

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): **September 7, 2021**

CALAVO GROWERS, INC.

(Exact Name of Registrant as Specified in Charter)

California (State or Other Jurisdiction of Incorporation)	000-33385 (Commission File Number)	33-0945304 (IRS Employer Identification No.)
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1141-A Cummings Road, Santa Paula, California 93060

(Address of Principal Executive Offices) (Zip Code)

(Former Name or Former Address, if Changed Since Last Report)

Registrant's telephone number, including area code: **(805) 525-1245**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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	CVGW	Nasdaq Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02 Results of Operations and Financial Condition.

On September 8, 2021 Calavo Growers, Inc. (“Calavo”) issued a press release containing our financial results for the three and nine months periods ended July 31, 2021. A copy of our press release is attached hereto as Exhibit 99.1 and is incorporated by reference.

In accordance with General Instruction B.2 of Form 8-K, the information contained in this Item 2.02, including Exhibit 99.1, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed by Calavo Growers, Inc. under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On September 7, 2021, James E. Gibson gave notice of his retirement from his position as Chief Executive Officer of Calavo. His retirement from the Chief Executive Officer position is effective September 9, 2021. Calavo has engaged an executive search firm to identify candidates for a permanent Chief Executive Officer. Mr. Gibson will continue as an employee of Calavo through September 30, 2021 to assist in transitioning his job responsibilities.

On September 8, 2021, Steven Hollister, a member of Calavo’s Board of Directors (the “Board”), was appointed to serve as Chief Executive Officer of Calavo on an interim basis effective September 9, 2021. Mr. Hollister will continue as a member of the Board, but he will no longer serve on the Audit Committee or the Compensation Committee of the Board. Marc Brown, an independent director, will be appointed September 9th to the Audit Committee to replace Mr. Hollister.

Farha Aslam, who has been serving as interim Chief Financial Officer informed the Board on September 7, 2021 that she would resign from her position as interim Chief Financial effective September 9, 2021, in order to resume her status as an independent director on the Board. Steven Hollister will serve as interim Chief Financial Officer effective September 9, 2021. As previously disclosed, Calavo has engaged an executive search firm to identify candidates for a permanent Chief Financial Officer.

Mr. Hollister will be paid \$50,000 per month for his services as interim Chief Executive Officer and interim Chief Financial Officer and will continue to earn compensation as a non-employee director as disclosed in Calavo’s proxy statement filed with the Securities and Exchange Commission on March 1, 2021. Mr. Hollister will also be issued a stock option for 5,000 shares of Calavo stock with an exercise price equal to the fair market value on the date of grant and vesting as to 50% of the shares on the first and second anniversaries of the grant date.

Mr. Hollister, age 63, has served on the Board for the last 13 years. Mr. Hollister has been a Managing Member of Rocking Spade, LLC, a diversified investor and developer with interests in ranching and commercial properties, since 2001. Previously Mr. Hollister was Vice President of Sunrise Mortgage & Investment Company, General Manager of Niven Family Wine Estates, Chief Operating Officer of Fess Parker Winery & Vineyard and Santa Barbara County Wine Center, and Senior Vice President of Central Coast Farm Credit.

In connection with his retirement, pursuant to a Separation and Release Agreement entered into between Calavo and Mr. Gibson on September 8, 2021, all outstanding equity awards held by Mr. Gibson as of the last day of his employment will vest in full subject to his execution of a release. Mr. Gibson will also be entitled to continue his health care coverage at his expense for a period of 36 months after the last day of his employment.

A copy of the press release announcing the retirement of Mr. Gibson and the appointments of Mr. Hollister and the Separation and Release Agreement described above are attached hereto as Exhibits 99.2 and 10.1, respectively, and incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

- 99.1 [Earnings Press release dated September 8, 2021 of the Registrant.](#)
- 99.2 [Press release dated September 8, 2021 of the Registrant.](#)
- 10.1 [Separation and Release Agreement dated September 8, 2021.](#)
- 104 Cover Page Interactive Data File (formatted as inline XBRL).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

September 8, 2021

Calavo Growers, Inc.

By: s/ James Gibson
James Gibson
Chief Executive Officer
(Principal Executive Officer)

SEPARATION AND RELEASE AGREEMENT

THIS SEPARATION AND RELEASE AGREEMENT (“Agreement”) is made and entered into by and between Calavo Growers, Inc. (“Calavo” or the “Company”) and James E. Gibson (“Employee”) as of September 8, 2021 (the “Effective Date”).

WHEREAS, Calavo and Employee are parties to an Employment Agreement dated June 17, 2020 (the “Employment Agreement”);

WHEREAS, on September 8, 2021, Employee submitted a letter of resignation announcing his retirement and terminating his employment with the Company on September 30, 2021 (the “Termination Date”) pursuant to Section 1(b) of the Employment Agreement;

NOW THEREFORE, in consideration of and exchange for the promises, covenants, and releases contained herein, the parties mutually agree as follows:

1. **Change In Responsibilities/End of Employment.** Effective September 9, 2021, Employee will cease performing the responsibilities of Chief Executive Officer of Calavo and will no longer have the title of Chief Executive Officer of Calavo. From September 9, 2021 until the Termination Date (the “Transition Period”), Employee shall assist Calavo in transitioning Employee’s job responsibilities to such persons as the Company may designate. Employee’s employment with Calavo shall cease on the Termination Date.
 2. **Resignation Without “Good Reason”.** Employee acknowledges and agrees that he is resigning his employment effective on the Termination Date, including but not limited to all offices he holds with Calavo and its affiliates, without Good Reason as defined in Section 5(b)(iv) of the Employment Agreement and that his employment has not been terminated by Calavo. As a result, Employee is not entitled to the payments and benefits set forth in Section 5(b)(iv) of the Employment Agreement. Without limiting the foregoing, except as provided herein, Employee is not entitled to the payment of COBRA payments on his behalf, participation in benefits offered by Calavo following the Termination Date, or any bonus payments or additional equity awards from Calavo.
 3. **Reaffirmation of Confidentiality Obligations.** Employee represents and warrants that at all times he has complied, and following his resignation will continue at all times to comply, with his obligations regarding Calavo’s confidential information as required by, without limitation, Section 6(a) of the Employment Agreement (the “Confidentiality Obligations”).
 4. **Departure on Good Terms/Vesting of Shares** Employee represents and warrants that he is retiring within the meaning of section 11.6(a) of Calavo’s 2011 Management Incentive Plan. In reliance on this representation, and even though Employee has provided fewer than forty-five days prior written notice of resignation, Calavo agrees to treat Employee’s resignation as a Departure on Good Terms as defined in the May 18, 2021 letter from Steve Hollister to Employee, Kevin Manion and Mark Lodge regarding “Clarification of Your Employment Agreements” for the purposes set forth herein. Accordingly, on the eighth day following Employee’s execution of the Supplemental Release described in paragraph 7 of this Agreement and attached hereto as Exhibit A, or if such day falls on a weekend or holiday, on the next business day, provided that Employee has not revoked this Agreement, all restricted shares, or other equity awards (including, without limitation, restricted stock, stock options and restricted stock units) issued to Employees and outstanding as of September 30, 2021, shall immediately vest in full (and, where applicable, become exercisable). Employee shall also have the option, for a period of thirty-six (36) months
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following the Termination Date, at his own expense to continue his Calavo medical, dental, and vision benefits at the equivalent of his COBRA continuation cost except to the extent such arrangement is prohibited by applicable law or by the applicable insurer.

5. No Amounts Owing. Employee acknowledges that he has received all wages, bonuses, equity grants, other compensation, vacation pay, PTO and expense reimbursements due through the date of execution of this Agreement except for unpaid vacation pay and PTO (if any) that will be paid on the Termination Date.

6. Release & Promise Not to Sue.

(a) Release. Employee agrees for Employee, Employee's heirs, executors, administrators, agents, successors and assigns to forever release and discharge the "Released Parties" (as defined below) from any and all claims, debts, promises, agreements, demands, causes of action, attorneys' fees, losses and expenses of every nature whatsoever, known or unknown, suspected or unsuspected, filed or unfiled, based on anything that happened or did not happen at any time up to and including the date that Employee signs this Agreement ("Claims"). This total release includes, but is not limited to: (1) all Claims arising directly or indirectly from Employee's employment with Calavo, the termination of that employment, and to salary, bonuses, commissions, equity awards, vacation pay, fringe benefits and expense reimbursements pursuant to any federal, state or local law; (2) all common law Claims, including, but not limited to, breach of contract, breach of the implied covenant of good faith and fair dealing, infliction of emotional harm, wrongful discharge, violation of public policy, defamation and impairment of economic opportunity; (3) all Claims arising under the California Constitution, the California Labor Code, and/or California Business & Professions Code; (4) all Claims arising under any law prohibiting discrimination based upon any protected characteristic (including, but not limited to, age, race, sex, national origin, religion, sexual orientation, and disability/handicap status), including, but not limited to, all Claims arising under the Civil Rights Act of 1866, Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act of 1990, Section 503 of the Rehabilitation Act of 1973, 29 CFR §§ 1625.22-1625.23, the Older Workers Benefit Protection Act, 29 USC §§621, 623,626, 623, and the California Government Code; (5) all Claims arising under the California and Federal Family and medical Leave Acts and the Employee Retirement Income Security Act of 1974, as amended; and (6) all Claims arising under any law/cause of action (whether federal, state, or local) governing the employment relationship. "Released Parties" means Calavo, Calavo's past, present, and future parents, subsidiaries, affiliates, and Calavo's Affiliates; all of the foregoing entities' successors and assigns; all of the foregoing entities' officers, directors, agents, employees, insurers, attorneys, representatives, benefit plans (including such plans' insurers, administrators, and fiduciaries), and the like; and any other person/entity claimed to be jointly and/or severally liable with Calavo or through which (or in concert with) Calavo has acted with respect to Employee.

(b) Agreement Not to Sue. Employee shall not file suit in any court (or join any suit or accept relief in any suit) against any of the Released Parties asserting, pleading, or raising any claims released/waived by this Agreement. Employee shall pay the reasonable attorneys' fees and costs that any of the Released Parties incurs in defending against any such released/waived claims.

(c) Retained Claims. Notwithstanding the foregoing, the release provided herein does not extend to and the Employee is not releasing (i) any rights or claims as an equity holder in the Company or any Releasees, (ii) rights to or claims for indemnification or advancement of expenses, (iii) those rights under the Employment Agreement which by their terms

expressly survive the termination of Employee's employment, and (iv) claims that cannot be released as a matter of law (collectively, the "Retained Claims").

7. Execution of Further Release. In addition to the releases contained in this Agreement, on the Termination Date Employee shall execute and shall not thereafter revoke a Supplemental Release in the form attached hereto as Exhibit A.

8. Right to Participate In Administrative Proceedings. Nothing herein shall be construed to foreclose Employee's right to file a charge with or participate in a charge by the Equal Employment Opportunity Commission, or any other local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, against the Company (with the understanding that Employee's release of claims herein bars Employee from recovering such monetary relief from the Company or any Releasee, other than an award from a government administered whistleblower award program), claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law, or claims to continued participation in certain of the Company's group benefit plans pursuant to the terms and conditions of COBRA.

9. Newly Discovered Facts. Employee hereby acknowledges that he may hereafter discover facts different from or in addition to those that he now knows or believes to be true when they expressly agreed to assume the risk of the possible discovery of additional facts, and they agree that this Agreement will be and remain effective regardless of such additional or different facts. Employee expressly agrees that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown or unsuspected claims, demands, causes of action, governmental, regulatory or enforcement actions, charges, obligations, damages, liabilities, and attorneys' fees and costs, if any, as well as those relating to any other claims, demands, causes of action, obligations, damages, liabilities, charges, and attorneys' fees and costs specified herein.

10. Waiver of Section 1542. Employee hereby states that it is his intention in executing this Agreement that the same shall be effective as a bar to each and every claim, demand, cause of action, obligation, damage, liability, charge, attorneys fees and costs hereinabove released whether known or unknown, suspected or unsuspected. Employee hereby expressly waives and relinquishes all rights and benefits, if any, arising under the provisions of Section 1542 of the Civil Code of the State of California which provides:

"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."

11. Entire Agreement. This Agreement embodies the entire agreement of the parties hereto and supersedes any and all other agreements, understandings, negotiations, or discussions, either oral or in writing, express or implied, between the parties to this Agreement or between Employee and any Calavo affiliate concerning the matters addressed herein. The parties to this Agreement each acknowledge that no representations, inducements, promises, agreements or warranties, oral or otherwise, have been made by them, or anyone acting on their behalf, which are not embodied in this Agreement.

12. Binding Nature. This Agreement, and all the terms and provisions contained herein, shall bind the heirs, personal representatives, successors and assigns of each party, and

inure to the benefit of each party, its or his agents, directors, officers, employees, servants, successors, and assigns, as well as all of the Released Parties.

13. Construction. This Agreement shall not be construed in favor of one party or against another.

14. Partial Invalidity. Should any portion, word, clause, phrase, sentence or paragraph of this Agreement be declared void or unenforceable, such portion shall be considered independent and severable from the remainder, the validity of which shall remain unaffected.

15. Compliance with Terms. The failure to insist upon compliance with any term, covenant or condition contained in this Agreement shall not be deemed a waiver of that term, covenant or condition, nor shall any waiver or relinquishment of any right or power contained in this Agreement at any one time or more times be deemed a waiver or relinquishment of any right or power at any other time or times.

16. Governing Law. This Agreement shall be interpreted under the law of the State of California, both as to interpretation and performance.

17. Section Headings. The section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

18. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original, all of which together shall constitute one and the same instrument.

19. Knowing and Voluntary Waiver. Employee acknowledges and agrees that: (1) he has carefully read and fully understands the terms of this Agreement, including its release-of-claims provisions; (2) he has been given adequate time to consider, and (if he desires) to consult with an attorney about, whether to sign this agreement; (3) he signs this Agreement knowingly, freely, and voluntarily—without any coercion, duress, or undue influence; and (4) as required by applicable law, this Agreement shall be filed by Calavo with the Securities and Exchange Commission.

20. Time To Review Agreement/Right to Revoke. Employee acknowledges that he is knowingly and voluntarily waiving and releasing any rights he may have under the Age Discrimination in Employment Act of 1967 (“ADEA”). He also acknowledges that the consideration given for the waiver and release in this Agreement is in addition to anything of value to which he was already entitled. Employee further acknowledges that he has been advised by this writing, as required by the Older Workers’ Benefit Protection Act, that:

(a) His waiver and release do not apply to any rights or claims that may arise after the date of Employee’s execution of this Agreement;

(b) Employee has been and is hereby advised in writing to consult with an attorney prior to signing this Agreement;

(c) Employee has been provided a full and ample opportunity to study this Agreement, including a period of at least twenty-one (21) days within which to consider it;

(d) To the extent Employee takes less than twenty-one (21) days to consider this Agreement prior to execution, Employee acknowledges that Employee has had sufficient time to

consider this Agreement, and that Employee expressly, voluntarily and knowingly waives any additional time;

(e) Employee is aware of his right to revoke this Agreement at any time within a seven (7) day period following the date Employee executes this Agreement. Employee may revoke this Agreement within seven days of Employee's signing it by delivering a written notice of revocation to Calavo's executive offices addressed to Calavo's then Chief Executive Officer; and

(f) This Agreement shall not be effective or enforceable until the seven-day revocation period has expired. If the last day of the revocation period is a Saturday, Sunday, or legal holiday, then the revocation period shall not expire until the next following day which is not a Saturday, Sunday, or legal holiday.

IN WITNESS WHEREOF, the parties have executed this Agreement on the respective dates set forth below.


Dated: 9/8/2021

Calavo Growers, Inc.

By:  _____ Chairman
Name: _____ Board of Directors
Its: _____

Dated: 9/8/2021

James E. Gibson

 _____



Calavo Growers, Inc. Announces Third Quarter 2021 Financial Results

SANTA PAULA, Calif., Sept. 8, 2021—Calavo Growers, Inc. (Nasdaq-GS: CVGW), a global avocado-industry leader and provider of value-added fresh food, today reported its financial results for the third quarter ended July 31, 2021.

Third Quarter Highlights

- Total revenue of \$285.0 million, a 5% increase from the year-ago quarter.
- Fresh segment revenue was flat year-over-year, and Renaissance Food Group (“RFG”) and Foods segments revenues increased 14% and 12% year-over-year, respectively.
- Gross profit of \$7.9 million, or 2.8% of revenue, compared to \$30.8 million, or 11.4% of revenue, for the year-ago quarter.
- Net loss of \$(13.0) million, or \$(0.74) per diluted share, compared to net loss of \$(15.6) million, or \$(0.89) per diluted share, for the same period last year. Adjusted net loss was \$(3.0) million, or \$(0.17) per diluted share, compared to adjusted net income of \$12.9 million, or \$0.73 per share last year.
- Adjusted EBITDA of \$1.0 million compared to \$22.8 million for the same period last year.

Adjusted net income and adjusted EBITDA are non-GAAP financial measures. See “Non-GAAP Financial Measures” below.

Management Commentary

“Our results for the third quarter of this year were adversely impacted by inflationary pressures on labor, raw materials and freight, all of which accelerated as the third quarter progressed. These factors taken together with the delayed summer avocado crops coming from California and Mexico impacted our margins and profitability,” said Steven Hollister, incoming interim CEO of Calavo Growers. “We are taking the necessary steps to mitigate the current higher cost environment and to navigate the tight labor market and various supply chain issues. While we are managing through challenging times, we are moving forward with the implementation of our strategic initiatives to increase the operating leverage and synergies across our entire organization, and we believe we will emerge as a stronger and more resilient company. The underlying fundamental drivers of our business remain intact, and we remain confident in the opportunities we have to accelerate growth in the years ahead.”

Third Quarter 2021 Consolidated Financial Review

Total revenue for the third quarter 2021 was \$285.0 million, compared to \$270.4 million for the third quarter 2020, an increase of 5%. The average selling price of avocados in the Company’s Fresh segment was higher by 10% while volumes were 8% lower than the prior-year period due to the delayed start of the summer season in both California and Mexico. Fresh segment sales were flat, while the RFG and Foods business segments each had double-digit sales growth of 14% and 12%, respectively.

Gross profit for the third quarter was \$7.9 million, or 2.8% of revenue, compared to \$30.8 million, or 11.4% of revenue, for the same period last year. The decrease in gross profit margin reflected inflationary pressures on labor, raw materials and freight, as well as delays in avocado crops from Mexico and California resulting in less desirable fruit (both in sizes and quality).

Selling, general and administrative (SG&A) expense for the third quarter totaled \$12.4 million, or 4.4% of revenue, compared to \$13.4 million, or 5.0% of revenue, for the same period last year. The year-over-year improvement in SG&A expense was primarily related to lower stock-based compensation and a decrease in salary and benefit expense as a result of consolidation initiatives.

Net loss for the third quarter was \$(13.0) million, or \$(0.74) per diluted share. This compares with a net loss of \$(15.6) million, or \$(0.89) per diluted share, for the same period last year. Included in these results were a \$6.0 million recovery from FreshRealm reflecting the fulfillment of its separation agreement with the Company and \$13.8 million of charges relating to Mexican tax assessments for the 2011 and 2013 tax years.

Adjusted net loss was \$(3.0) million, or \$(0.17) per diluted share, for the third quarter, compared to adjusted net income of \$12.9 million, or \$0.73 per diluted share, for the same period last year.

Adjusted EBITDA was \$1.0 million for the third quarter of 2021, compared to \$22.8 million for the same period last year.

Balance Sheet and Liquidity

Cash and cash equivalents totaled \$1.3 million as of July 31, 2021, which included approximately \$1.0 million of restricted cash balances in Mexico. Total liquidity at quarter end was approximately \$144.4 million, including unrestricted cash, investments, and borrowings available under a line of credit.

The Company ended the quarter with \$43.2 million of total debt, which included \$36.0 million of borrowings under its line of credit and \$7.2 million of long-term obligations and finance leases.

Third Quarter Business Segment Performance

Fresh

Third quarter 2021 sales in Calavo's Fresh business segment were \$161.6 million, essentially flat with \$162.1 million for the same period last year. A delay in expected avocado supply from Mexico and California coupled with sub-optimal fruit size negatively impacted sales volume, which was 8% lower than the year-ago period, largely offset by the average selling price, which was 10% higher. Fresh segment gross profit for the third quarter of 2021 was \$12.2 million, or 7.6% of segment sales, compared to \$17.7 million, or 10.9% of segment sales, for the same period last year. The decrease in gross profit was primarily due to the lower volume at gross margin per carton below historical averages.

Renaissance Food Group (RFG)

RFG business segment sales in the third quarter 2021 were \$103.8 million, up 14% from \$90.9 million in the same period last year, reflecting improving demand as the country reopens from the pandemic versus the year-ago quarter. Segment gross loss was \$(5.6) million, down from gross profit of \$8.1 million for the same period last year. Gross margin was adversely impacted by market-wide factors such as higher labor costs, poor fruit quality and yield, and increased freight costs, as well as a \$2.3 million charge for disputed accounts receivable from certain customers deemed uncollectable.

Foods

Sales in the Foods segment totaled \$21.3 million for the third quarter 2021, 12% higher than \$19.0 million in the same period last year due to improving conditions as foodservice recovered from the pandemic and to a lesser extent an increase in international revenue. Segment gross profit totaled \$1.3 million, or 5.9% of sales, for the third quarter, compared to \$5.0 million, or 26.6% of sales, for the same period last year. The decrease in gross profit for the third quarter was primarily due to an increase in avocado costs.

Outlook

The long-term outlook for Calavo's business is positive; however, it is difficult to predict when or if industry-wide inflationary pressures on raw materials, freight and labor costs will subside and the timing of and degree to which the Company's pricing initiatives will offset these pressures. Given this evolving dynamic, the Company will refrain from providing revenue or adjusted EBITDA expectations until the environment has stabilized.

Non-GAAP Financial Measures

This press release includes non-GAAP measures such as EBITDA, adjusted EBITDA, adjusted net income and adjusted diluted EPS, which are not prepared in accordance with U.S. generally accepted accounting principles, or "GAAP."

EBITDA is defined as net income (loss) attributable to Calavo Growers, Inc. excluding (1) interest income and expense, (2) income tax (benefit) provision, (3) depreciation and amortization and (4) stock-based compensation expense. Adjusted EBITDA is EBITDA with further adjustments for (1) non-cash net losses recognized from unconsolidated entities, (2) goodwill impairment, (3) write-off of long-lived assets, (4) acquisition-related costs, (5) restructuring-related costs, including certain severance costs, (6) certain litigation and other related costs, and (7) one-time items. Adjusted EBITDA is a primary metric by which management evaluates the operating performance of the business, on which certain operating expenditures and internal budgets are based. The adjustments to calculate EBITDA and adjusted EBITDA are items recognized and recorded under GAAP in particular periods but might be viewed as not necessarily coinciding with the underlying business operations for the periods in which they are so recognized and recorded.

Adjusted net income is defined as net income (loss) attributable to Calavo Growers, Inc. excluding (1) non-cash net losses recognized from unconsolidated entities, (2) goodwill impairment, (3) write-off of long-lived assets, (4) acquisition-related costs, (5) restructuring-related costs, including certain severance costs, (6) certain litigation and other related costs, and (7) one-time items. Adjusted net income and the related measure of adjusted diluted EPS exclude certain items that are recognized and recorded under GAAP in particular periods but might be viewed as not necessarily coinciding with the underlying business operations for the periods in which they are so recognized and recorded. We believe adjusted net income affords investors a different view of the overall financial performance of the Company than adjusted EBITDA and the GAAP measure of net income (loss) attributable to Calavo Growers, Inc. Additionally, the Company's senior management is compensated in part on the basis of Adjusted Net Income.

Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures are provided in the financial tables that accompany this release.

Items are considered one-time in nature if they are non-recurring, infrequent or unusual and have not occurred in the past two years or are not expected to recur in the next two years, in accordance with SEC rules. One-time items are identified in the notes to the reconciliations in the financial tables that accompany this release.

Non-GAAP information should be considered as supplemental in nature and not as a substitute for, or superior to, any measure of performance prepared in accordance with GAAP. None of these metrics are presented as measures of liquidity. The way the Company measures EBITDA, adjusted EBITDA, adjusted net income and adjusted diluted EPS

may not be comparable to similarly titled measures presented by other companies and may not be identical to corresponding measures used in Company agreements.

Conference Call and Webcast

Calavo will host a conference call, today at 5:00 pm ET/2:00 pm PT to discuss its financial results. The conference call may be accessed by dialing 877-407-3982 (Domestic) or 201-493-6780 (International) with conference ID: 13722246. A live audio webcast of the call will also be available on the Investor Relations section of Calavo's website at <http://ir.calavo.com> and will be archived for replay.

About Calavo Growers, Inc.

Calavo Growers, Inc. is a global avocado-industry leader and provider of value-added fresh food serving retail grocery, foodservice, club stores, mass merchandisers, food distributors and wholesalers worldwide. The Company's Fresh segment procures and markets fresh avocados and select other fresh produce, including tomatoes and papayas. The Renaissance Food Group (RFG) segment creates, markets and distributes a portfolio of healthy, fresh foods, including fresh-cut fruit, fresh-cut vegetables and prepared foods. The Foods segment manufactures and distributes guacamole and salsa. Founded in 1924, Calavo's fresh food products are sold under the respected Calavo brand name as well as Garden Highway, Chef Essentials and a variety of private label and store brands.

Safe Harbor Statement

This press release contains statements relating to future events and results of Calavo (including certain projections and business trends) that are "forward-looking statements," as defined in the Private Securities Litigation Reform Act of 1995, that involve risks, uncertainties and assumptions. These statements are based on our current expectations and are not promises or guarantees. If any of the risks or uncertainties ever materialize or the assumptions prove incorrect, the results of Calavo may differ materially from those expressed or implied by such forward-looking statements and assumptions. The use of words such as "anticipates," "estimates," "expects," "projects," "intends," "plans" and "believes," among others, generally identify forward-looking statements.

Risks and uncertainties that may cause our actual results to be materially different from any future results expressed or implied by the forward-looking statements include, but are not limited to, the following: the impact of the COVID-19 pandemic on our business, results of operations, and financial condition, including, but not limited to, disruptions in the manufacturing of our products and the operations of the related supply chains supporting our ability to deliver our products to consumers, impacts on our employees and uncertainty regarding our ability to implement health and safety measures for our employees, uncertainties regarding consumer demand for our products, impact on our food service customers, increased costs, the impact of governmental trade restrictions imposed as a result of COVID-19 and the possible adverse impact of COVID-19 on our goodwill and other intangible assets; our ability to raise prices, particularly in our RFG and Foods segments, to offset increase costs of goods sold, and the impact of such price increases on future net sales; seasonality of our business; sensitivity of our business to changes in market prices of avocados and other agricultural products and other raw materials including fuel, packaging and paper; potential disruptions to our supply chain; risks associated with potential future acquisitions, including integration; potential exposure to data breaches and other cyber-attacks on our systems or those of our suppliers or customers; dependence on large customers; dependence on key personnel and the ability of our management team to work together successfully; potential for labor disputes; reliance on co-packers for a portion of our production needs; competitive pressures, including from foreign growers; risks of recalls and food-related injuries to our customers; changing consumer preferences; the impact of environmental regulations, including those related to climate change; our ability to develop and transition new products and services and enhance existing products and services to meet customer needs; risks associated with doing business internationally (including possible restrictive U.S. and foreign governmental actions, such as restrictions on transfers of funds and COVID-19 and trade protection measures such as import/export/customs duties, tariffs and/or quotas and currency fluctuations); risks associated with receivables from, loans to and/or equity investments in unconsolidated entities;

volatility in the value of our common stock; the impact of macroeconomic trends and events; and the resolution of pending investigations, legal claims and tax disputes, including an assessment imposed by the Mexican Tax Administrative Service (the "SAT") and our defenses against collection activities commenced by the SAT.

For a further discussion of these risks and uncertainties and other risks and uncertainties that we face, please see the risk factors described in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission and any subsequent updates that may be contained in our Quarterly Reports on Form 10-Q and other filings with the Securities and Exchange Commission. Forward-looking statements contained in this press release are made only as of the date of this press release, and we undertake no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

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CALAVO GROWERS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)
(in thousands)

	July 31, 2021	October 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 368	\$ 4,055
Restricted cash	970	—
Accounts receivable, net of allowances of \$6,860 (2021) and \$3,498 (2020)	79,979	63,668
Inventories	47,443	41,787
Prepaid expenses and other current assets	14,227	10,733
Advances to suppliers	8,703	5,061
Income taxes receivable	6,577	10,591
Total current assets	158,267	135,895
Property, plant, and equipment, net	129,080	130,270
Operating lease right-of-use assets	57,036	60,262
Investment in Limoneira Company	30,040	23,197
Investments in unconsolidated entities	4,309	6,065
Deferred income taxes	2,790	2,486
Goodwill	28,653	28,568
Intangibles, net	9,137	10,323
Other assets	40,006	32,558
	<u>\$ 459,318</u>	<u>\$ 429,624</u>
Liabilities and shareholders' equity		
Current liabilities:		
Payable to growers	\$ 30,040	\$ 11,346
Trade accounts payable	10,424	9,384
Accrued expenses	40,713	36,922
Borrowings pursuant to credit facilities, current	—	20,550
Dividend payable	—	20,343
Other current liabilities	11,000	—
Current portion of operating leases	7,051	6,443
Current portion of long-term obligations and finance leases	1,486	1,343
Total current liabilities	100,714	106,331
Long-term liabilities:		
Borrowings pursuant to credit facilities, long-term	36,000	—
Long-term operating leases, less current portion	54,447	58,273
Long-term obligations and finance leases, less current portion	5,688	5,716
Other long-term liabilities	3,136	3,302
Total long-term liabilities	99,271	67,291
Commitments and contingencies		
Shareholders' equity:		
Total shareholders' equity	259,333	256,002
	<u>\$ 459,318</u>	<u>\$ 429,624</u>

CALAVO GROWERS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)
(in thousands, except per share amounts)

	Three months ended July 31,		Nine months ended July 31,	
	2021	2020	2021	2020
Net sales	\$ 285,008	\$ 270,425	\$ 782,407	\$ 824,941
Cost of sales	277,141	239,590	734,101	756,223
Gross profit	7,867	30,835	48,306	68,718
Selling, general and administrative	12,387	13,424	40,374	44,226
Expenses related to Mexican tax matters	1,342	-	1,342	-
Gain on sale of Temecula packinghouse	(54)	(54)	(162)	(162)
Operating income (loss)	(5,808)	17,465	6,752	24,654
Interest expense	(208)	(203)	(573)	(732)
Other income, net	180	628	792	2,250
Recovery (Loss) on reserve for FreshRealm note receivable and impairment of investment	6,000	(37,192)	6,130	(37,192)
Unrealized net gain (loss) on Limoneira shares	(252)	218	6,843	(9,125)
Income (loss) before income taxes and loss from unconsolidated entities	(88)	(19,084)	19,944	(20,145)
Income tax (provision) benefit	(12,358)	4,682	(17,073)	6,540
Net loss from unconsolidated entities	(469)	(1,170)	(1,755)	(6,375)
Net income (loss)	(12,915)	(15,572)	1,116	(19,980)
Add: Net loss (income) attributable to noncontrolling interest	(66)	(64)	21	128
Net income (loss) attributable to Calavo Growers, Inc.	\$ (12,981)	\$ (15,636)	\$ 1,137	\$ (19,852)
Calavo Growers, Inc.'s net income (loss) per share:				
Basic	\$ (0.74)	\$ (0.89)	\$ 0.06	\$ (1.13)
Diluted	\$ (0.74)	\$ (0.89)	\$ 0.06	\$ (1.13)
Number of shares used in per share computation:				
Basic	17,630	17,586	17,616	17,558
Diluted	17,630	17,586	17,669	17,558

CALAVO GROWERS, INC.
NET SALES AND GROSS PROFIT BY BUSINESS SEGMENT (UNAUDITED)
(in thousands)

	Fresh products	RFG	Calavo Foods	Interco. Elimins.	Total
Three months ended July 31, 2021					
Net sales	\$ 161,580	\$ 103,786	\$ 21,313	\$ (1,671)	\$ 285,008
Cost of sales	149,378	109,375	20,059	(1,671)	277,141
Gross profit (loss)	<u>\$ 12,202</u>	<u>\$ (5,589)</u>	<u>\$ 1,254</u>	<u>\$ —</u>	<u>\$ 7,867</u>
Three months ended July 31, 2020					
Net sales	\$ 162,139	\$ 90,923	\$ 18,967	\$ (1,604)	\$ 270,425
Cost of sales	144,405	82,868	13,921	(1,604)	239,590
Gross profit	<u>\$ 17,734</u>	<u>\$ 8,055</u>	<u>\$ 5,046</u>	<u>\$ —</u>	<u>\$ 30,835</u>
Nine months ended July 31, 2021					
Net sales	\$ 438,725	\$ 290,380	\$ 58,508	\$ (5,206)	\$ 782,407
Cost of sales	398,370	293,704	47,233	(5,206)	734,101
Gross profit (loss)	<u>\$ 40,355</u>	<u>\$ (3,324)</u>	<u>\$ 11,275</u>	<u>\$ —</u>	<u>\$ 48,306</u>
Nine months ended July 31, 2020					
Net sales	\$ 466,197	\$ 305,386	\$ 57,304	\$ (3,946)	\$ 824,941
Cost of sales	427,476	291,720	40,973	(3,946)	756,223
Gross profit	<u>\$ 38,721</u>	<u>\$ 13,666</u>	<u>\$ 16,331</u>	<u>\$ —</u>	<u>\$ 68,718</u>

For the three months ended July 31, 2021 and 2020, intercompany sales and cost of sales of \$0.8 million and \$0.4 million between Fresh products and RFG were eliminated. For the nine months ended July 31, 2021 and 2020, intercompany sales and cost of sales of \$1.9 million and \$1.1 million between Fresh products and RFG were eliminated. For the three months ended July 31, 2021 and 2020, intercompany sales and cost of sales of \$1.0 million and \$1.2 million between Calavo Foods and RFG were eliminated. For the nine months ended July 31, 2021 and 2020, intercompany sales and cost of sales of \$3.3 million and \$2.8 million between Calavo Foods and RFG were eliminated.

CALAVO GROWERS, INC.
RECONCILIATION OF ADJUSTED NET INCOME AND EPS (UNAUDITED)
(in thousands, except per share amounts)

The following table presents adjusted net income and adjusted diluted EPS, each a non-GAAP measure, and reconciles them to net income (loss) attributable to Calavo Growers, Inc., and Diluted EPS, which are the most directly comparable GAAP measures. See “Non-GAAP Financial Measures” earlier in this release.

	Three months ended July 31,		Nine months ended July 31,	
	2021	2020	2021	2020
Net income (loss) attributable to Calavo Growers, Inc.	\$ (12,981)	\$ (15,636)	\$ 1,137	\$ (19,852)
Non-GAAP adjustments:				
Non-cash losses recognized from unconsolidated entities				
(a)	469	1,170	1,755	6,375
Loss (Recovery) from FreshRealm (b)	(6,000)	37,192	(6,130)	37,192
Certain management transition expenses (c)	—	—	685	1,119
Acquisition costs (d)	—	—	262	510
Net (gain) loss on Limoneira shares (e)	252	(218)	(6,843)	9,125
RFG rent expense add back (f)	108	—	324	—
Professional expenses related to FreshRealm	—	—	141	—
Consulting expenses related to restructuring (g)	125	—	125	—
Mexican tax matters (h)	13,815	—	13,815	—
Tax impact of adjustments (i)	1,168	(9,596)	2,332	(13,762)
Adjusted net income (loss) attributed to Calavo Growers, Inc.	<u>\$ (3,044)</u>	<u>\$ 12,912</u>	<u>\$ 7,603</u>	<u>\$ 20,707</u>
Calavo Growers, Inc.’s net income (loss) per share:				
Diluted EPS (GAAP)	<u>\$ (0.74)</u>	<u>\$ (0.89)</u>	<u>\$ 0.06</u>	<u>\$ (1.13)</u>
Adjusted Diluted EPS	<u>\$ (0.17)</u>	<u>\$ 0.73</u>	<u>\$ 0.43</u>	<u>\$ 1.18</u>
Number of shares used in per share computation:				
Diluted	<u>17,630</u>	<u>17,586</u>	<u>17,669</u>	<u>17,558</u>

- (a) For the three and nine months ended July 31, 2021, we realized losses from Agricola Don Memo totaling \$0.5 million and \$1.8 million. For the three and nine months ended July 31, 2020, we realized income from Agricola Don Memo totaling \$0.6 million and \$0.9 million. For the three and nine months ended July 31, 2020, we recorded \$1.8 million \$7.2 million of non-cash losses from FreshRealm.
- (b) In July 2021, as part of the FreshRealm Separation Agreement, FreshRealm paid Calavo the Loan Payoff Amount of \$6.0 million, and we recorded the receipt on the statement of operations as a recovery of the reserve for collectability of the FreshRealm note receivable. During the third quarter of fiscal 2020, we recorded an impairment of 100% of our equity investment of \$2.8 million, and we have recorded a reserve for collectability of 100% of our note receivable of \$34.2 million (which included accrued interest of \$4.1 million), and \$0.2 million in trade accounts receivable as of July 31, 2020, which resulted in a loss of \$37.2 million.
- (c) The nine months ended July 31, 2021, includes higher stock-based compensation for the early vesting of restricted stock for the retirement of our former Chief Executive Officer and Board member. The nine months ended July 31, 2020, includes higher stock-based compensation expense related to senior management transitions, which does not impact the underlying cost structure of the company.

- (d) In the first quarter of 2021, we incurred professional service costs related to a considered but non-consummated acquisition. In the first quarter of 2020, we incurred transaction expenses related to the acquisition of SFFI Company, Inc. doing business as Simply Fresh Fruit.
- (e) For the three and nine months ended July 31, 2021, we recorded \$0.3 million in unrealized gains and \$6.8 million in unrealized losses related to these mark-to-market adjustments. For the three and nine months ended July 31, 2020, we recorded \$0.2 million in unrealized gains and \$9.1 million in unrealized losses related to these mark-to-market adjustments.
- (f) For the three and nine months ended July 31, 2021, we incurred \$0.1 million and \$0.3 million related to rent paid for RFG corporate office space that we have vacated and plan to sublease.
- (g) For the three and nine months ended July 31, 2021, we recorded \$0.1 million of consulting expenses related to an enterprise-wide strategic business operations study conducted by a third-party management consulting organization for the purpose of restructuring to improve the profitability of the organization and efficiency of its operations.
- (h) In June 2021, we paid \$2.4 million in full settlement of the 2011 Assessment. Of this amount, \$1.5 million has been recorded as a discrete item in Income Tax Provision and \$0.9 million is related to Value Added Tax expense and recorded as Expenses related to the Mexican tax matters. An additional \$0.3 million of related professional fees have also been recorded as expenses related to the Mexican tax matters. See Note 7 to the consolidated financial statements included in the Quarterly Reports on Form 10-Q for the fiscal quarter ended July 31, 2021, for further information.

In July 2021, based on our evaluation of the most probable outcomes of the 2013 Assessment, we have recorded an accrual of \$11 million in the accompanying financial statements as a discrete item in Income Tax Provision. An additional \$0.1 million of related professional fees have also been recorded as Expenses related to the Mexican tax matters. See Note 7 to the consolidated financial statements included in the Quarterly Reports on Form 10-Q for the fiscal quarter ended July 31, 2021, for further information.

- (i) Tax impact of non-GAAP adjustments are based on the effective year-to-date tax rates.
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CALAVO GROWERS, INC.
RECONCILIATION OF EBITDA AND ADJUSTED EBITDA (UNAUDITED)
(in thousands, except per share amounts)

The following table presents EBITDA and adjusted EBITDA, each a non-GAAP measure, and reconciles them to net income (loss) attributable to Calavo Growers, Inc., which is the most directly comparable GAAP measure. See “Non-GAAP Financial Measures” earlier in this release.

	Three months ended July 31,		Nine months ended July 31,	
	2021	2020	2021	2020
Net income (loss) attributable to Calavo Growers, Inc.	\$ (12,981)	\$ (15,636)	\$ 1,137	\$ (19,852)
Interest Income	31	(299)	(58)	(1,933)
Interest Expense	208	203	573	732
Provision (benefit) for Income Taxes (h)	12,358	(4,682)	17,073	(6,540)
Depreciation & Amortization	4,554	4,204	12,925	11,850
Stock-Based Compensation	554	852	2,818	3,569
EBITDA	<u>\$ 4,724</u>	<u>\$ (15,358)</u>	<u>\$ 34,468</u>	<u>\$ (12,174)</u>
Adjustments:				
Non-cash losses recognized from unconsolidated entities				
(a)	469	1,170	1,755	6,375
Net (gain) loss on Limoneira shares (e)	252	(218)	(6,843)	9,125
Loss (Recovery) from FreshRealm (b)	(6,000)	37,192	(6,130)	37,192
Professional expenses related to FreshRealm	—	—	141	—
RFG rent expense add back (f)	108	—	324	—
Acquisition costs (d)	—	—	262	510
Consulting expenses related to restructuring (g)	125	—	125	—
Expenses related to Mexican matters (h)	1,342	—	1,342	—
Adjusted EBITDA	<u>\$ 1,020</u>	<u>\$ 22,786</u>	<u>\$ 25,444</u>	<u>\$ 41,028</u>
Adjusted EBITDA per dilutive share	<u>\$ 0.06</u>	<u>\$ 1.30</u>	<u>\$ 1.44</u>	<u>\$ 2.34</u>

See prior page for footnote references

CALAVO GROWERS, INC.
OTHER INFORMATION (UNAUDITED)
(in thousands, except per pound amounts)

	Three months ended		Nine months ended	
	July 31,		July 31,	
	2021	2020	2021	2020
Pounds of avocados sold	97,886	105,968	296,516	292,642
Pounds of processed avocado products sold	6,766	6,425	18,956	19,416
Average sales price per pound - avocados	\$ 1.52	\$ 1.37	\$ 1.35	\$ 1.41
Gross profit per pound - avocados	\$ 0.11	\$ 0.15	\$ 0.12	\$ 0.11
Average sales price per pound – processed avocado products	\$ 2.80	\$ 2.83	\$ 2.89	\$ 2.84
Gross profit per pound – processed avocado products	\$ 0.18	\$ 0.78	\$ 0.59	\$ 0.84



Calavo Growers Announces Retirement of James Gibson and Appointment of Steven Hollister as Interim CEO

SANTA PAULA, Calif., Sept. 8, 2021—Calavo Growers, Inc. (Nasdaq-GS: CVGW), a global leader in the avocado and value-added fresh food industries, today announced that James Gibson will retire as Chief Executive Officer, effective September 9, 2021. Steven Hollister, a member of Calavo's Board of Directors since 2008, will assume the role of Interim CEO. The Board has engaged an executive search firm to identify Mr. Gibson's successor. In addition to his role of Interim CEO, Mr. Hollister will also serve as interim Chief Financial Officer until a new CFO is appointed, and Farha Aslam will return to her role as an independent director. Mr. Gibson will continue as an employee of Calavo through September 30, 2021 to assist in transitioning his job responsibilities.

"I am proud to have had the honor and opportunity to lead Calavo and would like to thank all of our employees for their commitment and service to the company. We have accomplished a great deal together, and I wish them the best success in the future," said Mr. Gibson.

"Jim's contribution to building Calavo into what it is today has been enormous. He has served as CEO since February of 2020, and before that was president of Renaissance Food Group, a company he co-founded and that Calavo acquired more than ten years ago. On behalf of our leadership team and Board of Directors, we want to thank Jim for his vision and leadership and wish him well in his retirement," said J. Link Leavens, Chairman of the Board of Directors.

Mr. Leavens continued, "Steve is a very accomplished executive with significant expertise in both finance and agriculture, and a deep understanding of our business, brand, operations and people. His leadership and experience make him the perfect person to lead Calavo through this transition."

Mr. Hollister has been a Managing Member of Rocking Spade, LLC, an investor and developer with interests in ranching and commercial properties, since 2001. Previously, Mr. Hollister was Vice President of Sunrise Mortgage and Investment Company, General Manager of Niven Family Wine Estates, Chief Operating Officer of Fess Parker Winery and Vineyard and Santa Barbara County Wine Center, and Senior Vice President of Central Coast Farm Credit.

About Calavo Growers, Inc.

Calavo Growers, Inc. is a global avocado-industry leader and provider of value-added fresh food serving retail grocery, foodservice, club stores, mass merchandisers, food distributors and wholesalers worldwide. The Company's Fresh segment procures and markets fresh avocados and select other fresh produce, including tomatoes and papayas. The Renaissance Food Group (RFG) segment creates, markets and distributes a portfolio of healthy, fresh foods, including fresh-cut fruit, fresh-cut vegetables and prepared foods. The Foods segment manufactures and distributes guacamole and salsa. Founded in 1924, Calavo's fresh food products are sold under the respected Calavo brand name as well as Garden Highway, Chef Essentials and several private label and store brands.

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