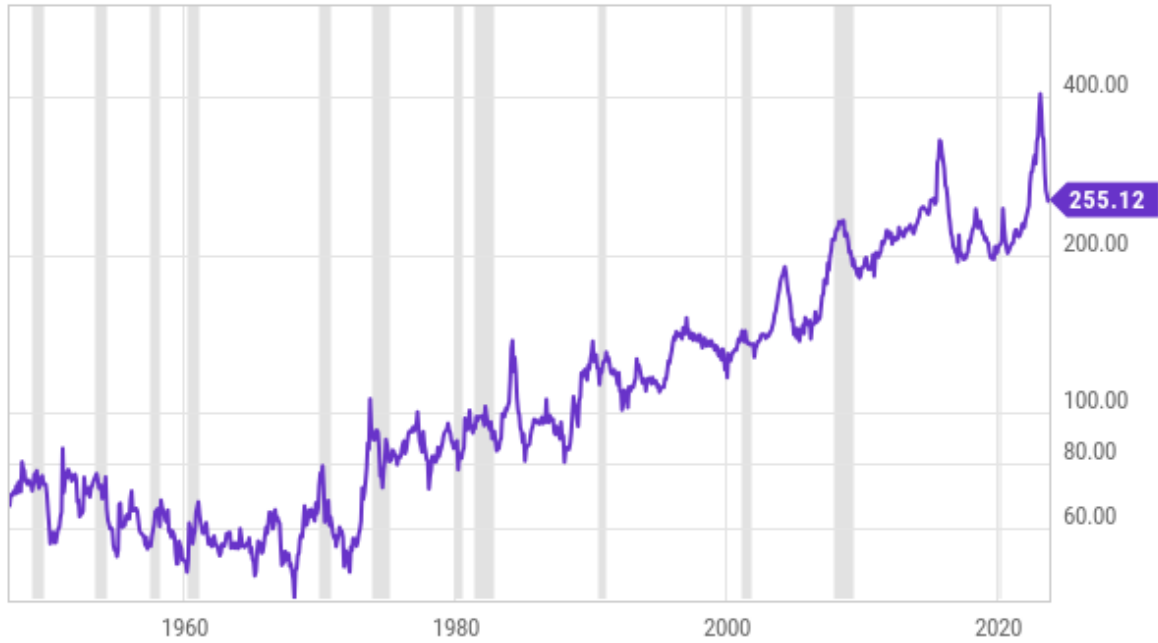
The stock price also varies according to these margins.

	Fiscal year ended		
	June 3, 2023	May 28, 2022	May 29, 2021
Cash flows from operating activities:			
Net income	\$ 756,732	\$ 132,441	\$ 2,060
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	72,234	68,395	59,477
Deferred income taxes	24,467	5,676	22,351
Equity in income of affiliates	(746)	(1,943)	(622)
Gain on insurance recoveries	(3,345)	(5,492)	—
Net proceeds from insurance settlement - business interruption	3,345	—	—
(Gain) loss on disposal of property, plant and equipment	(131)	383	2,982
Stock compensation expense, net of amounts paid	4,205	4,063	3,778
Unrealized (gain) loss on investments	17	(745)	1,810
(Gain) loss on sales of investments	60	(2,208)	(22)
Purchases of equity securities	(85)	(356)	(334)
Sales of equity securities	1,739	4,939	55
Amortization (accretion) of investments	(4,380)	977	890
Impairment of investment in affiliate	2,000	—	—
Gain on change in fair value of investment in affiliates	—	(4,545)	—
Other	35	(109)	(231)
Change in operating assets and liabilities, net of effects from acquisitions:			
Increase (decrease) in receivables and other assets	30,816	(93,897)	(33,487)
Increase in inventories	(21,102)	(36,152)	(31,159)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(2,851)	54,782	(1,412)
Net cash provided by operating activities	863,010	126,209	26,136
Cash flows from investing activities:			
Purchases of investments	(530,781)	(98,243)	(88,283)
Sales of investments	291,832	92,703	129,108
Acquisition of business, net of cash acquired	—	(44,823)	—
Investment in unconsolidated entities	(1,673)	(3,000)	—
Distributions from unconsolidated entities	1,500	400	6,663
Purchases of property, plant and equipment	(136,569)	(72,399)	(95,069)
Net proceeds from insurance settlement - property, plant and equipment	—	7,655	—
Net proceeds from disposal of property, plant and equipment	580	686	3,390
Net cash used in investing activities	(375,111)	(117,021)	(44,191)
Cash flows from financing activities:			
Principal payments on finance lease	(224)	(215)	(205)
Purchase of common stock by treasury	(1,643)	(1,127)	(871)
Payments of dividends	(252,292)	(6,117)	(1,652)
Contributions	—	3	5
Net cash used in financing activities	(254,159)	(7,456)	(2,723)
Increase (decrease) in cash and cash equivalents	233,740	1,732	(20,778)
Cash and cash equivalents at beginning of year	59,084	57,352	78,130
Cash and cash equivalents at end of year	<u>\$ 292,824</u>	<u>\$ 59,084</u>	<u>\$ 57,352</u>
Supplemental information:			
Cash paid for operating leases	\$ 648	\$ 805	\$ 929
Income taxes paid	\$ 258,247	\$ 1,747	\$ 995
Interest paid	\$ 561	\$ 379	\$ 508



The stock price of the company also follows these fluctuations in egg prices.

US Consumer Price Index: Eggs (I:USCPVRJC)



Seeking Alpha α

Nov 13 2023, 8:39AM EST. Powered by **YCHARTS**

Long-term egg prices are always increasing.

<https://www.calmainefoods.com/media/1424/calm-investor-presentation-11623.pdf>

Corporate snapshot: Fiscal year end 2023



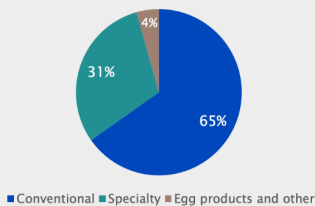
U.S. EGG MARKET SCALE

#1
shell egg producer and distributor ⁽¹⁾

~21%
shell egg market share ⁽²⁾

~13%
share of U.S. table egg layer flock ⁽³⁾

Category sales ⁽⁴⁾



FISCAL YEAR END June 3, 2023 FINANCIAL HIGHLIGHTS ⁽⁵⁾

\$3.15 Bn revenue

\$1.07 Bn EBITDA ⁽⁶⁾

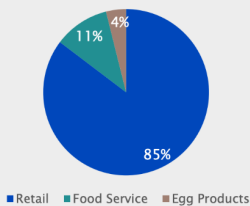
1.15 Bn dozens sold

70 mn lbs. egg products sold ⁽⁷⁾

~28k acres owned

0x leverage ⁽⁸⁾

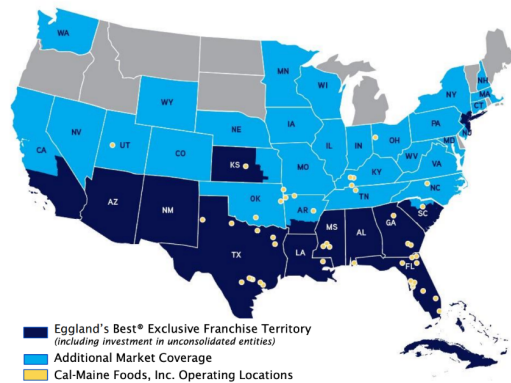
Channel sales ⁽⁹⁾



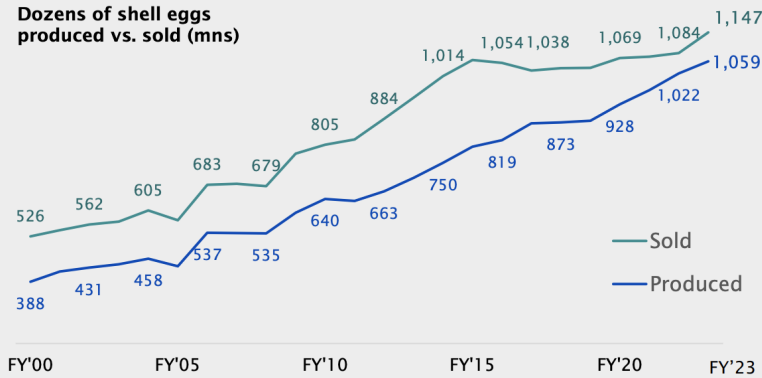
CAL-MAINE FOODS' OPERATING FOOTPRINT ⁽¹⁰⁾

Attractive presence in southern U.S.

Egg-Land's Best™ specialty franchise in NYC, LA and other metro areas



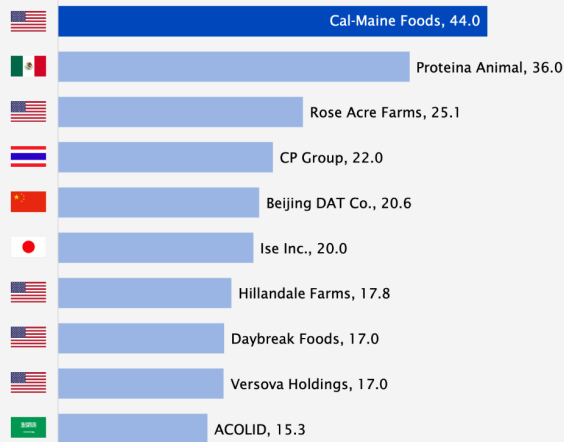
Dozens of shell eggs produced vs. sold (mns)



Historic M&A focused on consolidation of operations to increase **dozens of eggs sold**

Recent transactions have specifically targeted production capacity to reduce the gap between **dozens produced and dozens sold** and expand our cage-free production capabilities in key markets.

WORLD'S TOP-10 EGG PRODUCERS (LAYER HEN MNS) ⁽¹⁾



SCALED PRODUCTION MEETS DEMAND ⁽²⁾

75%
more layer hens than our nearest U.S. competitor

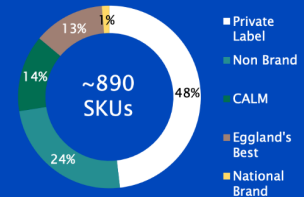
CALM maintains leading production scale supported by best-in-class operating expertise

Uniquely positioned with broad product offerings of high-quality, affordable and healthy protein choices

DIVERSE PRODUCTS OFFER CONSUMER CHOICE

60k+
unique retail locations

~890 SKUs, largely concentrated with private label customers, complemented by CALM brands

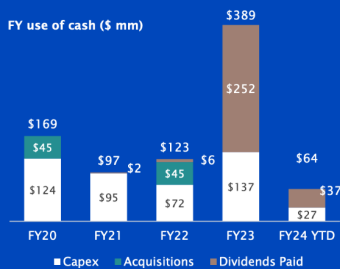


MANAGE CASH PRIORITIES

Selective acquisition posture for cage-free capacity

Variable dividend policy driven by commodity-based, cyclical business model

FY use of cash (\$ mm)

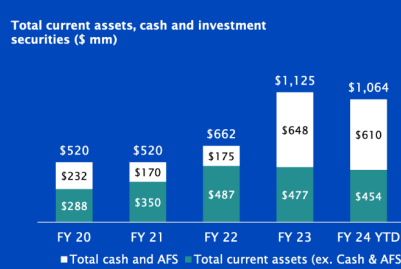


PRIORITIZE LIQUIDITY

Maintain current assets, including cash and securities' balances, to support operating needs

Continued focus on funding investments for longer-term growth, primarily organic and bolt-on cage-free opportunities

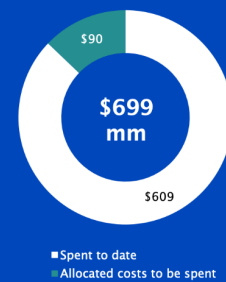
Total current assets, cash and investment securities (\$ mm)



CAGE-FREE CAPEX PIPELINE

Committed \$699 mm to expand cage-free production capabilities since 2008

Committed cage-free capex allocation as of end First Fiscal Quarter, 2024 (\$ mm)



\$, except sales volume and percentage data	Fiscal Year Ended						Q Ended
	2018	2019	2020	2021	2022	2023	9/2/23
Net sales	1,502,932	1,361,188	1,351,609	1,348,987	1,777,159	3,146,217	459,344
Gross profit	361,046	222,859	179,588	160,661	337,059	1,196,457	45,433
Operating income (loss)	181,257	45,781	1,269	(26,264)	143,537	967,726	(6,757)
Other income, net	16,830	25,024	18,790	16,315	22,478	30,824	7,490
Income (loss) before income taxes	198,087	70,805	20,059	(9,949)	166,015	998,550	733
Net income (loss) attributable to Cal-Maine Foods, Inc.	206,946	55,062	18,391	2,060	132,650	758,024	926
Net income (loss) per common share attributable to Cal-Maine Foods, Inc.:							
Basic	4.27	1.12	0.38	0.04	2.73	15.58	.02
Diluted	4.26	1.12	0.38	0.04	2.71	15.52	.02
Weighted average shares outstanding:							
Basic	48,353	48,467	48,467	48,522	48,581	48,648	48,690
Diluted	48,468	48,589	48,544	48,656	48,731	48,834	48,840

It won't be a bad idea to buyback some shares with the cash position they have.

\$, except sales volume and percentage data	Fiscal Year Ended						Q Ended
	2018	2019	2020	2021	2022	2023	9/2/23
Dozen eggs sold (ooo)							
Conventional	780,362	778,051	813,255	785,446	747,914	749,076	181,530
Specialty	257,352	260,848	255,895	287,765	335,875	398,297	91,596
Total	1,037,714	1,038,899	1,069,150	1,073,211	1,083,789	1,147,373	273,126
Dozen eggs produced (ooo)							
% Production	84.2%	84.4%	86.8%	90.5%	94.3%	92.3%	91.7%
% Specialty sales (dozen)	23.5%	23.8%	23.9%	26.8%	31.0%	34.7%	33.5%
% Specialty sales (dollars)	32.0%	36.2%	36.8%	41.1%	37.8%	31.6%	45.4%
Net average selling price (dozens)							
Conventional	\$ 1.229	1.040	1.011	0.976	1.424	2.739	1.240
Specialty	\$ 1.916	1.931	1.896	1.876	1.927	2.403	2.278
All shell eggs	\$ 1.394	1.263	1.222	1.217	1.570	2.622	1.589
Farm production cost (per dozen produced)							
Feed	\$ 0.394	0.415	0.410	0.446	0.569	0.676	0.597
Other	\$ 0.303	0.319	0.328	0.320	0.351	0.396	0.439
Total	\$ 0.697	0.734	0.738	0.766	0.921	1.072	1.036
Outside egg purchases (average cost per dozen)	\$ 1.445	1.249	1.245	1.233	1.738	3.020	1.650

<https://calmainefoods.gcs-web.com/static-files/7f2f1a25-57d4-4d14-a22b-ec3b09c366e5>

	September 2, 2023	June 3, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 360,343	\$ 292,824
Investment securities available-for-sale	249,619	355,090
Trade and other receivables, net	125,363	120,247
Income tax receivable	33,787	66,966
Inventories	280,801	284,418
Prepaid expenses and other current assets	14,145	5,380
Total current assets	1,064,058	1,124,925
Property, plant & equipment, net	752,580	744,540
Investments in unconsolidated entities	13,978	14,449
Goodwill	44,006	44,006
Intangible assets, net	15,347	15,897
Other long-term assets	10,398	10,708
Total Assets	<u>\$ 1,900,367</u>	<u>\$ 1,954,525</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 117,800	\$ 137,313
Accrued income taxes payable	8,288	8,288
Dividends payable	294	37,130
Total current liabilities	126,382	182,731
Other noncurrent liabilities	9,930	9,999
Deferred income taxes, net	152,725	152,212
Total liabilities	289,037	344,942
Commitments and contingencies - see Note 9		
Stockholders' equity:		
Common stock (\$1 par value):		
Common stock - authorized 120,000 shares, issued 70,261 shares	703	703
Class A convertible common stock - authorized and issued 48 shares	48	48
Paid-in capital	73,153	72,112
Retained earnings	1,571,744	1,571,112
Accumulated other comprehensive loss, net of tax	(2,291)	(2,886)
Common stock in treasury at 26,078 shares at September 2, 2023 and 26,077 shares at June 3, 2023	(30,014)	(30,008)
Total Cal-Maine Foods, Inc. stockholders' equity	1,613,343	1,611,081
Noncontrolling interest in consolidated entity	(2,013)	(1,498)
Total stockholders' equity	1,611,330	1,609,583
Total Liabilities and Stockholders' Equity	<u>\$ 1,900,367</u>	<u>\$ 1,954,525</u>

The net cash position of the company is \$609 m.

And the net current asset value is \$775 m.

Intrinsic Value

	May 2014	May 2015	May 2016	Jun 2017	Jun 2018	Jun 2019	May 2020	May 2021	May 2022	Jun 2023	TTM
Net Income											
Net Income	109.2	161.3	316.0	(74.3)	125.9	54.2	18.4	2.1	132.7	758.0	633.7
Cash Flow From Operating Activities											
Depreciation & Amortization	34.4	37.8	42.0	46.9	51.2	51.9	55.2	59.5	66.2	70.0	72.0
Amort. of Goodwill and Intangibles	2.8	2.9	2.6	2.2	2.8	2.8	2.9	-	2.2	2.2	2.2
Depreciation & Amortization, Total	37.2	40.7	44.6	49.1	54.0	54.7	58.1	59.5	68.4	72.2	74.3
(Gain) Loss From Sale Of Asset	0.7	0.6	(1.6)	3.7	0.5	0.0	0.1	3.0	0.4	(0.1)	(0.1)
(Gain) Loss on Sale of Investments	(4.0)	-	6.6	3.4	1.7	1.0	0.4	2.7	(6.5)	(2.3)	(2.3)
Asset Writedown & Restruc. Costs	-	-	-	-	-	-	2.9	-	-	-	-
Stock-Based Compensation	1.3	2.3	3.1	3.4	3.5	3.6	3.6	3.8	4.1	4.2	4.2
Other Operating Activities	12.6	5.8	20.6	14.5	(33.5)	7.0	10.9	21.8	4.4	24.9	(1.9)
Change In Accounts Receivable	(2.3)	(19.0)	21.2	(37.2)	31.4	16.0	(28.3)	(33.5)	(93.9)	30.8	30.8
Change In Inventories	8.9	(0.1)	(8.5)	2.4	(8.0)	(2.3)	(9.7)	(31.2)	(36.2)	(21.1)	(21.1)
Change In Accounts Payable	(8.1)	6.5	(8.5)	(9.5)	28.4	(14.3)	17.7	(1.4)	54.8	(2.9)	(2.9)
Change in Other Net Operating Assets	(28.0)	-	-	-	-	-	-	-	-	-	-
Cash from Operations	123.9	195.3	388.4	(45.9)	200.4	115.1	73.6	26.1	126.2	863.0	713.9
Cash Flow From Investing Activities											
Capital Expenditure	(59.2)	(82.3)	(76.1)	(66.7)	(19.7)	(68.0)	(124.2)	(95.1)	(72.4)	(136.6)	(135.6)

Let's calculate the average Owner's earnings for the past 5 years with an assumption that annual maintenance capex is \$75m over the past 5 years.

Average OE = \$160 m.

Margin = 8.9%

ROIC = 13.9%

ROE = 14.0%

Over the TTM,

OE = \$634 m.

Margin = 21.5%

ROIC = 53%

ROE = 53%

The company generated \$800 m in OE in the past 5 years, 98% of which came from the FY23 boom.

To expect that the company can keep generating \$160 m a year in OE would be too optimistic.

In a bad year, the company would have negative cash flows.

What we can be certain about is that the company generates \$50 m in Owner's earnings on average if we have average business conditions.

Let's discount \$50 m by 5.5%.

Add the net cash position.

The intrinsic value is \$1.5 B or \$31/share.

With the low margins on average (without a business boom), let's take a big margin of safety of 30%.

The buy price would be \$21.7/share.

