

# EARNINGS BUSTERS

A SABRIENT PORTFOLIO

June 25, 2015

## PORTFOLIO REVIEW

We are replacing The Blackstone Group L.P. (BX) with Cal-Maine Foods, Inc. (CALM).

Cal-Maine, the largest U.S. producer and distributor of eggs, might seem a strange stock pick in the middle of one of the worst outbreaks of bird flu in U.S. history. But:

- The crisis is centered in the Midwest—in April, several counties in Wisconsin were declared a state of emergency with the governor sending in the National Guard to help contain the outbreak.
- The destruction of entire populations of chickens by Midwest egg suppliers has caused a supply deficit, which in turn is increasing demand, which is resulting in higher egg prices.
- Cal-Maine is based in Jackson, Mississippi and operates in the South and Southwest.
- CALM is reaping the benefit of the increased demand and higher egg prices.
- CALM is selling at just under 6 times earnings, which is just under one-third of what the stock was selling for this time last year.
- In addition to the expected earnings growth of almost 200%, CALM pays a 1.9% dividend.

## EXIT (SELL)

The Blackstone Group L.P. (BX)

## BUY

Cal-Maine Foods, Inc. (CALM)

Market Cap: Small

Sector: Consumer NonCyclicals

Industry: Food Beverages

Earnings Quality Rank (out of 5): 5

Dividend Yield: 1.88%

Forward P/E Ratio (Next 12 months): 5.98

Price When Picked: \$53.79 (closing price on 6/25/15) Enter at Friday's open 6/26/15

## **BUSINESS SUMMARY**

Cal-Maine Foods, Inc. produces, grades, packages, markets, and distributes shell eggs. It produces and markets specialty shell eggs, including nutritionally enhanced, cage free, organic, and brown eggs under the Egg-Land's Best, Land O' Lake, Farmhouse, and 4-Grain brand names; and private label specialty shell eggs. The company sells its products to various customers, including national and regional grocery store chains, club stores, foodservice distributors, and egg product consumers primarily in the southeastern, southwestern, mid-western, and mid-Atlantic regions of the United States. Cal-Maine Foods, Inc. was founded in 1969 and is based in Jackson, Mississippi.  
(Source: Yahoo! Finance)

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**Editor's Note:** The *Sabrient Earnings Busters* newsletter is written by Matt Bailey, analyst at Sabrient. Matt also assists in the selection of stocks and maintenance of the portfolio. He can be reached at [Matt@Sabrient.com](mailto:Matt@Sabrient.com).

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