UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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 January 31, 2021

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: 001-39561

MISSION PRODUCE, INC.

(Exact name of Registrant as specified in its charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**95-3847744** **(I.R.S. Employer Identification No.)**
2710 Camino Del Sol **Oxnard, California** **(Address of Principal Executive Offices)**	**93030** **(Zip Code)**

Registrant's Telephone Number, Including Area Code: (805) 981-3650

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	AVO	NASDAQ Global Select Market

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 every Interactive Data File required to be submitted 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 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	☐
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 Act). Yes ☐ No ☒

As of March 8, 2021, the registrant had 70,550,922 shares of common stock at $0.001 par value outstanding.

MISSION PRODUCE, INC.
TABLE OF CONTENTS

FORM 10-Q

FISCAL FIRST QUARTER 2021

INDEX

FORWARD LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may”, “will”, “should”, “expects”, “plans”, “anticipates”, “could”, “intends”, “target”, “projects”, “contemplates”, “believes”, “estimates”, “predicts”, “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We believe that these factors include, but are not limited to, the following:

- Our ability to generate revenues is limited by the annual supply of avocados and our ability to purchase or grow additional avocados.
- A significant portion of our revenues are derived from a relatively small number of customers.
- Mexican and Peruvian economic, political and societal conditions may have an adverse impact on our business.
- Our earnings are sensitive to seasonal factors and fluctuations in market prices of avocados.
- We and our growers are subject to the risks that are inherent in farming, including weather and price fluctuations.
- Food safety events, including instances of food-borne illness involving avocados, could create negative publicity for our customers and adversely affect sales and operating results.
- We are subject to United States Department of Agriculture (“USDA”) and Food and Drug Administration (“FDA”) regulations that govern the importation of foreign avocados into the United States.
- Changes to U.S. trade policy, tariff and import/export regulations may adversely affect our operating results.
- We are subject to domestic and international health and safety laws, which may restrict our operations, result in operational delays or increase our operating costs and adversely affect our financial results of operations.
- Compliance with environmental laws and regulations, including laws pertaining to the use of herbicides, fertilizers and pesticides or climate change, or liabilities thereunder, could result in significant costs that adversely impact our business, results of operations, financial position, cash flows and reputation.
- We depend on our infrastructure to have sufficient capacity to handle our business needs, and failure to optimize our supply chain or disruption of our supply chain could have an adverse effect on our business, financial condition and results of operations.
- Other risks and factors listed under “Risk Factors” and elsewhere in this report.

We have based the forward-looking statements contained in this report primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, prospects, business strategy and financial needs. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, assumptions and other factors described in the section captioned “Risk Factors” and elsewhere in this report. These risks are not exhaustive. Other sections of this report include additional factors that could adversely impact our business and financial performance. Furthermore, new risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this report. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read this report, including documents that we reference and exhibits that have been filed, in this report and have filed as exhibits to this report, with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

The forward-looking statements made in this report relate only to events as of the date on which such statements are made. We undertake no obligation to update any forward-looking statements after the date of this report or to conform such statements to actual results or revised expectations, except as required by law.

This quarterly report also includes trademarks, tradenames and service marks that are the property of other organizations. Solely for convenience, trademarks and tradenames referred to in this quarterly report appear without the ® and ™ symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights, or that the applicable owner will not assert its rights, to these trademarks and tradenames.

We maintain a website at www.worldsfinestavocados.com, to which we regularly post copies of our press releases as well as additional information about us. Our filings with the Securities and Exchange Commission ("SEC"), are available free of charge through our website as soon as reasonably practicable after being electronically filed with or furnished to the SEC. Information contained in our website does not constitute a part of this report or our other filings with the SEC.

PART I- FINANCIAL INFORMATION

Item 1. Financial Statements

MISSION PRODUCE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In millions, except for shares)	January 31, 2021	October 31, 2020
Assets		
Current Assets:		
Cash and cash equivalents	$ 91.1	$ 124.0
Restricted cash	1.6	1.4
Accounts receivable		
Trade, net of allowances of $0.3 and $0.3 respectively	70.2	57.5
Grower and fruit advances	1.3	1.5
Miscellaneous receivables	11.5	13.4
Inventory	48.0	38.6
Prepaid expenses and other current assets	7.5	8.8
Income taxes receivable	1.7	2.9
Total current assets	232.9	248.1
Property, plant and equipment, net	402.9	379.1
Equity method investees	49.6	46.7
Loans to equity method investees	4.5	4.5
Deferred income taxes	7.1	4.4
Goodwill	76.4	76.4
Other assets	18.6	18.1
Total assets	$ 792.0	$ 777.3
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable	$ 24.0	$ 20.5
Accrued expenses	32.1	28.3
Income taxes payable	1.4	1.7
Grower payables	18.6	18.8
Long-term debt—current portion	7.6	7.4
Capital leases—current portion	1.2	1.2
Total current liabilities	84.9	77.9
Long-term debt, net of current portion	164.4	166.7
Capital leases, net of current portion	3.0	3.3
Income taxes payable	3.8	3.8
Deferred income taxes	35.3	27.8
Other long-term liabilities	23.5	24.3
Total liabilities	314.9	303.8
Commitments and contingencies (Note 5)		
Shareholders' Equity		
Common stock ($0.001 par value, 1,000,000,000 shares authorized; 70,550,922 shares issued and outstanding as of January 31, 2021 and October 31, 2020)	0.1	0.1
Additional paid-in capital	223.6	222.8
Notes receivable from shareholders	—	(0.1)
Accumulated other comprehensive income (loss)	—	(0.5)
Retained earnings	253.4	251.2
Total shareholders' equity	477.1	473.5
Total liabilities and shareholders' equity	$ 792.0	$ 777.3

See accompanying notes to unaudited condensed consolidated financial statements.

MISSION PRODUCE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(In millions, except for per share amounts)	Three Months Ended January 31, 2021	Three Months Ended January 31, 2020
Net sales	$ 173.2	$ 197.5
Cost of sales	150.5	178.1
Gross profit	22.7	19.4
Selling, general and administrative expenses	14.6	14.8
Operating income	8.1	4.6
Interest expense	(0.9)	(2.1)
Equity method income	2.3	—
Other expense	—	(0.4)
Income before income taxes	9.5	2.1
Provision for income taxes	7.3	0.7
Net income	$ 2.2	$ 1.4
Net income per share:		
Basic	$ 0.03	$ 0.02
Diluted	$ 0.03	$ 0.02
Other comprehensive income, net of tax		
Foreign currency translation adjustments	0.5	—
Comprehensive income	$ 2.7	$ 1.4

See accompanying notes to unaudited condensed consolidated financial statements.

MISSION PRODUCE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY (UNAUDITED)

(In millions, except for shares and per share data)	Common stock												
	Shares		Amount		Additional paid-in capital		Notes receivable from shareholders		Accumulated other comprehensive income (loss)		Retained earnings		Total shareholders' equity
Balance at October 31, 2019	63,386,251	$	0.1	$	139.7	$	(0.1)	$	—	$	239.3	$	379.0
Dividends declared ($0.12 per share)	—		—		—		—		—		(7.5)		(7.5)
Stock-based compensation	—		—		0.1		—		—		—		0.1
Exercise of stock options	17,000		—		—		—		—		—		—
Net income			—		—		—		—		1.4		1.4
Balance at January 31, 2020	63,403,251	$	0.1	$	139.8	$	(0.1)	$	—	$	233.2	$	373.0
Balance at October 31, 2020	70,550,922	$	0.1	$	222.8	$	(0.1)	$	(0.5)	$	251.2	$	473.5
Stock-based compensation	—		—		0.8		—		—		—		0.8
Repayment of stock option notes receivable	—		—		—		0.1		—		—		0.1
Net income			—		—		—		—		2.2		2.2
Other comprehensive income	—		—		—		—		0.5		—		0.5
Balance at January 31, 2021	70,550,922	$	0.1	$	223.6	$	—	$	—	$	253.4	$	477.1

See accompanying notes to unaudited condensed consolidated financial statements.

MISSION PRODUCE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

	Three Months Ended January 31,			
(In millions)		2021		2020
Operating Activities				
Net income	$	2.2	$	1.4
Adjustments to reconcile net income to net cash used in operating activities				
Depreciation and amortization		3.6		3.4
Amortization of debt issuance costs		0.1		0.1
Equity method income		(2.3)		—
Stock-based compensation		0.8		0.4
Dividends received from equity method investees		—		1.7
Gain on sale of equipment		(0.2)		—
Deferred income taxes		4.9		(0.3)
Unrealized losses on derivative financial instruments		—		0.3
Effect on cash of changes in operating assets and liabilities:				
Trade accounts receivable		(12.6)		(9.3)
Grower fruit advances		0.2		1.0
Miscellaneous receivables		3.5		(0.1)
Inventory		(10.2)		(3.2)
Prepaid expenses and other current assets		(0.9)		0.2
Income taxes receivable		1.2		(0.9)
Other assets		(3.7)		—
Accounts payable and accrued expenses		4.8		(1.1)
Income taxes payable		(0.4)		(0.8)
Grower payables		(0.2)		(5.9)
Other long-term liabilities		(0.5)		0.6
Net cash used in operating activities	$	(9.7)	$	(12.5)
Investing Activities				
Purchases of property and equipment		(22.4)		(8.9)
Proceeds from sale of property, plant and equipment		2.2		—
Investment in equity method investees		(0.2)		(1.9)
Proceeds from notes receivable		—		—
Supplier deposits, net		0.1		0.1
Investments, net		(0.3)		(0.2)
Net cash used in investing activities	$	(20.6)	$	(10.9)
Financing Activities				
Principal payments on long-term debt obligations		(2.2)		(1.6)
Principal payments on capital lease obligations		(0.3)		(0.2)
Dividends paid		—		(7.5)
Repayment of stock option notes receivable		—		0.1
Debt issuance costs		—		(0.1)
Net cash used in financing activities	$	(2.5)	$	(9.3)
Effect of exchange rate changes on cash		0.1		0.1
Net decrease in cash, cash equivalents and restricted cash		(32.7)		(32.6)
Cash, cash equivalents and restricted cash, beginning of period		127.0		65.6
Cash, cash equivalents and restricted cash, end of period	$	94.3	$	33.0
Summary of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets:				
Cash and cash equivalents	$	91.1	$	30.7
Restricted cash		1.6		2.3
Restricted cash included in other assets		1.6		—
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows	$	94.3	$	33.0

See accompanying notes to unaudited condensed consolidated financial statements.

1. General

Business

Mission Produce, Inc. together with its consolidated subsidiaries ("Mission," "the Company," "we," "us" or "our"), is a global leader in the avocado industry. The Company's expertise lies in the farming, packaging, marketing and distribution of avocados to food retailers, distributors and produce wholesalers worldwide. The Company procures avocados principally from California, Mexico and Peru. Through our various operating facilities, we grow, sort, pack, bag and ripen avocados for distribution to domestic and international markets. We distribute our products both domestically and internationally and report our results of operations in two operating segments: Marketing & Distribution and International Farming (see Note 10).

Basis of presentation and consolidation

The unaudited interim condensed consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and include the Company's consolidated domestic and international subsidiaries. Certain information and disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Accordingly, these unaudited interim condensed consolidated financial statements and accompanying footnotes should be read in conjunction with the Company's Annual Report for the year ended October 31, 2020. In the opinion of management, all adjustments, of a normal recurring nature, considered necessary for a fair statement have been included in the unaudited condensed consolidated financial statements. Interim results of operations are not necessarily indicative of future results.

Recently issued accounting standards

As a company with less than $1.07 billion of revenue during our last fiscal year, we qualify as an "emerging growth company," as defined in the Jumpstart Our Business Startups Act. This classification allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use the adoption dates applicable to private companies. As a result, the Company's financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective date for new or revised accounting standards that are applicable to public companies.

In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-06, Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging- Contracts in Entity's Own Equity (Subtopic 815-40), to reduce the complexity associated with applying GAAP principles for certain financial instruments with characteristics of liabilities and equity. The amendments in this ASU reduce the number of accounting models for convertible instruments and expand the existing disclosure requirements over earnings per share ("EPS") as it relates to convertible instruments. This ASU will be effective for our fiscal year beginning November 1, 2024 and interim periods therein. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. The amendments may be adopted through either a modified retrospective method, or a fully retrospective method. The Company is evaluating the impact of the adoption of this ASU on our financial condition, results of operations and cash flows.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform, and a subsequent update following, which provides optional expedients and exceptions for applying GAAP principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this ASU apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued as a result of reference rate reform. The optional expedients in this ASU are available for adoption as of March 12, 2020 through December 31, 2022. The Company is evaluating the impact of the adoption of this ASU on our financial condition, results of operations and cash flows.

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes, as part of its Simplification Initiative to reduce the cost and complexity in accounting for income taxes. ASU 2019-12 removes certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. ASU 2019-12 also amends other aspects of the guidance to help simplify and promote consistent application of GAAP. This ASU will be effective for us beginning November 1, 2022. The Company is continuing to assess the impact of the adoption of this ASU on our financial condition, results of operations and cash flows.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. This guidance requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected. It also requires credit losses on available-for-sale debt securities to be presented as an allowance, rather than reducing the carrying amount. The amendments should be applied on either a prospective transition or modified-retrospective approach depending on the subtopic. This ASU will be effective for us beginning November 1, 2023. Early adoption is permitted. The Company is evaluating the impact of the adoption of this ASU on our financial condition, results of operations and cash flows.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), and subsequent updates following, which requires a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of use asset ("ROU") and a corresponding lease liability. For finance leases, the lessee would recognize interest expense and amortization of the right-of-use asset, and for operating leases, the lessee would recognize a straight-line total lease expense.

The guidance also requires qualitative and specific quantitative disclosures to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an entity's leasing activities, including significant judgments and changes in judgments. Topic 842 is effective for our fiscal year beginning November 1, 2022 and interim periods within our fiscal year beginning November 1, 2023. Though we are still evaluating the impact of the adoption of this ASU on our financial condition, results of operations and cash flows, we expect to report increased assets and liabilities as a result of recording right-of-use assets and lease liabilities.

2. Inventory

Major classes of inventory were as follows:

(In millions)	January 31, 2021	October 31, 2020
Finished goods	$ 19.3	$ 16.3
Crop growing costs	17.9	11.9
Packaging and supplies	10.8	10.4
Inventory	$ 48.0	$ 38.6

3. Details of Certain Account Balances

Accrued expenses

Accrued expenses consisted of the following:

(In millions)	January 31, 2021	October 31, 2020
Employee-related	$ 10.7	$ 15.3
Freight	7.4	4.4
Construction-in-progress	5.5	1.8
Interest rate swaps	2.2	2.2
Other	6.3	4.6
Accrued expenses	$ 32.1	$ 28.3

Other expense

Other expense consisted of the following:

	Three Months Ended January 31,	
(In millions)	2021	2020
Losses on derivative financial instruments	$ —	$ 0.3
Foreign currency loss	0.6	0.8
Interest income	(0.2)	(0.4)
Other	(0.4)	(0.3)
Other expense	$ —	$ 0.4

4. Debt

Credit facility

Long-term debt under our credit facility with Bank of America ("BoA") Merrill Lynch consisted of the following:

(In millions)	January 31, 2021	October 31, 2020
Revolving line of credit. The interest rate is variable, based on LIBOR plus a spread that varies with the Company's leverage ratio. As of January 31, 2021 and October 31, 2020, the interest rate was 1.87% and 1.90%, respectively. Interest is payable monthly and principal is due in full in October 2023.	$ —	$ —
Senior term loan (A-1). The interest rate is variable, based on LIBOR plus a spread that varies with the Company's leverage ratio. As of January 31, 2021 and October 31, 2020, the interest rate was 1.87% and 1.90%, respectively. Interest is payable monthly, principal is payable quarterly and due in full in October 2023.	93.8	95.0
Senior term loan (A-2). The interest rate is variable, based on LIBOR plus a spread that varies with the Company's leverage ratio. As of January 31, 2021 and October 31, 2020, the interest rate was 2.37% and 2.40% respectively. Interest is payable monthly, principal is payable quarterly and due in full in October 2025.	73.3	73.5
Notes payable to BoA. Payable in monthly installments including interest at a weight average rate of 4.60% and 4.52% as of January 31, 2021 and October 31, 2020, respectively. Principal is due September 2025.	5.4	6.2
Total long-term debt	172.5	174.7
Less debt issuance costs	(0.5)	(0.6)
Long-term debt, net of debt issuance costs	172.0	174.1
Less current portion of long-term debt	(7.6)	(7.4)
Long-term debt, net of current portion	$ 164.4	$ 166.7

The credit facility requires the Company to comply with financial and other covenants, including limitations on investments, capital expenditures, dividend payments, amounts and types of liens and indebtedness, and material asset sales. The Company is also required to maintain certain leverage and fixed charge coverage ratios. As of January 31, 2021, the Company was in compliance with all covenants of the credit facility.

Interest rate swaps

The Company has four separate interest rate swaps with a total notional amount of $100 million to hedge changes in the variable interest rate on $100 million of principal value of the Company's term loans. The Company has not designated the interest rate swaps as cash flow hedges, and as a result, changes in the fair value of the interest rate swaps have been recorded in other expense in the condensed consolidated statements of comprehensive income and changes in the liability are presented in net cash used in operating activities in the condensed consolidated statements of cash flow. Refer to Note 7 for more details.

5. Commitments and Contingencies

Other commitments

In April 2020, we entered into an agreement with a general contractor to construct a new distribution facility in Laredo, Texas. This facility will support our distribution of Mexican sourced fruit into North American markets and will include border crossing, cold storage and value-added processing capabilities. The total estimated cost of the contract is $43.2 million, of which $38.9 million has been incurred as of January 31, 2021. As of January 31, 2021, $0.2 million of interest expense has been capitalized into property, plant and equipment in the condensed consolidated balance sheets. The project is scheduled for completion in the third quarter of fiscal year 2021.

Litigation

The Company is involved from time to time in claims, proceedings, and litigation, including the following:

On April 23, 2020, former Mission Produce, Inc. employees filed a class action lawsuit in the Superior Court of the State of California for the County of Los Angeles against us alleging violation of certain wage and labor laws in California, including failure to pay all overtime wages, minimum wage violations, and meal and rest period violations, among others. Additionally, on June 10, 2020, former Mission Produce, Inc. employees filed a class action lawsuit in the Superior Court of the State of California for the County of Ventura against us alleging similar violations of certain wage and labor laws. The plaintiffs in both cases seek damages primarily consisting of class certification and payment of wages earned and owed, plus other consequential and special damages. We are currently seeking to consolidate the two cases and narrow the potential classes. We believe that we have not violated any wage or labor laws and are vigorously defending against the claims. At this time, it is too soon to determine the outcome of the litigation. As a result, the Company has not accrued for any loss contingencies related to these claims because the amount and range of loss, if any, cannot currently be reasonably estimated.

The outcomes of our legal proceedings and other contingencies are inherently unpredictable, subject to significant uncertainties, and if one or more legal matters were resolved against the Company in a reporting period for amounts above management's expectations, the Company's financial condition and operating results for that period could be materially adversely affected.

6. Income Taxes

The income tax expense recorded for the three months ended January 31, 2021 and 2020 differs from the income taxes expected at the U.S. federal statutory tax rate of 21.0%, primarily due to income attributable to foreign jurisdictions which is taxed at different rates, changes in foreign exchange rates taxable in foreign jurisdictions, state taxes, nondeductible tax items, and changes in uncertain tax positions ("UTP"). In addition, during the three months ended January 31, 2021, the Company recorded a discrete tax expense of $5.1 million related to the remeasurement of our deferred tax liabilities in Peru due to the enactment of tax rate changes for future years.

As of January 31, 2021, the Company had $14.9 million in UTP accrued, of which $7.4 million relates to interest and penalties, inclusive of inflationary adjustments. The period for assessing interest and penalties has expired. However, the Company continues to record certain statutory adjustments related to inflation. In the three months ended January 31, 2021, the Company recognized $0.3 million as income tax expense related to inflationary and other adjustments. The remaining increase of $0.7 million in the UTP was related to changes in foreign exchange rates during the period which has been included in other expense in the condensed consolidated statements of comprehensive income.

On December 30, 2020, Peru enacted tax law effective January 1, 2021 repealing tax law which provided benefits to agribusiness entities. The new law will subject the Company to higher Peruvian tax rates than current rate of 15% as follows: 20% for calendar years 2023 to 2024, 25% for calendar years 2025 to 2027, and 29.5% thereafter. The Company recorded a $5.1 million deferred tax expense during the period ended January 31, 2021 to remeasure the deferred taxes at the tax rate the balances are expected to reverse.

7. Fair Value Measurements

Financial liabilities measured and recorded at fair value on a recurring basis included in the condensed consolidated balance sheets were as follows:

	January 31, 2021				October 31, 2020			
(In millions)	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swap liability	$ 5.9	$ —	$ 5.9	$ —	$ 6.5	$ —	$ 6.5	$ —

The fair value of interest rate swaps is determined using widely accepted valuation techniques, including discounted cash flow analysis, on the expected cash flows of each derivative. The analysis reflects the contractual terms of the swaps, including the period to maturity, and uses observable market-based inputs, including interest rate curves ("significant other observable inputs"). The fair value calculation also includes an amount for risk of non-performance using "significant unobservable inputs" such as estimates of current credit spreads to evaluate the likelihood of default. The Company has concluded, as of January 31, 2021 and October 31, 2020, that the fair value associated with the "significant unobservable inputs" relating to the Company's risk of non-performance was insignificant to the overall fair value of the interest rate swap agreements and, as a result, the Company has determined that the relevant inputs for purposes of calculating the fair value of the interest rate swap agreements, in their entirety, were based upon "significant other observable inputs". The liabilities associated with the interest rate swaps have been included in accrued expenses and other long-term liabilities in the condensed consolidated balance sheets and gains and losses for the interest rate swaps have been included in other expense in the condensed consolidated statements of comprehensive income.

8. Earnings Per Share

	Three Months Ended January 31,	
	2021	2020
Numerator:		
Net income available to shareholders (in millions)	$ 2.2	$ 1.4
Denominator:		
Weighted average shares of common stock outstanding, used in computing basic earnings per share	70,550,922	63,401,211
Effect of dilutive stock options	22,328	24,038
Effect of dilutive RSUs	32,321	—
Weighted average shares of common stock outstanding, used in computing diluted earnings per share	70,605,571	63,425,249
Earnings per share		
Basic	$ 0.03	$ 0.02
Diluted	$ 0.03	$ 0.02

There were 2,329,152 and 1,700,000 weighted-average stock options that were excluded in the computation of diluted EPS because their effect would have been anti-dilutive as a result of applying the treasury stock method for the three months ended January 31, 2021 and 2020, respectively.

9. Related Party Transactions

Transactions with related parties included in the condensed consolidated financial statements were as follows:

	Condensed Consolidated Balance Sheets			Condensed Consolidated Statements of Comprehensive Income		
(In millions)	Accounts receivable	Loans to equity method investees	Accounts payable	Net sales	Cost of sales	Selling, general and administrative expenses
	January 31, 2021			Three Months Ended January 31, 2021		
Equity method investees:						
Mr. Avocado	$ 1.1	$ —	$ —	$ 1.1	$ —	$ —
Moruga[(1)]	1.0	4.5	—	2.5	—	—
Other:						
Directors/officers[(2)]	0.5	—	—	0.6	—	—
Employees[(3)]	—	—	—	—	3.0	—
	October 31, 2020			Three Months Ended January 31, 2020		
Equity method investees:						
Mr. Avocado	$ 0.6	$ —	$ —	$ 0.7	$ —	$ —
Moruga[(1)]	2.0	4.5	—	2.0	—	—
Other:						
Directors/officers[(2)]	0.3	—	0.2	0.4	0.2	0.1

(1) The Company has provided loans to Moruga to support growth and expansion projects, bearing interest at 6.5%, due December 31, 2022.

(2) The Company purchases from and sells avocados to a small number of entities having full or partial ownership by some of our directors and officers. These transactions are made under substantially similar terms as with other growers and customers. One director provides consulting services to the Company. Under the consulting agreement, the member’s responsibilities are to consult and advise on current business operations, as well as to analyze opportunities for fresh avocado farming and packing facilities in South and Central America. Some directors and officers are also employees of the Company.

(3) The Company utilizes a transportation vendor in Mexico owned by key management employees under similar terms as other transportation vendors.

10. Segment Information

We have two operating segments which are also reporting segments. Our reporting segments are presented based on how information is used by our CEO, who is the chief operating decision maker, to measure performance and allocate resources. These reporting segments are Marketing and Distribution and International Farming. Our Marketing and Distribution reporting segment sources fruit from growers and then distributes the fruit through our global distribution network. Our International Farming segment owns and operates avocado orchards (principally located in Peru) and supplies our Marketing and Distribution business with a stable supply of avocados. Substantially all of the avocados produced by our International Farming segment are sold to our Marketing and Distribution segment.

The CEO evaluates and monitors segment performance primarily through segment sales and segment adjusted earnings before interest expense, income taxes and depreciation and amortization ("adjusted EBITDA"). Management believes that adjusted EBITDA by segment provides useful information for analyzing the underlying business results as well as allowing investors a means to evaluate the financial results of each reportable segment in relation to the Company as a whole. These measures are not in accordance with, nor are they a substitute for or superior to, the comparable GAAP financial measures.

Adjusted EBITDA refers to net income (loss), before interest expense, income taxes, depreciation and amortization expense, stock-based compensation expense, other income (expense), and income (loss) from equity method investees, further adjusted by any non-recurring or one-time items that are distortive to results.

Net sales from each of our reportable segments were as follows:

	Three Months Ended January 31,					
	2021			2020		
(In millions)	Marketing & Distribution	International Farming	Total	Marketing & Distribution	International Farming	Total
Third party sales	$ 169.6	$ 3.6	$ 173.2	$ 194.5	$ 3.0	$ 197.5
Affiliated sales	—	0.2	0.2	—	—	—
Total segment sales	169.6	3.8	173.4	194.5	3.0	197.5
Intercompany eliminations	—	(0.2)	(0.2)	—	—	—
Total net sales	$ 169.6	$ 3.6	$ 173.2	$ 194.5	$ 3.0	$ 197.5

Adjusted EBITDA for each of our reporting segments was as follows:

	Three Months Ended January 31,	
(In millions)	2021	2020
Marketing & Distribution adjusted EBITDA	$ 13.7	$ 10.2
International Farming adjusted EBITDA	(1.2)	(1.8)
Total reportable segment adjusted EBITDA	12.5	8.4
Net income	2.2	1.4
Interest expense	0.9	2.1
Provision for income taxes	7.3	0.7
Depreciation and amortization	3.6	3.4
Equity method income	(2.3)	—
Other expense	—	0.4
Stock-based compensation	0.8	0.4
Total adjusted EBITDA	$ 12.5	$ 8.4

Net sales to customers outside the U.S. were $47.2 million and $40.8 million, for the three months ended January 31, 2021 and 2020, respectively.

Our goodwill balance of $76.4 million as of January 31, 2021 and 2020 was wholly attributed to the International Farming segment.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes included elsewhere in this quarterly report. This discussion and analysis contains forward-looking statements based upon our current beliefs, plans and expectations that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those referenced under "Risk Factors" or in other parts of this quarterly report.

Overview

We are a world leader in sourcing, producing and distributing fresh avocados, serving retail, wholesale and foodservice customers. We source, produce, pack and distribute avocados to our customers and provide value-added services including ripening, bagging, custom packing and logistical management. In addition, we provide our customers with merchandising and promotional support, insights on market trends and training designed to increase their retail avocado sales.

We have two operating segments, which are also reporting segments. These reporting segments are Marketing and Distribution and International Farming. Our Marketing and Distribution reporting segment primarily sources fruit from growers and then distributes the fruit through our global distribution network. Our International Farming segment owns and operates avocado orchards (principally located in Peru) that supply our Marketing and Distribution segment with a stable supply of avocados. Substantially all fruit produced by our International Farming segment is sold to our Marketing and Distribution segment.

Results of Operations

The operating results of our businesses are significantly impacted by the price and volume of avocados we farm, source and distribute. In addition, our results have been, and will continue to be, affected by quarterly and annual fluctuations due to a number of factors, including but not limited to pests and disease, weather patterns, changes in demand by consumers, food safety advisories, the timing of the receipt, reduction, or cancellation of significant customer orders, the gain or loss of significant customers, the availability, quality and price of raw materials, the utilization of capacity at our various locations and general economic conditions.

Our financial reporting currency is the U.S. dollar. The functional currency of substantially all of our subsidiaries is the U.S. dollar and substantially all of our sales are denominated in U.S. dollars. A significant portion of our purchases of avocados are denominated in the Mexican Peso and a significant portion of our growing and harvesting costs are denominated in Peruvian Soles. Fluctuations in the exchange rates between the U.S. dollar and these local currencies usually do not have a significant impact on our gross margin because the impact affects our pricing by comparable amounts. Our margin exposure to exchange rate fluctuations is short-term in nature, as our sales price commitments are generally limited to less than one month and orders can primarily be serviced with procured inventory. Over longer periods of time, we believe that the impact exchange rate fluctuations will have on our cost of goods sold will largely be passed on to our customers in the form of higher or lower prices.

	Three Months Ended January 31,					
	2021			2020		
(In millions, except for percentages)		Dollars	%		Dollars	%
Net sales	$	173.2	100 %	$	197.5	100 %
Cost of sales		150.5	87 %		178.1	90 %
Gross profit		22.7	13 %		19.4	10 %
Selling, general and administrative expenses		14.6	8 %		14.8	7 %
Operating income		8.1	5 %		4.6	2 %
Interest expense		(0.9)	(1)%		(2.1)	(1)%
Equity method income		2.3	1 %		—	— %
Other expense		—	— %		(0.4)	— %
Income before income taxes		9.5	5 %		2.1	1 %
Provision for income taxes		7.3	4 %		0.7	— %
Net income	$	2.2	1 %	$	1.4	1 %

Net sales

Our net sales are generated predominantly from the shipment of fresh avocados to retail, wholesale and foodservice customers worldwide. Our net sales are affected by numerous factors, including mainly the balance between the supply of and demand for our produce and competition from other fresh produce companies. Our net sales are also dependent on our ability to supply a consistent volume and quality of fresh produce to the markets we serve.

	Three Months Ended January 31,	
(In millions)	**2021**	**2020**
Net sales:		
Marketing and Distribution	$ 169.6	$ 194.5
International Farming	3.6	3.0
Total net sales	$ 173.2	$ 197.5

Net sales decreased $24.3 million or 12% in the three months ended January 31, 2021 compared to the same period last year primarily due to an 18% decrease in average per-unit sales prices partially offset by a 7% increase in volume. Average price decreases were driven by strong industry supply from Mexico in the three months ended January 31, 2021.

Gross profit

Costs of sales is composed primarily of avocado procurement costs from independent growers and packers, logistic costs, packaging costs, labor, costs associated with cultivation (the cost of growing crops), harvesting and depreciation. Avocado procurement costs from third-party suppliers can vary significantly between and within fiscal years and correlate closely with market prices for avocados. While we have long-standing relationships with our growers and packers, we predominantly purchase fruit on a daily basis at market rates. As such, the cost to procure products from independent growers can have a significant impact on our costs.

Logistics costs include land and sea transportation and expenses related to port facilities and distribution centers. Land transportation costs consist primarily of third-party trucking services to support North American distribution, while sea transportation cost consists primarily of third-party shipping of refrigerated containers from supply markets in South and Central America to demand markets in North America, Europe and Asia. Variations in containerboard prices, which affect the cost of boxes and other packaging materials, and fuel prices can have an impact on our product cost and our profit margins. Variations in the production yields, and other input costs also affect our cost of sales.

In general, changes in our volume of products sold can have a disproportionate effect on our gross profit. Within any particular year, a significant portion of our cost of products are fixed, particularly in our International Farming segment. Accordingly, higher volumes processed through packing and distribution facilities or produced on company-owned farms directly reduce the average cost per pound of fruit grown on company owned orchards, while lower volumes directly increase the average cost per pound of fruit grown on company owned orchards.

	Three Months Ended January 31,	
	2021	**2020**
Gross profit (in millions)	$ 22.7	$ 19.4
Gross profit as a percentage of sales	13.1 %	9.8 %

Gross profit increased 17% compared to the same period last year to $22.7 million, and gross profit margin increased 328 basis points to 13.1% of revenue. The increase in gross profit is due to a combination of higher volume and higher margin per-unit sold. Improvements in the per-unit margin are driven by lower packaging costs as well as favorable leveraging of fixed-cost overhead. In addition, gross profit percentage is being positively impacted by lower per-unit sales prices, as our per-unit margins represent a higher proportion of the sales value.

Selling, general and administrative expenses

Selling, general and administrative expenses primarily include the costs associated with selling, advertising and promotional expenses, professional fees, general corporate overhead and other related administrative functions.

	Three Months Ended January 31,	
(In millions)	**2021**	**2020**
Selling, general and administrative expenses	$ 14.6	$ 14.8

Selling, general and administrative expenses decreased $0.2 million or 1% in the three months ended January 31, 2021 compared to the same period last year due to lower professional fees, largely offset by higher employee-related costs and liability insurance premiums now required as a public company.

Equity method income

Our equity method investees include Henry Avocado, Mr. Avocado, Moruga, and Copaltas.

(In millions)	Three Months Ended January 31, 2021	2020
Equity method income	$ 2.3	$ —

Equity method income increased $2.3 million or 100% in the three months ended January 31, 2021 compared to the same period last year, driven by higher earnings from investments in Moruga and Henry Avocado. Moruga's earnings increased due to strong yields and pricing returns on 2020-21 blueberry harvest. Henry Avocado's earnings increased due to higher per-unit margins.

Interest expense

Interest expense consists primarily of interest on borrowings under working capital facilities that we maintain and interest on other long-term debt used to make capital and equity investments.

(In millions)	Three Months Ended January 31, 2021	2020
Interest expense	$ 0.9	$ 2.1

Interest expense decreased $1.2 million or 57% in the three months ended January 31, 2021 compared to the same period last year due to a combination of lower interest rates and lower average debt balances. A substantial portion of our debt has variable interest rates that are based on LIBOR, which has declined significantly since fiscal year 2020. Average debt balances were lower reflecting principal payments of existing long-term debt.

Other expense

Other expense consists of interest income, currency exchange gains or losses, interest rate derivative gains or losses and other miscellaneous income and expense items.

(In millions)	Three Months Ended January 31, 2021	2020
Other expense	$ —	$ 0.4

Other expense decreased $0.4 million in the three months ended January 31, 2021 compared to the same period last year primarily due to lower losses on our interest rate swaps driven by market movements in short-term interest rates in the three months ended January 31, 2021.

Provision for income taxes

The provision for income taxes consists of the consolidation of tax provisions, computed on a separate entity basis, in each country in which we have operations. We recognize the effects of tax legislation in the period in which the law is enacted. Our deferred tax assets and liabilities are remeasured using enacted tax rates expected to apply to taxable income in the years we estimate the related temporary differences to reverse. Realization of deferred tax assets is dependent upon future earnings, the timing and amount of which are uncertain.

We recognize a tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. Interest and penalties related to unrecognized tax benefits are recognized within provision for income taxes.

	Three Months Ended January 31, 2021	2020
Provision for income taxes (in millions)	$ 7.3	$ 0.7
Effective tax rate	76.8 %	33.3 %

The provision for income taxes is determined using an estimated annual effective tax rate and adjusted for discrete items that may occur during the quarter. The provision for income taxes increased $6.6 million or 943% in the three months ended January 31, 2021 compared to the same period last year. The effective tax rate increased by 43.5% in the three months ended January 31, 2021 compared to the same period last year. The higher effective tax rate was primarily due to the revaluation of certain deferred tax assets and liabilities as a result of changes in enacted future corporate income tax rates in Peru. The result of the revaluation was a $5.1 million discrete charge to deferred tax expense during the three months ended January 31, 2021.

Segment Results of Operations

The CEO evaluates and monitors segment performance primarily through segment sales and segment adjusted earnings before interest expense, income taxes and depreciation and amortization ("adjusted EBITDA"). Management believes that adjusted EBITDA by segment provides useful information for analyzing the underlying business results as well as allowing investors a means to evaluate the financial results of each reportable segment in relation to the Company as a whole. These measures are not in accordance with, nor are they a substitute for or superior to, the comparable financial measures by generally accepted accounting principles in the United States ("U.S. GAAP").

Adjusted EBITDA refers to net income (loss), before interest expense, income taxes, depreciation and amortization expense, stock-based compensation expense, other income (expense), and income (loss) from equity method investees, further adjusted by any non-recurring or one-time items that are distortive to results.

Net sales

	Three Months Ended January 31,					
	2021			2020		
(In millions)	Marketing & Distribution	International Farming	Total	Marketing & Distribution	International Farming	Total
Third party sales	$ 169.6	$ 3.6	$ 173.2	$ 194.5	$ 3.0	$ 197.5
Affiliated sales	—	0.2	0.2	—	—	—
Total segment sales	169.6	3.8	173.4	194.5	3.0	197.5
Intercompany eliminations	—	(0.2)	(0.2)	—	—	—
Total net sales	$ 169.6	$ 3.6	$ 173.2	$ 194.5	$ 3.0	$ 197.5

Adjusted EBITDA

	Three Months Ended January 31,	
(In millions)	2021	2020
Marketing & Distribution adjusted EBITDA	$ 13.7	$ 10.2
International Farming adjusted EBITDA	(1.2)	(1.8)
Total reportable segment adjusted EBITDA	12.5	8.4
Net income	2.2	1.4
Interest expense	0.9	2.1
Provision for income taxes	7.3	0.7
Depreciation and amortization	3.6	3.4
Equity method income	(2.3)	—
Other expense	—	0.4
Stock-based compensation	0.8	0.4
Total adjusted EBITDA	$ 12.5	$ 8.4

Marketing and Distribution

Net sales in our Marketing and Distribution segment decreased $24.9 million or 13% in the three months ended January 31, 2021 compared to the same period last year primarily due to an 18% decrease in average per unit sales prices partially offset by a 7% increase in volume. Average price decreases were driven by strong industry supply from Mexico in the three months ended January 31, 2021.

Segment adjusted EBITDA increased $3.5 million or 34% in the three months ended January 31, 2021 compared to the same period last year due to a combination of higher volumes and higher per-unit gross margins, which correlates with lower per-box packaging costs and favorable leveraging of fixed-cost overhead.

International Farming

Substantially all sales of fruit from our International Farming reportable segment are to our Marketing and Distribution reportable segment, with the remainder of revenue largely derived from services provided to independent third parties. Nominal affiliated sales are realized in the first quarter since the avocado harvest season for our Peruvian farms typically runs from April through August of each year. Adjusted EBITDA for International Farming is generally concentrated in the third and fourth quarters of our fiscal year in alignment with the harvest season for avocados in Peru.

Total segment sales in our International Farming segment increased $0.8 million or 27% and net sales increased $0.6 million or 20% in the three months ended January 31, 2021 compared to the same period last year. The sales increases were primarily driven by higher blueberry packing and cold storage service revenue compared to prior year.

Segment adjusted EBITDA improved by $0.6 million to a loss of $1.2 million primarily due to the higher service volumes noted above, which enabled us to better leverage fixed-cost overhead in Peru during the avocado harvest off-season.

Liquidity and Capital Resources

Operating activities

Operating cash flows are seasonal in nature. We typically see increases in non-cash working capital during the first quarter of the fiscal year as our supply is predominantly sourced from Mexico under payment terms that are shorter than terms established for other source markets. In addition, we are building our growing crops inventory in our International Farming segment during the first quarter of the year for ultimate harvest and sale that will occur during the second half of the fiscal year. While these increases in non-cash working capital can cause operating cash flows to be unfavorable in individual quarters, it is not indicative of operating cash performance that we expect to realize for the full year.

	Three Months Ended January 31,	
(In millions)	**2021**	**2020**
Net income	$ 2.2	$ 1.4
Depreciation and amortization	3.6	3.4
Equity method income	(2.3)	—
Stock-based compensation	0.8	0.4
Deferred income taxes	4.9	(0.3)
Dividends received from equity method investees	—	1.7
Other	(0.1)	0.4
Changes in working capital	(18.8)	(19.5)
Net cash used in operating activities	$ (9.7)	$ (12.5)

Net cash used in operating activities decreased $2.8 million for the three months ended January 31, 2021 compared to the same period last year, reflecting our higher net income and a favorable net change in working capital. Within working capital, favorable changes in accounts payable, grower payables, and miscellaneous receivables were partially offset by unfavorable changes in inventory and accounts receivable. Changes in accounts payable and accrued expenses were due to changes in the timing of payments combined with higher volume. Changes in grower payables were favorable primarily due to an increase in volume of Mexican-sourced fruit in the first quarter of 2021 relative to the preceding quarter as compared to the increase experienced in the first quarter of 2020. Changes in miscellaneous receivables were largely due to reclamation of value-added tax in Peru and Mexico in the first quarter of 2021. Changes in inventory and accounts receivable were driven by higher Mexican fruit volumes and are correlated with volume movements impacting grower payables.

Investing activities

	Three Months Ended January 31,	
(In millions)	**2021**	**2020**
Purchases of property and equipment	$ (22.4)	$ (8.9)
Proceeds from sale of property, plant and equipment	2.2	—
Investment in equity method investees	(0.2)	(1.9)
Other	(0.2)	(0.2)
Net cash used in investing activities	$ (20.6)	$ (10.9)

Property, plant and equipment

In the three months ended January 31, 2021, our expenditures were concentrated in the construction of our new distribution center in Laredo, Texas, and for land improvements and orchard development in Peru and Guatemala. Our Laredo facility is expected to expand our distribution capacity in North America, while our farming investments will provide avocado supply in future years. In the three months ended January 31, 2020, property, plant and equipment purchases primarily consisted of orchard development and packinghouse expansion in Peru.

In the three months ended January 31, 2021, proceeds from the sale of property, plant and equipment were primarily from the sale of two multi-unit housing properties in California that had been used for housing seasonal avocado labor contractors.

Investment in equity method investee

In the three months ended January 31, 2021 and 2020, we made capital contributions to our joint venture in Copaltas S.A.S. to support the purchase of additional farmland in Colombia.

Financing activities

(In millions)		Three Months Ended January 31, 2021		2020
Principal payments on long-term borrowings, capital leases and supplier financing	$	(2.5)	$	(1.8)
Dividends paid		—		(7.5)
Other		—		—
Net cash used in financing activities	$	(2.5)	$	(9.3)

Borrowings and repayments of debt

Principal payments on our term loans and other notes payable under our credit facility are made in accordance with debt maturity schedules under the facility.

Shareholders' equity

No dividends were paid in three months ended January 31, 2021, compared to $0.12 per share paid in the same period last year.

Capital resources

(In millions)		January 31, 2021		October 31, 2020
Cash and cash equivalents	$	91.1	$	124.0
Working capital		148.0		170.2

Capital resources include cash flows from operations, cash and cash equivalents, and debt financing.

We have a syndicated credit facility with Bank of America, N.A., comprised of two term loans and a revolving credit facility ("revolver") that provides up to $100 million in borrowings that will expire in October 2023. The credit facility also includes a swing line facility and an accordion feature which allows us to increase the borrowings by up to $125 million, with bank approval. We did not have any outstanding borrowings under the revolver as of January 31, 2021 and October 31, 2020. Interest on the revolver bears rates at a spread over LIBOR that varies with our leverage ratio. As of January 31, 2021 and October 31, 2020, interest rates on the revolver were 1.87% and 1.90%, respectively.

As of January 31, 2021, we were required to comply with the following financial covenants: (a) a quarterly consolidated leverage ratio of not more than 3.00 to 1.00 and (b) a quarterly consolidated fixed charge coverage ratio of not less than 1.50 to 1.00. As of January 31, 2021, our consolidated leverage ratio was 1.2 to 1.00 and our consolidated fixed charge coverage ratio was 2.3 to 1.00 and we were in compliance with all such covenants of the credit facility. The loans are secured by real property, personal property and the capital stock of our subsidiaries. We pay fees on unused commitments on the credit facility.

Commitments for capital expenditures

We are in the process of constructing a new distribution facility in Laredo, Texas. This facility will support our distribution of Mexican-sourced fruit into North American markets and will include border crossing, cold storage and value-added processing capabilities. Remaining construction costs for the facility were approximately $4.3 million as of January 31, 2021. The project is scheduled for completion in the third quarter of fiscal year 2021.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to "Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the year ended October 31, 2020.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation and supervision of our Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended January 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected.

PART II- OTHER INFORMATION

Item 1. Legal Proceedings

Our performance under our contracts and our compliance with the terms of those contracts and applicable laws and regulations are subject to continuous audit, review and investigation by our customers, including the U.S. federal government. In addition, we are from time to time involved in legal proceedings and investigations arising in the ordinary course of business, including those relating to employment matters, relationships with clients and contractors, intellectual property disputes and other business matters.

The Company is involved from time to time in claims, proceedings, and litigation, including those discussed in “Part I, Item 3. Legal Proceedings” in our Annual Report on Form 10-K for the year ended October 31, 2020, to which there have been no material updates.

The outcomes of our legal proceedings and other contingencies are inherently unpredictable, subject to significant uncertainties, and if one or more legal matters were resolved against the Company in a reporting period for amounts above management’s expectations, the Company’s financial condition and operating results for that period could be materially adversely affected.

Item 1A. Risk Factors

For a discussion of our risk factors, see “Part I, Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended October 31, 2020. There have been no material changes from the risk factors set forth in such Annual Report on Form 10-K. However, the risks and uncertainties that we face are not limited to those set forth in the 2020 Form 10-K. You should carefully consider the the risk factors in the 2020 Form 10-K, together with the other information contained in this quarterly report on Form 10-Q, including our financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” before making a decision to purchase or sell shares of our common stock. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business and the trading price of our common stock.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

The documents set forth are filed herewith or incorporated herein by reference.

INDEX

Exhibit No.	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
3.1#	Amended and Restated Certificate of Incorporation	8-K	10/7/2020	3.1	
3.2#	Amended and Restated Bylaws	8-K	10/7/2020	3.2	
10.12+	Offer letter dated January 29, 2020 to Michael A. Browne				X
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X

Previously filed

+ Indicates management contract or compensatory plan.

* These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this quarterly report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 11, 2021.

MISSION PRODUCE, INC.

/s/ Stephen J. Barnard
Stephen J. Barnard
Chief Executive Officer

/s/ Bryan E. Giles

Bryan E. Giles
Chief Financial Officer

MISSION PRODUCE, INC.
2500 E. Vineyard Avenue, Suite 300
Oxnard, California 93036

January 23, 2020

Mike Browne
[Address]

Dear Mike,

On behalf of Mission Produce, I am pleased to formally extend our offer of employment to you for the position of Chief Operating Officer, reporting to Stephen Barnard, Chief Executive Officer, with a start date of February 3, 2020. It is with great excitement to know you will exemplify our Core Values which are Fun, Innovative, Reliable, Successful and Trustworthy. The following outlines the terms of our offer:

Compensation

- Your bi-weekly salary will be $13,462.00.00 ($350,012.00 annually) and will be paid in accordance with our bi-weekly payroll disbursement schedule.

- You will be eligible to participate in our performance-based incentive program for fiscal year 2020 which is payable after the completion of the 2020 fiscal year. Your target bonus is 75% of your base annual salary and actual payout amounts are based on company & individual performance. The payout will be prorated based on hire/promotion date and you must be in a bonus eligible position prior to the completion of the 6th month of the fiscal year.

- You will receive a biweekly car allowance of $881.00 ($22,906.00 annually).

- Mission Produce will pay you and your family's medical, dental and vision premiums at 100%. Our current healthcare provider is through Anthem Blue Cross.
  a. If you elect our premium PPO $0 deductible medical plan, the annual premium is
    - Employee: $ 7,832.16
    - Employee and Spouse: $17,230.80
    - Employee and Family: $23,396.88

  b. If you elect our Enhanced PPO Dental plan, the annual premium is
    - Employee: $303.36
    - Employee and Spouse: $600.72
    - Employee and Family: $1,077.48

  c. If you elect our Blue Vision plan, the annual premium is
    - Employee: $51.12
    - Employee and Spouse: $87.00
    - Employee and Family: $138.12

Benefits
As a full time employee, you are entitled to the following company provided benefits:

a) You will earn and accrue 6.77 hours per pay period beginning with your first day of employment. You are eligible to accrue up to 176 total hours or 22 days and a maximum accrual of 352 hours or 44 days. PTO time will be available and may be used in accordance with the terms of the Company's PTO policy.

b) You will be eligible to enroll for medical, dental, vision, and flexible spending plan effective on March 1, 2020 (first of the month following date of hire). Our current healthcare provider is through Anthem Blue Cross.

c) You will be eligible for our Company Sponsored Plans: Life and AD & D insurance at 1.5 times your Basic Annual Earnings and Long-Term Disability with a monthly benefits equaling to 60% of monthly pre-disability pay, to a maximum of $6,000.00 per month.

d) You will be eligible to participate in the Company's 401(k) Plan through Fidelity Investment on July 1, 2020. We match 100% of the first 3% in eligible compensation deferred and 50% of the next 2% in eligible compensation deferred. You are 100% vested immediately on the employer match.

e) You will be eligible for our Company's Deferred Compensation Plan through Lockton. This exclusive plan provides an opportunity to defer salary and/or incentive compensation on a pretax basis to assist with your personal tax planning and funding of future retirement income. You will be eligible to enroll the first of the month following 30 days of employment.

- You can elect up to a maximum of 90% of your base salary.
- You can elect 10% to 100% of your annual bonus.

f) You are eligible for (6) paid holidays and ½ day on Christmas Eve and New Year's Eve.

Neither the policies nor practices described in this document, nor the document itself, create an express or implied contract of employment or any other contractual commitment. Mission Produce Inc. may modify the terms outlined herein at its sole discretion without notice, at any time, consistent with applicable law.

Employment with Mission Produce, Inc. is on an at-will basis, which means that either you or the company may terminate the employment relationship at any time for any or no reason, consistent with applicable law.

We believe you will find our environment to be challenging, stimulating, and rewarding. Please sign and return the offer within five (5) business days. This offer of employment will lapse at that time.

Upon execution, please return the signed letter by one of the following options:

1. Fax a signed copy to Rachel Rivas at (805) 228-4720.
2. Scan and email the signed copy to rrivas@missionproduce.com

After receiving your signed offer letter, Jenna Colitti, will contact you directly to provide you a schedule of your first day of new hire orientation and indoctrination into the Mission Produce team.

I am confident that you will undoubtedly be instrumental to our business. I look forward to working with you in this new capacity. Please feel free to contact me directly if you have questions.

Sincerely,

/s/ Rachel Rivas

Rachel Rivas
Director of Human Resources

I acknowledge receipt of this offer. I have read and understand the conditions of employment. By signing below, I have agreed and accepted the terms and conditions of your offer as stated above.

/s/ Mike Browne	01/29/2020
Mike Browne	Date

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stephen J. Barnard, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mission Produce, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) [paragraph omitted in accordance with Exchange Act Rule 13a-14(a)];

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Stephen J. Barnard

Stephen J. Barnard

President, Chief Executive Officer and Director

Date: March 11, 2021

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bryan E. Giles, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mission Produce, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) [paragraph omitted in accordance with Exchange Act Rule 13a-14(a)];

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Bryan E. Giles

Bryan E. Giles

Chief Financial Officer

Date: March 11, 2021

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Mission Produce, Inc. (the "Company") hereby certifies, to the best of his knowledge, that:

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended January 31, 2021 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stephen J. Barnard

Stephen J. Barnard

President, Chief Executive Officer and Director

Date: March 11, 2021

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Mission Produce, Inc. (the "Company") hereby certifies, to the best of his knowledge, that:

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended January 31, 2021 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Bryan E. Giles

Bryan E. Giles
Chief Financial Officer

Date: March 11, 2021