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, 2024
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 1, 2024, the registrant had 70,846,927 shares of common stock at $0.001 par value outstanding.

MISSION PRODUCE, INC.

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FORWARD LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995, 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:

- Risks related to our business, including: limitations regarding the supply of fruit, either through purchasing or growing; fluctuations in the market price of fruit; increasing competition; risks associated with doing business internationally, including Mexican and Peruvian economic, political and/or societal conditions; inflationary pressures; establishment of sales channels and geographic markets; loss of one or more of our largest customers; general economic conditions or downturns; supply chain failures or disruptions; disruption to the supply of reliable and cost-effective transportation; failure to recruit or retain employees, poor employee relations, and/or ineffective organizational structure; inherent farming risks, including climate change; seasonality in operating results; failures associated with information technology infrastructure, system security and cyber risks; new and changing privacy laws and our compliance with such laws; food safety events and recalls; failure to comply with laws and regulations; changes to trade policy and/or export/import laws and regulations; risks from business acquisitions, if any; lack of or failure of infrastructure; material litigation or governmental inquiries/actions; failure to maintain or protect our brand; changes in tax rates or international tax legislation; risks associated with global conflicts; and inability to accurately forecast future performance.

- Risks related to our common stock, including: the viability of an active, liquid, and orderly market for our common stock; volatility in the trading price of our common stock; concentration of control in our executive officers, and directors over matters submitted to stockholders for approval; limited sources of capital appreciation; significant costs associated with being a public company and the allocation of significant management resources thereto; reliance on analyst reports; failure to maintain proper and effective internal control over financial reporting; restrictions on takeover attempts in our charter documents and under Delaware law; and the selection of Delaware as the exclusive forum for substantially all disputes between us and our stockholders.

- Risks related to restrictive covenants under our credit facility, which could affect our flexibility to fund ongoing operations, uses of capital and strategic initiatives, and, if we are unable to maintain compliance with such covenants, lead to significant challenges in meeting our liquidity requirements and acceleration of our debt.

- Other risks and factors listed under "Item 1A. Risk Factors" in our most recent Annual Report on Form 10-K for the year ended October 31, 2023 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 "Item 1A. Risk Factors" in our most recent Annual Report on Form 10-K for the year ended October 31, 2023 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 may also include trademarks, tradenames and service marks that are the property of the Company and also certain 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.missionproduce.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, 2024	October 31, 2023
Assets		
Current Assets:		
Cash and cash equivalents	$ 39.9	$ 42.9
Restricted cash	0.6	0.3
Accounts receivable		
Trade, net of allowances of $0.8 and $0.9, respectively	85.3	74.1
Grower and fruit advances	1.4	0.9
Other	13.1	12.4
Inventory	85.9	70.8
Prepaid expenses and other current assets	9.1	9.1
Income taxes receivable	9.2	9.6
Total current assets	244.5	220.1
Property, plant and equipment, net	525.2	523.2
Operating lease right-of-use assets	71.4	72.4
Equity method investees	28.6	31.0
Deferred income tax assets, net	8.7	8.5
Goodwill	39.4	39.4
Intangible asset, net	0.2	0.5
Other assets	19.5	19.7
Total assets	$ 937.5	$ 914.8
Liabilities and Equity		
Liabilities		
Accounts payable	$ 26.7	$ 27.2
Accrued expenses	29.1	26.4
Income taxes payable	2.8	1.6
Grower payables	36.9	26.4
Short-term borrowings	—	2.8
Notes payable	0.5	—
Loans from noncontrolling interest holders—current portion	0.2	0.5
Long-term debt—current portion	3.3	3.4
Operating leases—current portion	7.0	6.6
Finance leases—current portion	1.4	2.6
Total current liabilities	107.9	97.5
Long-term debt, net of current portion	152.8	148.6
Loans from noncontrolling interest holders, net of current portion	1.8	2.5
Operating leases, net of current portion	70.3	71.0
Finance leases, net of current portion	20.1	14.7
Income taxes payable	2.3	2.3
Deferred income tax liabilities, net	22.8	23.5
Other long-term liabilities	27.7	26.4
Total liabilities	405.7	386.5
Commitments and contingencies (Note 7)		
Shareholders' Equity		
Common stock ($0.001 par value, 1,000,000,000 shares authorized; 70,841,303 and 70,728,404 shares issued and outstanding as of January 31, 2024 and October 31, 2023, respectively)	0.1	0.1
Additional paid-in capital	234.1	233.4
Accumulated other comprehensive loss	(0.1)	(0.9)
Retained earnings	271.0	271.0
Mission Produce shareholders' equity	505.1	503.6
Noncontrolling interest	26.7	24.7
Total equity	531.8	528.3
Total liabilities and equity	$ 937.5	$ 914.8

See accompanying notes to unaudited condensed consolidated financial statements.

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

(In millions, except for per share amounts)	Three Months Ended January 31, 2024	2023
Net sales	$ 258.7	$ 213.5
Cost of sales	230.0	204.5
Gross profit	28.7	9.0
Selling, general and administrative expenses	20.7	19.1
Operating income (loss)	8.0	(10.1)
Interest expense	(3.3)	(2.4)
Equity method income	0.4	1.0
Other expense, net	(1.0)	(0.8)
Income (loss) before income taxes	4.1	(12.3)
Provision (benefit) for income taxes	2.1	(1.7)
Net income (loss)	$ 2.0	$ (10.6)
Less: Net income (loss) attributable to noncontrolling interest	2.0	(1.8)
Net loss attributable to Mission Produce	$ —	$ (8.8)
Net loss per share attributable to Mission Produce:		
Basic	$ 0.00	$ (0.12)
Diluted	$ 0.00	$ (0.12)

See accompanying notes to unaudited condensed consolidated financial statements.

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

(In millions)	Three Months Ended January 31, 2024	2023
Net income (loss)	$ 2.0	$ (10.6)
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments	0.8	0.5
Total comprehensive income (loss), net of tax	2.8	(10.1)
Less:		
Comprehensive income (loss) attributable to noncontrolling interest	2.0	(1.8)
Comprehensive income (loss)	$ 0.8	$ (8.3)

See accompanying notes to unaudited condensed consolidated financial statements.

MISSION PRODUCE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

(In millions, except for shares)	Common stock Shares	Common stock Amount	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Noncontrolling interest	Total equity
Balance at October 31, 2022	70,669,535	$ 0.1	$ 229.3	$ (1.7)	$ 274.4	$ 20.8	$ 522.9
Stock-based compensation	—	—	0.7	—	—	—	0.7
Exercise of stock options	8,500	—	—	—	—	—	—
Issuance of common stock for equity awards, net of shares withheld for the settlement of taxes	55,055	—	(0.4)	—	—	—	(0.4)
Contributions from noncontrolling interest holders	—	—	—	—	—	1.0	1.0
Net loss	—	—	—	—	(8.8)	(1.8)	(10.6)
Other comprehensive income	—	—	—	0.5	—	—	0.5
Balance at January 31, 2023	70,733,090	$ 0.1	$ 229.6	$ (1.2)	$ 265.6	$ 20.0	$ 514.1
Balance at October 31, 2023	70,728,404	$ 0.1	$ 233.4	$ (0.9)	$ 271.0	$ 24.7	$ 528.3
Stock-based compensation	—	—	1.4	—	—	—	1.4
Issuance of common stock for equity awards, net of shares withheld for the settlement of taxes	112,899	—	(0.7)	—	—	—	(0.7)
Net income	—	—	—	—	—	2.0	2.0
Other comprehensive income	—	—	—	0.8	—	—	0.8
Balance at January 31, 2024	70,841,303	$ 0.1	$ 234.1	$ (0.1)	$ 271.0	$ 26.7	$ 531.8

See accompanying notes to unaudited condensed consolidated financial statements.

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

(In millions)	Three Months Ended January 31, 2024	2023
Operating Activities		
Net income (loss)	$ 2.0	$ (10.6)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	12.9	9.3
Amortization of debt issuance costs	0.1	0.1
Equity method income	(0.4)	(1.0)
Noncash lease expense	1.5	1.4
Stock-based compensation	1.4	0.7
Dividends received from equity method investees	3.2	2.7
Losses on asset impairment, disposals and sales, net of insurance recoveries	0.2	0.3
Deferred income taxes	(0.8)	(0.5)
Other	0.9	0.1
Effect on cash of changes in operating assets and liabilities:		
Trade accounts receivable	(10.9)	(1.2)
Grower fruit advances	(0.5)	—
Other receivables	(0.7)	6.1
Inventory	(14.8)	(3.8)
Prepaid expenses and other current assets	—	0.8
Income taxes receivable	0.3	(3.2)
Other assets	0.1	(1.2)
Accounts payable and accrued expenses	4.6	(1.7)
Income taxes payable	1.2	(0.5)
Grower payables	10.1	1.1
Operating lease liabilities	(0.9)	(1.4)
Other long-term liabilities	—	1.2
Net cash provided by (used in) operating activities	$ 9.5	$ (1.3)
Investing Activities		
Purchases of property, plant and equipment	(9.9)	(17.6)
Investment in equity method investees	—	(0.3)
Net cash used in investing activities	$ (9.9)	$ (17.9)
Financing Activities		
Borrowings on revolving credit facility	15.0	10.0
Payments on revolving credit facility	(10.0)	—
Repayment of short-term borrowings	(2.8)	(2.5)
Principal payments on long-term debt obligations	(0.9)	(0.9)
Principal payments on finance lease obligations	(2.3)	(1.7)
Payments for long-term supplier financing	(0.3)	—
Principal payments on loans due to noncontrolling interest holder	(0.5)	—
Payments of minimum withholding taxes on net share settlement of equity awards	(0.7)	(0.4)
Equity contributions from noncontrolling interest holders	—	1.0
Net cash (used in) provided by financing activities	$ (2.5)	$ 5.5
Effect of exchange rate changes on cash	0.2	—
Net decrease in cash, cash equivalents and restricted cash	(2.7)	(13.7)
Cash, cash equivalents and restricted cash, beginning of period	43.2	53.9
Cash, cash equivalents and restricted cash, end of period	$ 40.5	$ 40.2
Summary of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets:		
Cash and cash equivalents	$ 39.9	$ 39.2
Restricted cash	0.6	1.0
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows	$ 40.5	$ 40.2

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 and a small amount of other fruits for distribution to domestic and international markets. We report our results of operations in three operating segments: Marketing and Distribution, International Farming and Blueberries (see Note 12).

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 and variable interest entity ("VIE") for which we are the primary beneficiary and have a controlling interest. 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, 2023. 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, including results that may be expected for the twelve months ended October 31, 2024.

Recently issued accounting standards

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, Income Taxes (Topic 740)—Improvements to Income Tax Disclosures. The ASU requires that an entity disclose specific categories in the effective tax rate reconciliation as well as provide additional information for reconciling items that meet a quantitative threshold. Further, the ASU requires certain disclosures of state versus federal income tax expense and taxes paid. The amendments in this ASU are required to be adopted for fiscal years beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued. The amendments should be applied on a prospective basis although retrospective application is permitted. We are currently evaluating the impact of adoption on our financial disclosures.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280)—Improvements to Reportable Segment Disclosures. The ASU requires that an entity disclose significant segment expenses impacting profit and loss that are regularly provided to the chief operating decision maker. The update is required to be applied retrospectively to prior periods presented, based on the significant segment expense categories identified and disclosed in the period of adoption. The amendments in this ASU are required to be adopted for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. We are currently evaluating the impact of adoption on our financial disclosures.

2. Inventory

Major classes of inventory were as follows:

(In millions)	January 31, 2024	October 31, 2023
Finished goods	$ 42.6	$ 29.5
Crop growing costs	24.8	21.5
Packaging and supplies	18.5	19.8
Inventory	$ 85.9	$ 70.8

3. Goodwill and Intangible Asset, net

Goodwill

(In millions)	International Farming	Blueberries	Total
Goodwill as of January 31, 2024 and October 31, 2023	$ 26.9	$ 12.5	$ 39.4

The carrying amounts of goodwill as of January 31, 2024 and October 31, 2023 were net of accumulated impairment losses of $49.5 million, attributable to the International Farming segment. Goodwill is tested for impairment on an annual basis in the fourth quarter, or when an event or changes in circumstances indicate that its carrying value may not be recoverable.

Intangible asset, net

(In millions)	January 31, 2024	October 31, 2023
Intangible asset, gross	$ 2.8	$ 2.8
Accumulated amortization	(2.6)	(2.3)
Intangible asset, net	$ 0.2	$ 0.5

The intangible asset, net consists of a distributor relationship entirely attributed to the business combination with Moruga on May 1, 2022. The intangible asset has an amortizable life of 2 years, to be recognized in selling, general and administrative expenses coinciding with the timing of the estimated revenues. Amortization expense was $0.3 million and $1.2 million for the three months ended January 31, 2024 and 2023, respectively. The remaining amortization expense of $0.2 million is expected to be recognized during the year ended October 31, 2024.

4. Details of Certain Account Balances

Accrued expenses

(In millions)	January 31, 2024	October 31, 2023
Employee-related	$ 13.6	$ 12.8
Freight	5.5	4.5
Outside fruit purchase	4.5	2.7
VAT and local taxes payable	0.1	0.3
Legal settlement	1.0	0.8
Other	4.4	5.3
Accrued expenses	$ 29.1	$ 26.4

Other long-term liabilities

(In millions)	January 31, 2024	October 31, 2023
Uncertain tax positions[1]	$ 20.7	$ 19.4
Employee-related	1.7	1.4
Trade payables to noncontrolling interest holders	4.7	4.5
Other	0.6	1.1
Other long-term liabilities	$ 27.7	$ 26.4

(1)Includes uncertain tax positions related to both income taxes and other statutory tax reserves, plus related penalties and interest.

Other expense, net

(In millions)	Three Months Ended January 31, 2024	2023
Gains on derivative financial instruments	$ —	$ 0.1
Foreign currency transaction loss	1.4	0.9
Interest income	(0.3)	(0.2)
Other expense, net	$ 1.0	$ 0.8

Other amounts attributable to noncontrolling interest holders

Amounts included in trade accounts receivable due from noncontrolling interest holders were $6.7 million and $5.7 million as of January 31, 2024 and October 31, 2023, respectively. Amounts included in trade accounts payable due to noncontrolling interest holders were $3.0 million and $3.2 million as of January 31, 2024 and October 31, 2023, respectively.

5. Variable Interest Entity

Assets of our variable interest in Moruga may only be used to settle its own liabilities and creditors of Moruga only have recourse for the liabilities of Moruga. A summary of these balances, which are wholly included in our condensed consolidated balance sheets, is as follows:

(In millions)	January 31, 2024	October 31, 2023
Current assets	$ 27.2	$ 30.0
Long-term assets	71.4	69.9
Current liabilities	12.8	17.0
Long-term liabilities	29.7	25.4

6. Debt

Credit facility

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

(In millions)	January 31, 2024	October 31, 2023
Revolving line of credit. The interest rate is variable, based on SOFR plus a spread that varies with the Company's leverage ratio. As of January 31, 2024 and October 31, 2023, the interest rate was 7.43% and 7.42%, respectively. Interest is payable monthly and principal is due in full in October 2027	$ 60.0	$ 55.0
Senior term loan (A-1). The interest rate is variable, based on SOFR plus a spread that varies with the Company's leverage ratio. As of January 31, 2024 and October 31, 2023, the interest rate was 7.43% and 7.42%, respectively. Interest is payable monthly, principal is payable quarterly and due in full in October 2027.	46.9	47.5
Senior term loan (A-2). The interest rate is variable, based on SOFR plus a spread that varies with the Company's leverage ratio. As of January 31, 2024 and October 31, 2023, the interest rate was 7.68% and 7.67% respectively. Interest is payable monthly, principal is payable quarterly and due in full in October 2029.	49.3	49.5
Note payable to BoA. Payable in monthly installments including interest at a rate of 3.96% as of both January 31, 2024 and October 31, 2023. Principal is due July 2024.	0.3	0.4
Total long-term debt	156.5	152.4
Less debt issuance costs	(0.4)	(0.4)
Long-term debt, net of debt issuance costs	156.1	152.0
Less current portion of long-term debt	(3.3)	(3.4)
Long-term debt, net of current portion	$ 152.8	$ 148.6

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, 2024, the Company was in compliance with all financial covenants of the credit facility.

Other

Certain of our consolidated subsidiaries may also enter into short-term bank borrowings from time to time. As of January 31, 2024, no short-term borrowings were outstanding as the $2.8 million balance outstanding at October 31, 2023 had been repaid in full. The weighted average variable interest rate on the borrowings were 10.46%. Our Blueberries business also obtains loans from shareholders from time to time, which accrue interest at rates ranging from 5.0 to 6.5%. Amounts outstanding as of January 31, 2024 are expected to be repaid by the end of fiscal 2026.

The Company may issue standby letters of credit through banking institutions. As of January 31, 2024, total letters of credit outstanding were $0.7 million.

Interest rate swaps

The Company has four separate interest rate swaps with a total notional amount of $100 million to hedge changes in variable interest rates on the principal value of the Company's term loans. The interest rate swaps carried fixed LIBOR rates ranging from 1.75% to 2.57%. Three of the four interest rate swaps matured during fiscal year 2023. As of January 31, 2024, the remaining interest swap notional amount of $25 million carries a fixed rate of 2.30% and matures in the second quarter of fiscal 2024. We account for the interest rate swaps in accordance with ASC 815, Derivatives and Hedging, as amended, which requires the recognition of all derivative instruments as either assets or liabilities in the consolidated balance sheets and measurement of those instruments at fair value. The Company has not designated the interest rate swaps as cash flow hedges, and as a result under the accounting guidance, changes in the fair value of the interest rate swaps have been recorded in other expense, net in the condensed consolidated statements of income (loss) and changes in the asset are presented in net cash provided by (used in) operating activities in the condensed consolidated statements of cash flow. Refer to Note 9 for more details.

7. Commitments and Contingencies

Litigation

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

On April 23, 2020, former Mssion 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. While the Company believes that it did not violate any wage or labor laws, it nevertheless decided to settle these class action lawsuits. In May 2021, the plaintiffs in both class action lawsuits and the Company agreed preliminarily to a comprehensive settlement to resolve both class action cases for a total of $0.8 million, which the Company recorded as a loss contingency in selling, general and administrative expenses in the consolidated statements of income during the three months ended April 30, 2021. The parties executed a stipulation of settlement agreement on such terms in November 2021. This preliminary settlement was approved by the applicable courts in October 2022.

As a result of a dispute over the size of the settlement class, the Company recorded an additional reserve of $0.2 million in selling, general and administrative expenses in the condensed consolidated statements of income (loss) during the three months ended January 31, 2024. A final approval hearing is scheduled for June 2024.

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.

8. Income Taxes

The provision for income tax recorded for the three months ended January 31, 2024 and 2023 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, changes in uncertain tax positions ("UTP"), and changes in tax law affecting the rate in future years.

As of January 31, 2024, the Company had $18.1 million accrued in UTP on income taxes, of which $10.0 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. Changes in the UTP related to changes in foreign exchange rates during the period are included in other expense, net in the condensed consolidated statements of income (loss).

9. Fair Value Measurements

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

	January 31, 2024				October 31, 2023			
(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)
Assets								
Mutual funds	$ 1.7	$ 1.7	$ —	$ —	$ 1.4	$ 1.4	$ —	$ —
Interest rate swap	0.2	—	0.2	—	0.4	—	0.4	—

Our mutual fund investments relate to our deferred compensation plan, which are held in a Rabbi trust which is included in other assets in our consolidated balance sheets. The funds are measured at quoted prices in active markets, which is equivalent to their fair value.

The fair value of interest rate swaps is determined using widely accepted valuation techniques, including the discounted cash flow method. 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, 2024 and October 31, 2023, 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 assets associated with the interest rate swaps have been included in prepaid expenses and other current assets in the condensed consolidated balance sheets and gains and losses for the interest rate swaps have been included in other expense, net in the condensed consolidated statements of income (loss).

10. Earnings Per Share

	Three Months Ended January 31,	
	2024	2023
Numerator:		
Net loss attributable to Mission Produce (in millions)	$ —	$ (8.8)
Denominator:		
Weighted average shares of common stock outstanding, used in computing basic earnings per share	70,761,022	70,688,785
Effect of dilutive stock options	—	—
Effect of dilutive RSUs	—	—
Weighted average shares of common stock outstanding, used in computing diluted earnings per share	70,761,022	70,688,785
Earnings per share		
Basic	$ 0.00	$ (0.12)
Diluted	$ 0.00	$ (0.12)

Equity awards representing shares of common stock outstanding that were excluded in the computation of diluted earnings per share because their effect would have been anti-dilutive as a result of applying the treasury stock method, were as follows:

	Three Months Ended January 31,	
	2024	2023
Anti-dilutive stock options	2,078,268	547,187
Anti-dilutive RSUs	634,360	287,780

11. Related Party Transactions

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

	Condensed Consolidated Balance Sheets							
	January 31, 2024				October 31, 2023			
(In millions)	Accounts receivable	Property, plant and equipment, net	Accounts payable & accrued expenses	Finance lease liabilities	Accounts receivable	Property, plant and equipment, net	Accounts payable & accrued expenses	Finance lease liabilities
Equity method investees:								
Henry Avocado	$ —	$ —	$ —	$ —	$ —	$ —	$ 0.1	$ —
Mr. Avocado	2.4	—	—	—	2.9	—	—	—
Other:								
Directors/Officers[1]	0.1	20.7	—	20.2	0.1	15.2	0.2	15.7
Employees[2]	—	—	2.0	—	—	—	0.5	—

	Condensed Consolidated Statements of Income (Loss)					
(In millions)	Net sales	Cost of sales	Interest expense	Net sales	Cost of sales	Interest expense
	Three Months Ended January 31, 2024			Three Months Ended January 31, 2023		
Equity method investees:						
Mr. Avocado	$ —	$ —	$ —	$ 0.1	$ —	$ —
Other:						
Directors/Officers[1)]	0.2	0.2	0.5	0.2	0.2	0.3
Employees[2]	—	4.5	—	—	2.2	—

(1)The Company purchases from and sells fruit to, and provides logistics services to, a small number of entities having full or partial ownership by some of our directors/officers. These transactions are made under substantially similar terms as with other growers and customers. Our blueberries business leases land under a long-term lease with a company owned by one of our directors. The rental rate in the lease was comparable to market rates and reflective of an arms-length transaction. The lease was accounted for as a finance lease right-of-use asset and is included in property, plant and equipment, net in the consolidated balance sheets, with amortization and interest expense recognized in cost of sales and interest expense, respectively, in the condensed consolidated statements of income (loss). The portion of lease costs attributable to noncontrolling interest, net of income taxes, was $0.2 million for both the three months ended January 31, 2024 and 2023, and included as part of net income (loss) attributable to noncontrolling interest in the condensed consolidated statements of income (loss).

(2)The Company utilizes a small number of transportation vendors in Mexico having full or partial ownership by some of our employees. The Company also purchases avocados from a small number of entities having full or partial ownership by some employees. These transactions are made under substantially similar terms as with other transportation carriers and growers.

12. Segment and Revenue Information

We have three operating segments which are also reportable segments. Our reportable 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.

- *Marketing and Distribution.* Our Marketing and Distribution reportable segment sources fruit from growers and then distributes the fruit through our global distribution network.
- *International Farming.* International Farming owns and operates orchards from which the vast majority of fruit produced is sold to our Marketing and Distribution segment. The segment's farming activities range from cultivating early-stage

plantings to harvesting from mature trees. It also earns service revenues for packing and processing fruit for both our Blueberries segment, as well as for third-party producers of other crops. Operations are principally located in Peru, with smaller operations emerging in other areas of Latin America.

- *Blueberries.* The Blueberries segment represents the results of Moruga. Moruga's farming activities include cultivating early-stage blueberry plantings and harvesting mature bushes. Substantially all blueberries produced are sold to a single distributor under an exclusive marketing agreement.

The CEO evaluates and monitors segment performance primarily through segment sales and segment adjusted EBITDA. 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 asset impairment and disposals, net of insurance recoveries, farming costs for nonproductive orchards (which represents land lease costs), certain noncash and nonrecurring ERP costs, transaction costs, amortization of inventory adjustments recognized from business combinations, and any special, non-recurring, or one-time items such as remeasurements or impairments, and any portion of these items attributable to the noncontrolling interest, all of which are excluded from the results the CEO reviews uses to assess segment performance and results. We believe 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.

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

	Marketing and Distribution	International Farming	Blueberries	Total	Marketing and Distribution	International Farming	Blueberries	Total
	Three Months Ended January 31,							
(In millions)	2024				2023			
Third party sales	$ 224.6	$ 1.6	$ 32.5	$ 258.7	$ 181.8	$ 1.9	$ 29.8	$ 213.5
Affiliated sales	—	4.2	—	4.2	—	3.8	—	3.8
Total segment sales	224.6	5.8	32.5	262.9	181.8	5.7	29.8	217.3
Intercompany eliminations	—	(4.2)	—	(4.2)	—	(3.8)	—	(3.8)
Total net sales	$ 224.6	$ 1.6	$ 32.5	$ 258.7	$ 181.8	$ 1.9	$ 29.8	$ 213.5

Supplemental sales information is as follows.

	Three Months Ended January 31,	
(In millions)	2024	2023
By type		
Avocado	$ 212.3	$ 174.0
Blueberry	32.5	29.8
Mango	10.9	7.3
Other	3.0	2.4
Total net sales	$ 258.7	$ 213.5
By customer location		
United States	$ 211.8	$ 174.6
Rest of world	46.9	38.9
Total net sales	$ 258.7	$ 213.5

Adjusted EBITDA (as defined above) for each of our reportable segments was as follows:

	Three Months Ended January 31,	
(In millions)	2024	2023
Marketing and Distribution adjusted EBITDA	$ 11.0	$ 4.6
International Farming adjusted EBITDA	(0.5)	(1.8)
Blueberries adjusted EBITDA	8.7	(0.5)
Total reportable segment adjusted EBITDA	19.2	2.3
Net income (loss)	2.0	(10.6)
Interest expense	3.3	2.4
Provision (benefit) for income taxes	2.1	(1.7)
Depreciation and amortization[1]	12.9	9.3
Equity method income	(0.4)	(1.0)
Stock-based compensation	1.4	0.7
Asset impairment and disposals, net of insurance recoveries	0.2	0.3
Farming costs for nonproductive orchards	0.5	0.4
ERP costs[2]	0.5	0.6
Severance	1.3	—
Legal settlement	0.2	—
Transaction costs	—	0.1
Amortization of inventory adjustment recognized from business combination	—	0.7
Other expense, net	1.0	0.8
Noncontrolling interest[3]	(5.8)	0.3
Total adjusted EBITDA	$ 19.2	$ 2.3

(1)Includes depreciation and amortization of purchase accounting assets of $2.9 million and $1.6 million for the three months ended January 31, 2024 and 2023, respectively. The three months ended January 31, 2024 include $4.1 million of accelerated depreciation expense for certain blueberry plants determined to have no remaining useful life.

(2)Recognition of deferred ERP implementation costs.

(3)Represents net income (loss) attributable to noncontrolling interest plus the impact of non-GAAP adjustments, allocable to the noncontrolling owner based on their percentage of ownership interest.

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 unaudited 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. Please refer to the section of this report under the heading "Forward Looking Statements."

Overview

We are a world leader in sourcing, producing and distributing Hass avocados, serving retail, wholesale and foodservice customers. We source, produce, pack and distribute avocados and a small amount of other fruits to our customers and provide value-added services including ripening, bagging, custom packaging 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 three operating segments which are also reportable segments:

- *Marketing and Distribution.* Our Marketing and Distribution reportable segment sources fruit from growers and then distributes the fruit through our global distribution network.
- *International Farming.* International Farming owns and operates orchards from which the vast majority of fruit produced is sold to our Marketing and Distribution segment. The segment's farming activities range from cultivating early-stage plantings to harvesting from mature trees. It also earns service revenues for packing and processing fruit for both our Blueberries segment, as well as for third-party producers of other crops. Operations are principally located in Peru, with smaller operations emerging in other areas of Latin America.
- *Blueberries.* The Blueberries segment represents the results of Moruga. Moruga's farming activities include cultivating early-stage blueberry plantings and harvesting mature bushes. Substantially all blueberries produced are sold to a single distributor under an exclusive marketing agreement.

Results of Operations

The operating results of our businesses are significantly impacted by the price and volume of fruit 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 our most significant subsidiaries is the U.S. dollar and the majority 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.

(In millions, except for percentages)	Three Months Ended January 31, 2024 Dollars	2024 %	2023 Dollars	2023 %
Net sales	$ 258.7	100 %	$ 213.5	100 %
Cost of sales	230.0	89 %	204.5	96 %
Gross profit	28.7	11 %	9.0	4 %
Selling, general and administrative expenses	20.7	8 %	19.1	9 %
Operating income (loss)	8.0	3 %	(10.1)	(5)%
Interest expense	(3.3)	(1)%	(2.4)	(1)%
Equity method income	0.4	—%	1.0	—%
Other expense, net	(1.0)	—%	(0.8)	—%
Income (loss) before income taxes	4.1	2 %	(12.3)	(6)%
Provision (benefit) for income taxes	2.1	1 %	(1.7)	(1)%
Net income (loss)	2.0	1 %	(10.6)	(5)%
Less: Net income (loss) attributable to noncontrolling interest	2.0	1 %	(1.8)	(1)%
Net loss attributable to Mission Produce	$ —	—%	$ (8.8)	(4)%

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 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.

(In millions)	Three Months Ended January 31, 2024	2023
Net sales by segment:		
Marketing and Distribution	$ 224.6	$ 181.8
International Farming	1.6	1.9
Blueberries	32.5	29.8
Total net sales	$ 258.7	$ 213.5

Net sales increased $45.2 million or 21% in the three months ended January 31, 2024 compared to the same period last year, driven by higher average per-unit avocado sales prices, which increased by 23% despite flat volume sold compared to the same period last year. Blueberry revenue also increased $2.7 million or 9%, primarily due to a 90% increase in average per-unit sales price, substantially offset by a 43% decrease in volume sold, both of which were driven by significant reductions in industry blueberry supply from Peru during the 2023/2024 harvest season resulting from regional weather conditions.

Gross profit

Cost of sales is composed primarily of avocado procurement costs from independent growers and packers, logistics 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. Fuel prices as well as variations in containerboard prices, which affect the cost of boxes and other packaging materials, impact our product cost and our profit margins. Variations in 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. Accordingly, higher volumes 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. Likewise, higher volumes processed through packing and distribution facilities directly reduce the average overhead cost per unit of fruit handled, while lower volumes directly increase the average overhead cost per unit of fruit handled.

Gross profit percentage will fluctuate based upon per-unit sales price levels in relation to per-unit costs. Margin is primarily managed on a per-unit basis in our Marketing and Distribution segment, which can lead to movement in gross profit percentage when sales prices fluctuate.

	Three Months Ended January 31,	
	2024	2023
Gross profit (in millions)	$ 28.7	$ 9.0
Gross profit as a percentage of sales	11.1 %	4.2 %

Gross profit increased $19.7 million or 219% in the three months ended January 31, 2024 compared to the same period last year to $28.7 million and gross profit percentage increased 690 basis points to 11.1% of revenue, compared to the same period last year. The increases were driven by our Marketing and Distribution segment, where per-unit margins on avocados sold improved, and our Blueberries segment, where we benefited significantly from higher per-unit sales pricing.

Selling, general and administrative expenses

Selling, general and administrative ("SG&A") expenses primarily include the costs associated with selling, professional fees, general corporate overhead and other related administrative functions.

	Three Months Ended January 31,	
(In millions)	2024	2023
Selling, general and administrative expenses	$ 20.7	$ 19.1

SG&A expenses increased $1.6 million or 8% in the three months ended January 31, 2024 compared to the same period last year, primarily due to higher employee related costs, including performance-based incentive compensation and stock-based compensation expense. These costs were partially offset by a reduction of approximately $1.0 million in general corporate expenses.

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. We also incur interest expense on finance leases, computed using each lease's explicit or implicit borrowing rate.

	Three Months Ended January 31,	
(In millions)	2024	2023
Interest expense	$ 3.3	$ 2.4

Interest expense increased $0.9 million or 38% in the three months ended January 31, 2024, respectively, compared to the same period last year, driven primarily by the rise in SOFR. Interest expense incurred from a significant financing lease in our Blueberries segment was $0.5 million and $0.3 million in the three months ended January 31, 2024 and 2023, respectively.

Equity method income

Our material equity method investees include Henry Avocado ("HAC"), Mr. Avocado and Copaltas.

	Three Months Ended January 31,	
(In millions)	2024	2023
Equity method income	$ 0.4	$ 1.0

Equity method income decreased $0.6 million or 60% in the three months ended January 31, 2024 compared to the same period last year, primarily due to weak results at Mr. Avocado resulting from low margins on fruit sold.

Other expense, net

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

	Three Months Ended January 31,	
(In millions)	2024	2023
Other expense, net	$ 1.0	$ 0.8

Other expense increased $0.2 million or 25% in three months ended January 31, 2024 compared to the same period last year, with the majority of the expense being driven by foreign currency transaction losses primarily due to the weakening of the U.S. dollar relative to the Mexican peso.

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 measured 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.

Our effective tax rate is impacted by income attributable to foreign jurisdictions which is taxed at different rates from the U.S. federal statutory tax rate of 21%, changes in foreign exchange rates taxable in foreign jurisdictions and nondeductible tax items.

	Three Months Ended January 31,	
	2024	2023
Provision (benefit) for income taxes (in millions)	$ 2.1	$ (1.7)
Effective tax rate	51.2 %	13.8 %

The provision for income tax was $2.1 million in the three months ended January 31, 2024 compared to a benefit of $1.7 million in the same period last year. Our effective tax rate was impacted by book losses in jurisdictions where either a full valuation allowance has been recorded or where loss carryforward is disallowed.

Segment Results of Operations

Our 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"). We believe 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 asset impairment and disposals, net of insurance recoveries, farming costs for nonproductive orchards (which represents land lease costs), certain noncash and nonrecurring ERP costs, transaction costs, amortization of inventory adjustments recognized from business combinations, and any special, non-recurring, or one-time items such as remeasurements or impairments, and any portion of these items attributable to the noncontrolling interest, all of which are excluded from the results the CEO reviews uses to assess segment performance and results.

Net sales

	Marketing and Distribution	International Farming	Blueberries	Total	Marketing and Distribution	International Farming	Blueberries	Total
	Three Months Ended January 31,							
(In millions)	2024				2023			
Third party sales	$ 224.6	$ 1.6	$ 32.5	$ 258.7	$ 181.8	$ 1.9	$ 29.8	$ 213.5
Affiliated sales	—	4.2	—	4.2	—	3.8	—	3.8
Total segment sales	224.6	5.8	32.5	262.9	181.8	5.7	29.8	217.3
Intercompany eliminations	—	(4.2)	—	(4.2)	—	(3.8)	—	(3.8)
Total net sales	$ 224.6	$ 1.6	$ 32.5	$ 258.7	$ 181.8	$ 1.9	$ 29.8	$ 213.5

Adjusted EBITDA

	Three Months Ended January 31,	
(In millions)	2024	2023
Marketing and Distribution adjusted EBITDA	$ 11.0	$ 4.6
International Farming adjusted EBITDA	(0.5)	(1.8)
Blueberries adjusted EBITDA	8.7	(0.5)
Total reportable segment adjusted EBITDA	19.2	2.3
Net income (loss)	2.0	(10.6)
Interest expense	3.3	2.4
Provision (benefit) for income taxes	2.1	(1.7)
Depreciation and amortization[1]	12.9	9.3
Equity method income	(0.4)	(1.0)
Stock-based compensation	1.4	0.7
Asset impairment and disposals, net of insurance recoveries	0.2	0.3
Farming costs for nonproductive orchards	0.5	0.4
ERP costs[2]	0.5	0.6
Severance	1.3	—
Legal settlement	0.2	—
Transaction costs	—	0.1
Amortization of inventory adjustment recognized from business combination	—	0.7
Other expense, net	1.0	0.8
Noncontrolling interest[3]	(5.8)	0.3
Total adjusted EBITDA	$ 19.2	$ 2.3

(1)Includes depreciation and amortization of purchase accounting assets of $2.9 million and $1.6 million for the three months ended January 31, 2024 and 2023, respectively. The three months ended January 31, 2024 include $4.1 million of accelerated depreciation expense for certain blueberry plants determined to have no remaining useful life.

(2)Recognition of deferred ERP implementation costs.

(3)Represents net income (loss) attributable to noncontrolling interest plus the impact of non-GAAP adjustments, allocable to the noncontrolling owner based on their percentage of ownership interest.

Marketing and Distribution

Net sales in our Marketing and Distribution segment increased $42.8 million or 24% in the three months ended January 31, 2024 compared to the same period last year, driven by avocado pricing increases as described above.

Segment adjusted EBITDA increased $6.4 million or 139% in the three months ended January 31, 2024 compared to the same period last year primarily due to improved per-unit gross margin on avocados sold.

International Farming

The vast majority of fruit sales from our International Farming segment are made to the Marketing and Distribution segment, with the remainder of revenue largely derived from services provided to third parties and our Blueberries segment. Affiliated sales are concentrated in the second half of the fiscal year in alignment with the Peruvian avocado harvest season, which typically runs from April through September of each year. As a result, adjusted EBITDA for the International Farming segment is generally concentrated in the third and fourth quarters of the fiscal year in alignment with the timing of sales. In addition, the Company operates approximately 700 acres of mangos in Peru that are largely in an early stage of production. The timing of the mango harvest is generally concentrated in the fiscal second quarter. However, in the current fiscal year, the harvest has largely concluded in the fiscal first quarter.

Total segment sales in our International Farming segment were flat in the three months ended January 31, 2024, compared to the same period last year.

Segment adjusted EBITDA increased by $1.3 million or 72% in the three months ended January 31, 2024, compared to the same period last year, primarily driven by cost savings measures in our mango farms, packing operations, and SG&A in Peru.

Blueberries

Sales in our Blueberries segment have been concentrated in the first and fourth quarters of our fiscal year in alignment with the Peruvian blueberry harvest season, which typically runs from July through February.

Net sales in our Blueberries segment increased $2.7 million or 9% in the three months ended January 31, 2024 compared to the same period last year, primarily due to the price and volume dynamics described above.

Segment adjusted EBITDA increased $9.2 million or 1840% for the three months ended January 31, 2024 compared to the same period last year, primarily due to gross margin improvement driven by elevated sales pricing.

Liquidity and Capital Resources

Operating activities

Operating cash flows are seasonal in nature. We typically see increases in working capital during the first half of our 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 half of the year for ultimate harvest and sale that will occur during the second half of the fiscal year. While these increases in 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.

(In millions)	Three Months Ended January 31, 2024	2023
Net income (loss)	$ 2.0	$ (10.6)
Depreciation and amortization	12.9	9.3
Equity method income	(0.4)	(1.0)
Noncash lease expense	1.5	1.4
Stock-based compensation	1.4	0.7
Dividends received from equity method investees	3.2	2.7
Deferred income taxes	(0.8)	(0.5)
Other	1.2	0.5
Changes in working capital	(11.5)	(3.8)
Net cash provided by (used in) operating activities	$ 9.5	$ (1.3)

Net cash provided by operating activities was $9.5 million for the three months ended January 31, 2024, compared to cash used of $1.3 million in the same period last year, driven by improved operating performance partially offset by working capital growth. Within working capital, unfavorable changes in inventory and accounts receivable were partially offset by favorable changes in grower payables. Changes in inventory were driven by higher per-unit cost of Mexican fruit on-hand and higher blueberry growing crop inventory in Peru due to extension of the harvest season compared to prior year. Changes in accounts receivable and grower payables were correlated with the higher avocado pricing/cost factors previously discussed.

Investing activities

(In millions)	Three Months Ended January 31, 2024	2023
Purchases of property, plant and equipment	$ (9.9)	$ (17.6)
Investment in equity method investees	—	(0.3)
Net cash used in investing activities	$ (9.9)	$ (17.9)

Property, plant and equipment

(In millions)	Three Months Ended January 31, 2024	2023
Purchases of property, plant and equipment by segment:		
Marketing and Distribution	$ 3.0	$ 3.7
International Farming	3.9	9.5
Blueberries	3.0	4.4
Total purchases of property, plant and equipment	$ 9.9	$ 17.6

In the three months ended January 31, 2024 and 2023, capital expenditures in our Marketing and Distribution segment were comprised of construction costs at our UK distribution facility; in our International Farming segment, expenditures were for avocado orchard development and pre-production orchard maintenance and land improvements in Peru and Guatemala; and at our Blueberries segment, capital expenditures related to early-stage plant cultivation.

Equity method investees

From time to time, we may make capital contributions or loans to equity method investees to support capital expansion or working capital needs. Capital contributions made in the three months ended January 31, 2023 were to Mr. Avocado.

Financing activities

(In millions)	Three Months Ended January 31, 2024	2023
Borrowings on revolving credit facility	$ 15.0	$ 10.0
Payments on revolving credit facility	(10.0)	—
Repayment of short-term borrowings	(2.8)	(2.5)
Principal payments on long-term debt obligations	(0.9)	(0.9)
Principal payments on finance lease obligations	(2.3)	(1.7)
Payments for long-term supplier financing	(0.3)	—
Principal payments on loans due to noncontrolling interest holder	(0.5)	—
Payments of minimum withholding taxes on net share settlement of equity awards	(0.7)	(0.4)
Equity contributions from noncontrolling interest holders	—	1.0
Net cash (used in) provided by financing activities	$ (2.5)	$ 5.5

Borrowings and repayments of debt

We utilize a revolving line of credit for short-term working capital purposes. Principal payments on our credit facility are made in accordance with debt maturity schedules.

Blueberries

Financing of our Blueberries segment consists of shareholder contributions and loans, as well as short-term bank borrowings, as needed. Principal payments on finance lease obligations primarily relate to a long-term land lease, which for accounting purposes has been classified as a finance lease.

Capital resources

(In millions)	January 31, 2024	October 31, 2023
Cash and cash equivalents	$ 39.9	$ 42.9
Working capital[1]	136.6	122.6

(1)Current assets minus current liabilities.

Capital resources include cash flows from operations, cash and cash equivalents, and debt financing. Our Blueberries segment may also receive capital contributions or loans from shareholders.

Our syndicated credit facility with Bank of America has a total borrowing capacity of $250 million. The credit facility is comprised of two senior term loans totaling $100 million and a revolving credit agreement of $150 million. The loans are secured by assets of the Company, including certain real property, personal property and capital stock of the Company's subsidiaries. Borrowings under the credit facility bear interest at a spread over SOFR ranging from 1.5% to 2.5% depending on the Company's consolidated total net leverage ratio. We pay fees on unused commitments on the credit facility.

As of January 31, 2024, we were required to comply with the following financial covenants: (a) a quarterly consolidated leverage ratio of not more than 3.5 to 1.00 and (b) a quarterly consolidated fixed charge coverage ratio of not less than 1.25 to 1.00. As of January 31, 2024, our consolidated leverage ratio was 2.43 to 1.00 and our consolidated fixed charge coverage ratio was 1.96 to 1.00 and we were in compliance with all such covenants of the credit facility.

Material cash requirements

Capital expenditures

We have various capital projects in progress for farming expansion and facility improvements which we intend to fund through our operating cash flow as well as cash and cash equivalents on hand. For fiscal 2024, we expect capital expenditures to be between $30 million to $35 million.

Moruga Blueberry Project

In fiscal year 2023, Moruga commenced a long-term project to farm approximately 1,500 additional acres of blueberries in the Olmos region of Peru. The project is funded by cash flow generated by Moruga and supplemented by pro-rata shareholder contributions based on each shareholders' respective ownership interest. As of January 31, 2024, the estimated remaining capital expenditures related to the project were approximately $35 million.

Leases

We are party to various leases, the most material of which are for facilities and land. Our undiscounted cash liabilities were approximately $177.2 million as of January 31, 2024, of which, approximately $109.0 million was for long-term land leases in our International Farming and Blueberries segments.

Long-term Debt

As of January 31, 2024, remaining maturities on our term loans and notes were $156.5 million. See Note 6 to the consolidated financial statements for more information.

Critical accounting estimates

For a discussion of our critical accounting estimates, see "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Operations" in our Annual Report on Form 10-K for the year ended October 31, 2023, filed with the SEC on December 21, 2023. There have been no material changes to the critical accounting estimates disclosed in such Annual Report on Form 10-K.

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, 2023.

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 were no changes in our internal control over financial reporting during the quarter ended January 31, 2024 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

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 following updates the matter discussed in "Part I, Item 3. Legal Proceedings" in our Annual Report on Form 10-K for the year ended October 31, 2023:

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. While the Company believes that it did not violate any wage or labor laws, it nevertheless decided to settle these class action lawsuits. In May 2021, the plaintiffs in both class action lawsuits and the Company agreed preliminarily to a comprehensive settlement to resolve both class action cases for a total of $0.8 million, which the Company recorded as a loss contingency in selling, general and administrative expenses in the consolidated statements of income during the three months ended April 30, 2021. The parties executed a stipulation of settlement agreement on such terms in November 2021. This preliminary settlement was approved by the applicable courts in October 2022.

As a result of a dispute over the size of the settlement class, the Company recorded an additional reserve of $0.2 million in selling, general and administrative expenses in the condensed consolidated statements of income (loss) during the three months ended January 31, 2024. A final approval hearing is scheduled for June 2024.

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, 2023, filed with the SEC on December 21, 2023. There have been no material changes from the risk factors previously disclosed in such Annual Report on Form 10-K, except as set forth below. The risks and uncertainties that we face are not limited to those set forth in the 2023 Form 10-K and in this quarterly report. You should carefully consider the risk factors in the 2023 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

Stock repurchase program

On September 6, 2023, the Board of Directors approved a stock repurchase program, which permits the Company to repurchase up to $20 million of shares of the Company's common stock within 36 months from adoption. Share repurchases may be made from time to time in open market or privately negotiated transactions and/or pursuant to Rule 10b5-1 trading plans in such quantities and at such prices as may be authorized by certain designated officers of the Company and are subject to market conditions, applicable legal requirements, trading restrictions under the Company's insider trading policy and other relevant factors.

No repurchases were made by us or our "affiliated purchasers" (as defined in Rule 10b-18(a)(3) of the Exchange Act) of registered equity securities during the first quarter of 2024. As of January 31, 2024, the approximate dollar value of shares that may yet be purchased as part of our stock repurchase program was $19.4 million.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

10b-5(1) Trading Plans

During the fiscal quarter ended January 31, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (in each case, as defined in Item 408 of Regulation S-K).

Item 6. Exhibits

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

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Exhibit No.	Exhibit Description	Incorporated by Reference			H
		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	
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				
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				
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 2024 formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Income (Loss), (iii) Condensed Consolidated Statements of Income (Loss) (iv) Condensed Consolidated Statements of Changes in Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

Previously filed

* 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, 2024.

MISSION PRODUCE, INC.

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

/s/ Bryan E. Giles
Bryan E. Giles
Chief Financial Officer