

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ 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: 000-33385

CALAVO GROWERS, INC.

(Exact name of registrant as specified in its charter)

California33-0945304

(State or other jurisdiction of incorporation or organization)(I.R.S. Employer Identification No.)

1141-A Cummings Road, Santa Paula, California93060

(Address of principal executive offices)(Zip Code)

(805) 525-1245

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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, \$0.001 par value per share	CVGW	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 Exchange Act). Yes ☐ No ☒

Registrant's number of shares of common stock outstanding as of February 28, 2024 was17,800,265

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2, contains statements relating to future events and results of Calavo Growers, Inc. and its consolidated subsidiaries (referred to in this report as "Calavo," the "Company," "we," "us" or "our"), 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. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements, including, but not limited to, any projections of revenue, gross profit, expenses, income/(loss) from unconsolidated entities, earnings, earnings per share, tax provisions, cash flows and currency exchange rates; the impact of acquisitions or debt or equity investments or other financial items; any statements of the plans, strategies and objectives of management for future operations, including execution of restructuring and integration (including information technology systems integration) plans; any statements regarding current or future macroeconomic trends or events and the impact of those trends and events on Calavo and its financial performance, whether attributable to Calavo or any of its unconsolidated entities; any statements regarding pending investigations, legal claims or tax disputes; any statements of expectation or belief; any statements about future risks associated with doing business internationally (including possible restrictive U.S. and foreign governmental actions, such as restrictions on transfers of funds, restrictions as a result of trade protection measures such as import/export/customs duties, tariffs and/or quotas); any risks associated with receivables from and/or equity investments in unconsolidated entities; system security risk and cyber-attacks and any statements of assumptions underlying any of the foregoing. 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 ability of our management team to work together successfully; the impact of operational and restructuring initiatives on our business, results of operations, and financial condition, including uncertainty as to whether the desired effects will be achieved; and potential long-term adverse effects from reducing capital expenditures; the impact of weather on market prices and operational costs; 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 access to labor necessary for us to render services; susceptibility to wage inflation; 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; risks associated with the environment and climate change, especially as they may affect our sources of supply; 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 restrictions as a result of 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; 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; the ability of the parties to reach a binding agreement for the Proposed Transaction, the potential that the price, structure, form of consideration (for example, cash, promissory, equity) and other material terms may be materially different than currently expected, the continuing financial and operating performance of the Fresh Cut business during the negotiation process; the possible effect of the announcement of the sale of the Fresh Cut business on our customer, vendor and supplier relationships, operating results and business generally; and if the Company enters into a binding agreement for the Proposed Transaction, the occurrence of any event, change or other circumstance that prevents the completion of the sale of the Proposed Transaction, including the failure to satisfy all closing conditions that included in such binding agreement.

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 for the fiscal year ended October 31, 2023 filed with the

Securities and Exchange Commission and any subsequent updates that may be contained in our Quarterly Reports on Form 10-Q (including this Quarterly Report on Form 10-Q) and other filings with the Securities and Exchange Commission. Forward-looking statements contained in this Quarterly Report on Form 10-Q are made only as of the date of this report, and we undertake no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

CALAVO GROWERS, INC.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	January 31, 2024	October 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,658	\$ 2,091
Restricted cash	—	761
Accounts receivable, net of allowances of \$3,591 (2024) and \$3,364 (2023)	35,158	33,897
Inventories	39,551	31,571
Prepaid expenses and other current assets	10,256	11,739
Advances to suppliers	13,409	14,684
Current assets held for sale	140,671	37,533
Income taxes receivable	894	1,094
Total current assets	245,597	133,370
Property, plant, and equipment, net	59,206	60,924
Operating lease right-of-use assets	17,507	18,357
Investments in unconsolidated entities	2,903	2,902
Deferred income tax assets	3,010	3,010
Goodwill	10,211	10,211
Non-current assets held for sale	—	105,424
Intangibles, net	275	275
Other assets	55,974	52,381
	<u>\$ 394,683</u>	<u>\$ 386,854</u>
Liabilities and shareholders' equity		
Current liabilities:		
Payable to growers	\$ 21,964	\$ 14,788
Trade accounts payable	4,916	5,097
Accrued expenses	20,582	15,809
Current liabilities held for sale	57,222	29,911
Other current liabilities	11,000	11,000
Current portion of term loan	792	647
Current portion of operating leases	3,585	3,663
Current portion of long-term obligations and finance leases	834	831
Total current liabilities	120,895	81,746
Long-term liabilities:		
Borrowings pursuant to line of credit, long-term	41,677	35,024
Long-term liabilities held for sale	—	29,295
Long-term portion of term loan	3,213	3,416
Long-term portion of operating leases	16,488	17,328
Long-term portion of obligations and finance leases	4,478	4,645
Deferred income tax liabilities	746	746
Other long-term liabilities	4,653	4,425
Total long-term liabilities	71,255	94,879
Commitments and contingencies		
Shareholders' equity:		
Common stock (\$0.001 par value, 100,000 shares authorized; 17,800 (2024) and 17,761 (2023) shares issued and outstanding)	18	18
Additional paid-in capital	176,823	176,481
Noncontrolling interest	1,402	1,392
Retained earnings	24,290	32,338
Total shareholders' equity	<u>202,533</u>	<u>210,229</u>
	<u>\$ 394,683</u>	<u>\$ 386,854</u>

The accompanying notes are an integral part of these consolidated financial statements.

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

	Three months ended January 31,	
	2024	2023
Net sales	\$ 127,606	\$ 132,763
Cost of sales	115,138	119,678
Gross profit	12,468	13,085
Selling, general and administrative	13,463	11,642
Expenses related to Mexican tax matters	383	2,048
Operating loss	(1,378)	(605)
Interest expense	(824)	(377)
Other income, net	200	340
Loss before income taxes and loss from unconsolidated entities	(2,002)	(642)
Income tax benefit (expense)	(573)	41
Net income from unconsolidated entities	1	156
Net loss from continuing operations	(2,574)	(445)
Net loss from discontinued operations (refer to Note 11)	(3,683)	(2,350)
Net loss	(6,257)	(2,795)
Add: Net income attributable to noncontrolling interest	(10)	(273)
Net loss attributable to Calavo Growers, Inc.	<u>\$ (6,267)</u>	<u>\$ (3,068)</u>
Calavo Growers, Inc.'s net loss per share:		
Basic		
Continuing Operations	\$ (0.15)	\$ (0.04)
Discontinued Operations	\$ (0.21)	\$ (0.13)
Net loss attributable to Calavo Growers, Inc	\$ (0.35)	\$ (0.17)
Diluted		
Continuing Operations	\$ (0.15)	\$ (0.04)
Discontinued Operations	\$ (0.21)	\$ (0.13)
Net loss attributable to Calavo Growers, Inc	\$ (0.35)	\$ (0.17)
Number of shares used in per share computation:		
Basic	17,799	17,673
Diluted	<u>17,799</u>	<u>17,673</u>

The accompanying notes are an integral part of these consolidated financial statements.

CALAVO GROWERS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Three months ended January 31,	
	2024	2023
Cash Flows from Operating Activities:		
Net loss	\$ (6,257)	\$ (2,795)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,555	4,166
Non-cash operating lease expense	14	52
Net income from unconsolidated entities	(1)	(156)
Provision for uncollectible Mexican IVA taxes receivable	165	1,404
Stock-based compensation expense	941	1,253
Gain on sale of Temecula packinghouse	(54)	(54)
Effect on cash of changes in operating assets and liabilities:		
Accounts receivable, net	(1,645)	(3,217)
Inventories	(7,870)	(5,262)
Prepaid expenses and other current assets	1,313	(2,050)
Advances to suppliers	1,388	2,676
Income taxes receivable/payable	200	(721)
Other assets	(3,758)	(4,094)
Payable to growers	7,176	(4,104)
Trade accounts payable, accrued expenses and other liabilities	3,891	7,026
Net cash provided by (used in) operating activities	58	(5,876)
Cash Flows from Investing Activities:		
Purchases of property, plant, and equipment	(1,030)	(5,185)
Net cash used in investing activities	(1,030)	(5,185)
Cash Flows from Financing Activities:		
Payment of dividend to shareholders	(1,781)	(5,102)
Proceeds from revolving credit facilities	29,200	64,500
Payments on revolving credit facilities	(22,547)	(49,300)
Payments of minimum withholding taxes on net share settlement of equity awards	(599)	—
Payments on term loan	(58)	—
Payments on long-term obligations and finance leases	(437)	(422)
Proceeds from stock option exercises	—	48
Net cash provided by financing activities	3,778	9,724
Net increase (decrease) in cash, cash equivalents and restricted cash	2,806	(1,337)
Cash, cash equivalents and restricted cash, beginning of period	2,852	3,134
Cash, cash equivalents and restricted cash, end of period	\$ 5,658	\$ 1,797
Noncash Investing and Financing Activities:		
Right of use assets obtained in exchange for new financing lease obligations	\$ 135	\$ 1,097
Settlement of Agricola Belher infrastructure advance offset against payable to growers	\$ 113	\$ —
Property, plant, and equipment included in trade accounts payable and accrued expenses	\$ 1,583	\$ 98

The accompanying notes are an integral part of these consolidated financial statements.

CALAVO GROWERS, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
(in thousands)

	Common Stock		Additional	Retained	Noncontrolling	
	Shares	Amount	Paid-in Capital	Earnings	Interest	Total
Balance, October 31, 2023	17,761	\$ 18	\$ 176,481	\$ 32,338	\$ 1,392	\$ 210,229
Issuance of common stock in connection with stock-based compensation, net of tax withholdings	39	—	(599)	—	—	(599)
Stock-based compensation expense	—	—	941	—	—	941
Dividend declared to shareholders (0.10 per share)	—	—	—	(1,781)	—	(1,781)
Avocados de Jalisco noncontrolling interest	—	—	—	—	10	10
Net loss attributable to Calavo Growers, Inc.	—	—	—	(6,267)	—	(6,267)
Balance, January 31, 2024	<u>17,800</u>	<u>\$ 18</u>	<u>\$ 176,823</u>	<u>\$ 24,290</u>	<u>\$ 1,402</u>	<u>\$ 202,533</u>

	Common Stock		Additional	Retained	Noncontrolling	
	Shares	Amount	Paid-in Capital	Earnings	Interest	Total
Balance, October 31, 2022	17,732	\$ 18	\$ 171,223	\$ 51,115	\$ 1,015	\$ 223,371
Issuance of common stock in connection with stock-based compensation, net of tax withholdings	11	—	48	—	—	48
Stock compensation expense	—	—	1,253	—	—	1,253
Dividend declared to shareholders (0.2875 per share)	—	—	—	(5,102)	—	(5,102)
Avocados de Jalisco noncontrolling interest	—	—	—	—	273	273
Net loss attributable to Calavo Growers, Inc.	—	—	—	(3,068)	—	(3,068)
Balance, January 31, 2023	<u>17,743</u>	<u>18</u>	<u>172,524</u>	<u>42,945</u>	<u>1,288</u>	<u>216,775</u>

See accompanying notes to consolidated financial statements.

CALAVO GROWERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Description of the business

Business

Calavo Growers, Inc. (referred to in this report as “Calavo”, the “Company”, “we”, “us” or “our”), is a global leader in the avocado industry and a provider of value-added fresh food. Our expertise in marketing and distributing avocados, prepared avocados, and other perishable foods allows us to deliver a wide array of fresh and prepared food products to retail grocery, foodservice, club stores, mass merchandisers, food distributors and wholesalers on a worldwide basis. We procure avocados from California, Mexico and other growing regions around the world. Through our various operating facilities, we (i) sort, pack, and/or ripen avocados, tomatoes and/or Hawaiian grown papayas, (ii) create, process and package a portfolio of healthy fresh foods including fresh-cut fruit and vegetables, and prepared foods and (iii) process and package guacamole and salsa. We distribute our products both domestically and internationally and we report our operations in two different business segments: Grown and Prepared.

We and certain of our subsidiaries have entered into non-binding, exclusive negotiations regarding the potential sale of all of the assets used in our Fresh Cut business and certain related real property for approximately \$100.0 million, subject to certain adjustments that may be included in a binding agreement. The Proposed Transaction is expected to close in the second quarter of fiscal 2024. The Fresh Cut business represents substantially all of the business of the Prepared segment other than the guacamole business, which would be retained following the Proposed Transaction.

In the first quarter of 2024, management has concluded that the Fresh Cut business meets the requirements to be classified as held for sale and discontinued operations. As a result, the financial results of that business are reported as discontinued operations in the accompanying statements of operations, and its assets and liabilities are reflected as amounts held for sale in the accompanying balance sheets. The Company's reporting segments have also been changed for the effects of the planned divestiture, as described in Note 2. For more information, see Note 11.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of adjustments of a normal recurring nature necessary to present fairly the Company's financial position, results of operations and cash flows. The results of operations for interim periods are not necessarily indicative of the results that may be expected for a full year. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2023.

Retrospective reclassifications have been made to prior period financial statements and disclosures to present the Fresh Cut business unit as discontinued operations (see Note 11, “Assets Held for Sale and Discontinued Operations”).

2. Information regarding our operations in different segments

Prior to the decision to divest our Fresh Cut business (formerly RFG), the Company's Prepared reporting segment included the Fresh Cut business unit and our guacamole business. As a result of the planned divestiture, the Fresh Cut business unit is no longer included in our Prepared business segment, and is not included in the tables below. All segment information included herein reflects these changes. See Note 11 for further information.

We report our operations in two different business segments: Grown and Prepared. The Grown segment consists of fresh avocados, tomatoes and papayas. The Prepared segment comprises all our guacamole products sold at retail and food service as well as avocado pulp sold to foodservice. These two business segments are presented based on how information is used by our Chief Executive Officer to measure performance and allocate resources. Selling, general and administrative expenses, as well as other non-operating income/expense items, are evaluated by our Chief Executive Officer in the aggregate. We do not allocate assets, or specifically identify them, to our operating segments. The sales data in the following tables is presented in thousands:

	Three months ended January 31, 2024			Three months ended January 31, 2023		
	Grown	Prepared	Total	Grown	Prepared	Total
Avocados	\$ 99,631	\$ —	\$ 99,631	\$ 102,621	\$ —	\$ 102,621
Tomatoes	10,839	—	10,839	13,310	—	13,310
Papayas	3,082	—	3,082	3,327	—	3,327
Other fresh income	26	—	26	17	—	17
Guacamole	—	16,079	16,079	—	16,352	16,352
Salsa	—	—	—	—	446	446
Total gross sales	113,578	16,079	129,657	119,275	16,798	136,073
Less sales allowances	(552)	(1,499)	(2,051)	(1,527)	(1,783)	(3,310)
Net sales	<u>\$ 113,026</u>	<u>\$ 14,580</u>	<u>\$ 127,606</u>	<u>\$ 117,748</u>	<u>\$ 15,015</u>	<u>\$ 132,763</u>

	Grown	Prepared	Total
	(All amounts are presented in thousands)		
Three months ended January 31, 2024			
Net sales	\$ 113,026	\$ 14,580	\$ 127,606
Cost of sales	104,888	10,250	115,138
Gross profit	<u>\$ 8,138</u>	<u>\$ 4,330</u>	<u>\$ 12,468</u>
Three months ended January 31, 2023			
Net sales	\$ 117,748	\$ 15,015	\$ 132,763
Cost of sales	108,267	11,411	119,678
Gross profit	<u>\$ 9,481</u>	<u>\$ 3,604</u>	<u>\$ 13,085</u>

For the three months ended January 31, 2024 and 2023, intercompany sales and cost of sales of \$ 0.4 million and \$0.3 million between Grown products and Prepared products were eliminated, respectively.

Sales to customers outside the U.S. were approximately \$10.9 million and \$7.6 million for the three months ended January 31, 2024 and 2023.

Our foreign operations in Mexico are subject to exchange rate fluctuations and foreign currency transaction costs. The functional currency of our foreign subsidiaries in Mexico is the United States dollar (U.S. dollar). As a result, monetary assets and liabilities are translated into U.S. dollars at exchange rates as of the balance sheet date and non-monetary assets, liabilities and equity are translated at historical rates. Sales and expenses are translated using a weighted-average exchange rate for the period. Gains and losses resulting from those remeasurements and foreign currency transactions are recognized within cost of sales. We recognized foreign currency remeasurement gains in the

current quarter. These gains were due primarily to certain long-term net peso receivables. Foreign currency remeasurement gains, net of losses, for the three months ended January 31, 2024 and 2023 were \$1.7 million and \$1.3 million respectively.

The net carrying value of long-lived assets attributed to geographic areas as of January 31, 2024 and October 31, 2023, are as follows (in thousands):

	United States	Mexico	Consolidated
January 31, 2024	\$ 24,454	\$ 34,752	\$ 59,206
October 31, 2023	\$ 25,986	\$ 34,938	\$ 60,924

3. Inventories

Inventories consist of the following (in thousands):

	January 31, 2024	October 31, 2023
Fresh fruit	\$ 20,093	\$ 14,815
Packing supplies and ingredients	7,573	7,908
Finished prepared foods	11,885	8,848
Total	<u>\$ 39,551</u>	<u>\$ 31,571</u>

Inventories are stated at the lower of cost or net realizable value. We periodically review the value of items in inventory and record any necessary write downs of inventory based on our assessment of market conditions. Inventory includes reserves of \$0.5 million and \$0.4 million in slow moving inventories as of January 31, 2024 and October 31, 2023.

4. Related party transactions

Board of Directors

Certain members of our Board of Directors market California avocados through Calavo pursuant to marketing agreements substantially similar to the marketing agreements that we enter into with other growers. For the three months ended January 31, 2023, the aggregate amount of avocados procured from entities owned or controlled by members of our Board of Directors was \$0.2 million. For the three months ended January 31, 2024, we did not procure any avocados from entities owned or controlled by members of our Board of Directors. We did not have any amounts payable to these Board members as of January 31, 2024 and October 31, 2023. For the three months ended January 31, 2024, we have procured less than \$0.1 million of avocados from entities affiliated with our Chief Executive Officer.

Agricola Don Memo, S.A. de C.V. ("Don Memo")

Calavo and Agrícola Belher ("Belher") each have an equal one-half ownership interest in Don Memo. Pursuant to a management service agreement, Belher, through its officers and employees, has day-to-day power and authority to manage the operations of Don Memo.

As of January 31, 2024, and October 31, 2023, we had an investment of \$ 2.9 million, representing Calavo's 50% ownership in Don Memo, which was included as an investment in unconsolidated entities on our balance sheet. We make advances to Don Memo for operating purposes, provide additional advances as shipments are made during the season, and return the proceeds from tomato sales under our marketing program to Don Memo, net of our commission and aforementioned advances. For the three months ended January 31, 2024 and 2023, we advanced \$1.0 million and \$0.9 million of preseason advances to Don Memo. As of January 31, 2024 and October 31, 2023, we had outstanding advances of \$6.5 million and \$7.3 million to Don Memo. In October 2020, we entered into an infrastructure loan agreement with Don Memo for up to \$2.4 million secured by certain property and equipment of Don Memo. This infrastructure loan accrues interest at 7.25%. The total outstanding infrastructure loan balance at January 31, 2024 and at

October 31, 2023, was \$1.6 million, respectively. During the three months ended January 31, 2024 and 2023, we incurred \$4.2 million and \$5.0 million of cost of sales to Don Memo pursuant to our purchase consignment agreement.

Belher

We make advances to Belher for operating purposes, provide additional advances as shipments are made during the season, and return the proceeds from tomato sales under our marketing program to Belher, net of our commission and aforementioned advances. We had grower advances due from Belher totaling \$4.3 million and \$5.4 million as of January 31, 2024 and October 31, 2023, which are netted against the grower payable. In July 2021, we made a bridge loan of \$3.5 million to Belher. This loan is secured by certain farmland in Mexico and accrues interest at 10%. In the first quarter of fiscal 2022, this loan was amended to be due with installments of \$0.9 million on July 31, 2022, \$0.9 million on July 31, 2023 and \$1.7 million on July 31, 2024. As part of this amended loan agreement, we can withhold payments on both the infrastructure advances and the bridge loan through the netting against the grower payable due to Belher. The total outstanding bridge loan balance at January 31, 2024 and October 31, 2023, was \$1.6 million and \$1.7 million, respectively, which is included in prepaid expenses and other current assets. During the three months ended January 31, 2024 and 2023, we incurred \$3.0 million and \$3.9 million of cost of sales to Belher pursuant to our purchase consignment agreement.

Avocados de Jalisco, S.A.P.I. de C.V. ("Avocados de Jalisco")

In August 2015, we entered into a Shareholder's Agreement with various Mexican partners and created Avocados de Jalisco. Avocados de Jalisco is a Mexican corporation created to engage in procuring, packing and selling avocados. As of January 31, 2024, this entity was approximately 83% owned by Calavo and was consolidated in our financial statements. Avocados de Jalisco built a packinghouse located in Jalisco, Mexico, which began operations in June of 2017. During the three months ended January 31, 2024 and 2023 we purchased approximately \$2.5 million and \$3.7 million of avocados from the partners of Avocados de Jalisco.

5. Other assets

Other assets consist of the following (in thousands):

	January 31, 2024	October 31, 2023
Mexican IVA (i.e. value-added) taxes receivable, net (see Note 10)	\$ 53,524	\$ 49,888
Infrastructure advances	1,641	1,641
Other	809	852
Total	<u>\$ 55,974</u>	<u>\$ 52,381</u>

6. Stock-Based Compensation

In April 2011, our shareholders approved the Calavo Growers, Inc. 2011 Management Incentive Plan (the "2011 Plan"). All directors, officers, employees and consultants (including prospective directors, officers, employees and consultants) of Calavo and its subsidiaries are eligible to receive awards under the 2011 Plan. Shares were issuable under the 2011 Plan through December 2020. On April 21, 2021, the shareholders of Calavo approved the Calavo Growers, Inc. 2020 Equity Incentive Plan (the "2020 Plan"). This is a five-year plan with up to 1,500,000 shares that are issuable pursuant to awards that may be made through December 9, 2025.

Restricted Stock Awards (RSAs)

The total recognized stock-based compensation expense for restricted stock awards was less than \$ 0.1 million and \$0.7 million for the three months ended January 31, 2024 and 2023, respectively. As of January 31, 2024, there was no unrecognized stock-based compensation costs related to non-vested RSAs.

A combined summary of restricted stock award activity, related to our 2011 and 2020 Plans, is as follows (in thousands, except for per share amounts):

	Number of Shares	Weighted-Average Grant Price	Aggregate Intrinsic Value
Outstanding at October 31, 2023	29	\$ 35.24	
Vested	(28)	\$ 35.14	
Outstanding at January 31, 2024	<u>1</u>	<u>\$ 41.39</u>	<u>\$ 12</u>

Restricted Stock Units (RSUs) and Performance Restricted Stock Units (PRSUs)

On November 1, 2023, each of our 8 directors were granted 4,929 RSUs (for a total of 39,432 RSUs) at a price of \$24.35 that will vest November 1, 2024.

The total recognized stock-based compensation expense for RSUs was \$ 0.5 million for the three months ended January 31, 2024 and 2023, respectively. As of January 31, 2024, there was \$1.7 million of unrecognized stock-based compensation costs related to non-vested RSUs, which the Company expects to recognize over a weighted-average period of 1.1 years.

A summary of RSU activity, related to our 2020 Plan, is as follows (in thousands, except for per share amounts):

	Number of Shares Represented	Weighted-Average Grant Price	Aggregate Intrinsic Value
Outstanding at October 31, 2023	51	\$ 35.36	
Granted	39	\$ 24.35	
Vested	(17)	\$ 34.24	
Forfeited	(1)	\$ 34.51	
Outstanding at January 31, 2024	<u>72</u>	<u>\$ 29.35</u>	<u>\$ 1,869</u>

At the end of each reporting period, the Company will adjust compensation expense for the PRSUs based on its best estimate of attainment of the specified performance targets. The cumulative effect on current and prior periods of a change in the estimated number of PRSUs that are expected to be earned will be recognized as an adjustment in the period of the adjustment. As of January 31, 2024, the Company still believes that it is not probable that any of the PRSUs for the 2023 and 2022 three-year cumulative performance grant would vest. Therefore, there is no unrecognized stock-based compensation costs related to non-vested PRSUs.

Stock Options

Stock options are granted with exercise prices of not less than the fair market value at grant date, generally vest over one to five years and generally expire two to five years after the vest date. We settle stock option exercises with newly issued shares of common stock.

We measure compensation cost for all stock-based awards at fair value on the date of grant and recognize compensation expense in our consolidated statements of operations over the service period that the awards are expected to vest. We measure the fair value of our stock-based compensation awards on the date of grant.

There was no stock option activity for the three months ended January 31, 2024. A summary of stock option activity, related to our 2011 and 2020 Plans, is as follows (in thousands, except for weighted-average exercise price):

	Number of Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Outstanding at October 31, 2023	525	\$ 25.44	
Outstanding at January 31, 2024	525	\$ 25.44	\$ 850
Exercisable at January 31, 2024	19	\$ 48.48	\$ —

The total stock-based compensation expense for options was \$ 0.4 million for the three months ended January 31, 2024. As of January 31, 2024, there was \$0.2 million of unrecognized stock-based compensation costs related to non-vested options, which the Company expects to recognize over a weighted-average remaining period of 0.2 years.

7. Other events

Dividend payments

On January 31, 2024, we paid a dividend of \$0.10 per share, or an aggregate of \$1.8 million, to shareholders of record on January 26, 2024.

Restricted cash

In the prior year, in connection with the our Credit Facility, we temporarily posted \$ 0.8 million of cash collateral to satisfy certain collateral requirements as we transitioned banks providing letters of credit related to our workers compensation policies. In the first quarter 2024, this restriction has been released.

Litigation

From time to time, we are involved in litigation arising in the ordinary course of our business that we do not believe will have a material adverse impact on our financial statements.

Compliance matters

On January 16, 2024, the Company announced that its internal audit process had identified to the Audit Committee of the Board of Directors certain matters that the Board of Directors determined after fiscal year end merited enhanced evaluation. A Special Committee of the Board of Directors (the "Special Committee") was established to commence an investigation, with the assistance of external legal counsel and external forensic accountants. The Special Committee determined that certain of those matters related to the Company's operations in Mexico raised potential issues under the Foreign Corrupt Practices Act ("FCPA"). The Company has voluntarily disclosed this ongoing internal investigation to the SEC and the Department of Justice ("DOJ"), and the Company intends to fully cooperate with the SEC and the DOJ in connection with these matters. Any determination that the Company's operations or activities were not in compliance with laws, including the FCPA, could result in the imposition of material fines and penalties and the imposition of equitable remedies. The Company cannot currently predict the timing of completion or the outcome of its internal investigation or of any actions that may be taken by the SEC, the DOJ or Mexican authorities in connection with the matters under investigation, and the Company cannot currently estimate the amount or range of loss or potential impact on its consolidated financial statements associated with these matters.

Mexico tax audits

We conduct business both domestically and internationally and, as a result, one or more of our subsidiaries files income tax returns in U.S. federal, U.S. state and certain foreign jurisdictions. Accordingly, in the normal course of business, we are subject to examination by taxing authorities, primarily in Mexico and the United States.

2013 Assessment

In January 2017, we received preliminary observations from the Servicio de Administracion Tributaria in Mexico (the "SAT") related to an audit for fiscal year 2013 outlining certain proposed adjustments primarily related to intercompany funding, deductions for services from certain vendors/suppliers and IVA. We provided a written rebuttal to these preliminary observations during our second fiscal quarter of 2017. During the period from our third fiscal quarter of 2017 through our third fiscal quarter of 2018, we attempted to resolve our case with the SAT through the conclusive agreement submitted before PRODECON (Mexican Tax Ombudsman), having several working meetings attended by representatives of the SAT, Calavo de Mexico ("CDM") and the PRODECON. However, we were unable to materially resolve our case with the SAT through the PRODECON process.

As a result, in July 2018, the SAT's local office in Uruapan issued to CDM a final tax assessment (the "2013 Assessment") totaling approximately \$2.6 billion Mexican pesos (which includes annual adjustments for inflation, and equals approximately \$151.3 million USD at January 31, 2024) related to income tax, flat rate business tax, and value added tax, related to this fiscal 2013 tax audit. This amount has been adjusted for inflation as of January 31, 2024 to the amount of \$3.08 billion Mexican pesos (approx. \$179.2 million USD). Additionally, the tax authorities have determined that we owe our employees profit-sharing liability, totaling approximately \$118 million Mexican pesos (approx. \$6.9 million USD at January 31, 2024). In August 2018, we filed an Administrative Appeal on the 2013 Assessment, appealing our case to the SAT's central legal department in Michoacan.

On June 25, 2021, we became aware that the Administrative Appeal had been resolved by the SAT against CDM on March 12, 2021, and that we had allegedly failed to timely respond to and challenge the SAT's notification of such resolution, therefore rendering the 2013 Assessment as definitive. Consequently, the SAT placed liens on the fixed assets of CDM, with a net book value of approximately \$26 million USD, and on bank accounts of CDM totaling approximately \$1 million USD in order to guaranty the 2013 Assessment. Based on legal counsel from our tax advisory firm, we and our tax advisory firm have concluded that the March notification was not legally communicated.

On August 18, 2021, we filed an Administrative Reconsideration (the "Reconsideration") before the Central Legal Department of the SAT located in Mexico City, asserting that the resolution in March of the Administrative Appeal was wrongly concluded, in particular with respect to the following matters:

- o Failure to recognize CDM as a "maquiladora"
- o Considering the Company to have a permanent establishment in Mexico,
- o Including fruit purchase deposits transferred by the Company to CDM as taxable,
- o Application of 16% IVA tax to fruit purchase deposits; and
- o Imposing double-taxation on the fruit purchase transactions

On August 20, 2021 we filed an Annulment Suit (the "Annulment Suit") with the Federal Tax Court, which among other things, strongly contends that the notifications made by the SAT to CDM and its designated advisors of the resolution of the Administrative Appeal in March 2021 were not legally communicated. In addition, the Annulment Suit asserts the same matters central to the Reconsideration, as described above, as wrongly concluded in the resolution of the Administrative Appeal.

On September 22, 2021, we had an initial in-person meeting with the SAT in Mexico City to formally present and discuss the Reconsideration. The SAT agreed to review our Reconsideration in more detail; however, on January 3, 2022, the SAT formally rejected our request for the Reconsideration. In response to this rejection, on January 21, 2022, we filed a capital injunction suit (the "Injunction Suit") with a federal district court seeking to nullify the arguments against the Reconsideration made by the SAT on constitutional grounds.

The Injunction Suit was to challenge the SAT's response issued to the Reconsideration, and with that, to keep the Reconsideration alive until the Injunction Suit is decided. This would allow time to continue the discussions with SAT at the administrative level and would give SAT the legal basis to issue a new resolution. The Injunction Suit represents a further opportunity for a court to analyze this matter from a constitutional perspective.

On August 16, 2023, we received notice that the federal district court rejected the Injunction Suit. In so doing, the federal district court did not rule on the substance of the case, stating that the substance of the case will be resolved by the Tax Court through the Annulment Suit. The Company filed an appeal with the federal circuit court on August 30, 2023.

On March 10, 2022, we met with the SAT and offered an Administrative Guaranty (*Embargo en Via Administrativa*) to secure the 2013 Assessment, which provides the SAT with certain administrative rights to CDM assets in the unlikely event we do not prevail in our actions through the Federal Tax Court.

On October 10, 2022, the Tax Court ruled in favor of CDM granting the definitive suspension, accepting the Administrative Guaranty and forcing the SAT to remove all liens placed on CDM fixed assets and bank accounts. These liens were removed in November 2022. The Court also recognized that the \$3.1 billion peso assessment exceeds the economic capacity of CDM.

On October 13, 2023, the company filed an extension of the Annulment Suit filed on August 20, 2021, as a result of the response to the lawsuit filed by the Tax Authority, pointing out that Tax Authority's resolution is unlawful due to improper substantiation and motivation, because of the following:

- The QR Code does not allow the company to verify the veracity of the document,
- The notification of the tax assessment was not sent to the phone number indicated by the company, when the Tax Authority was obliged to do so, among others.

On November 14, 2023, the Tax Court notified the admission of the extension of the lawsuit was filed.

While we continue to believe that the 2013 Assessment is completely without merit, and that we will prevail on the Annulment Suit in the Tax Court, we also believe that it is in the best interest of CDM and the Company to settle the 2013 Assessment as quickly as possible. Furthermore, we believe that the above actions taken by CDM will encourage the SAT to agree to reach a settlement. In accordance with our cumulative probability analysis on uncertain tax positions, our settlements made by the SAT in other cases, the 2011 Assessment settlement reached by CDM with the MFM, and the value of CDM assets, we recorded a provision of \$11 million, in the third quarter of fiscal 2021, as a discrete item in Income Tax Provision. The provision includes estimated penalties, interest and inflationary adjustments. We believe that this provision remains appropriate as of January 31, 2024 based on our cumulative probability analysis. We incurred \$0.2 million of related professional fees for the three months ended January 31, 2024, respectively, which have been recorded in Expenses related to Mexican Tax matters on the consolidated statements of operations.

8. Noncontrolling interest

The following table reconciles shareholders' equity attributable to noncontrolling interest related to Avocados de Jalisco (in thousands).

Avocados de Jalisco noncontrolling interest	Three months ended January 31,	
	2024	2023
Noncontrolling interest, beginning	\$ 1,392	\$ 1,015
Net income attributable to noncontrolling interest of Avocados de Jalisco	10	273
Noncontrolling interest, ending	<u>\$ 1,402</u>	<u>\$ 1,288</u>

9. Earnings per share

Basic and diluted net income per share is calculated as follows (data in thousands, except per share data):

	Three months ended January 31,	
	2024	2023
Numerator:		
Net loss from continuing operations	\$ (2,574)	\$ (445)
Add: Net income attributable to noncontrolling interest	(10)	(273)
Net loss from continuing operations attributable to Calavo Growers, Inc.	(2,584)	(718)
Net loss from discontinued operations (refer to Note 11)	(3,683)	(2,350)
Net loss attributable to Calavo Growers, Inc.	\$ (6,267)	\$ (3,068)
Denominator:		
Weighted average shares - Basic	17,799	17,673
Effect on dilutive securities – Restricted stock/options (1)	—	—
Weighted average shares - Diluted	<u>17,799</u>	<u>17,673</u>
Net loss from continuing operations		
Basic	\$ (0.15)	\$ (0.04)
Diluted	\$ (0.15)	\$ (0.04)
Net loss from discontinued operations (refer to Note 11)		
Basic	\$ (0.21)	\$ (0.13)
Diluted (1)	\$ (0.21)	\$ (0.13)
Net loss per share attributable to Calavo Growers, Inc:		
Basic	\$ (0.35)	\$ (0.17)
Diluted (1)	\$ (0.35)	\$ (0.17)

(1) For the three months ended January 31, 2024 and 2023, approximately 34,000 shares and 137,000 shares of common stock equivalents, respectively, were excluded in the computation of diluted net loss per share, as the effect would be anti-dilutive given the Company's net loss for those periods.

10. Mexican IVA taxes receivable

Included in other assets are tax receivables due from the Mexican government for value-added taxes ("IVA") paid in advance. CDM is charged IVA by vendors on certain expenditures in Mexico, which, insofar as they relate to the exportation of goods, translate into IVA amounts recoverable from the Mexican government.

As of January 31, 2024, and October 31, 2023, CDM IVA receivables totaled \$ 53.5 million (928.7 million Mexican pesos) and \$49.9 million (913.6 million Mexican pesos). Historically, CDM received IVA refund payments from the Mexican tax authorities on a timely basis. Beginning in fiscal 2014 and continuing into fiscal 2023, the tax authorities began objecting to refund requests and supporting documentation that had previously been deemed acceptable to process a refund. Additionally, they are also contesting the refunds requested attributable to IVA paid to certain suppliers that allegedly did not fulfill their own tax obligations. We believe these factors and others have contributed to delays in the processing of IVA claims by the Mexican tax authorities. Currently, we are in the process of collecting such balances primarily through regular administrative processes, but these amounts may ultimately need to be recovered through Administrative Appeals and/or other legal means.

During the first quarter of fiscal 2017, the tax authorities informed us that their internal opinion, based on the information provided by the local SAT office, considers that CDM was not properly documented relative to its declared tax structure and therefore CDM could not claim the refundable IVA balance. CDM has strong arguments and supporting documentation to sustain its declared tax structure for IVA and income tax purposes. CDM started an Administrative

Appeal for the IVA related to the request of the months of July, August and September of 2015 (the "2015 Appeal") in order to assert its argument that CDM is properly documented and to therefore change the SAT's internal assessment. In August 2018, we received a favorable ruling from the SAT's Legal Administration in Michoacan on the 2015 Appeal indicating that they believe CDM's legal interpretation of its declared tax structure is indeed accurate. While favorable on this central matter of CDM's declared tax structure, the ruling, however, still does not recognize the taxpayers right to a full refund for the IVA related to the months of July, August and September 2015. Therefore, in October 2018, CDM filed a substance-over-form Annulment Suit in the Federal Tax Court to recover its full refund for IVA over the subject period.

In April 2022, the Tax Court issued the ruling for the months of July, August and September 2015 through which it was declared that the following resolutions were resolved:

- It is recognized that CDM operates as a maquila under the authorization of the Ministry of Finance.
- It is recognized that all bank deposits corresponding to the purchase of avocados on behalf of Calavo Growers Inc. (CGI), are subject to the maquila program and it is not accruable income for purposes of Income Tax nor activities subject to VAT.
- It is recognized that VAT is recoverable, since CDM demonstrated the existence of operations carried under the maquila services.
- Resolved that certain VAT amounts attributed to the purchase of certain packing materials are not recoverable as CDM was not the buyer on record and therefore did not pay for the materials, which approximated \$6.9 million pesos (approximately \$0.4 million USD).

In January 2023 the Federal Tax Court issued a definitive resolution confirming the ruling from April 2022, ordering SAT to refund approximately \$18 million pesos (approx. \$ 1.0 million USD at January 31, 2023) and confirming that the \$6.9 million pesos (approx. \$0.4 million USD at January 31, 2023) related to packing materials will not be recoverable. For the three months ended January 31, 2023, we recognized a reserve of \$1.4 million USD for Mexican IVA tax receivables related to certain packing material vendors corresponding to the years 2013 and 2015. This reserve includes the amounts included in the January 2023 ruling as well as other similar receivables that are subject to proceedings in this same Federal Tax Court.

We believe that our operations in Mexico are properly documented, and our internationally recognized tax advisors believe that there are legal grounds to prevail in collecting the corresponding IVA amounts. With assistance from our internationally recognized tax advisory firm, as of January 31, 2024, CDM has filed Administrative Appeals for months for which IVA refunds have been denied by the SAT, and will continue filing such appeals for any months for which refunds are denied in the future. Therefore, it is probable that the Mexican tax authorities will ultimately authorize the refund of the remaining IVA amounts.

11. Assets Held for Sale and Discontinued Operations

We and certain of our subsidiaries have entered into non-binding, exclusive negotiations regarding the potential sale of all of the assets used in our Fresh Cut business and certain related real property for approximately \$100.0 million, subject to certain adjustments that may be included in a binding agreement. The Proposed Transaction is expected to close in the second quarter of fiscal 2024. The Fresh Cut business represents substantially all of the business of the Prepared segment other than the guacamole business, which would be retained following the Proposed Transaction.

In the first quarter of 2024, management has concluded that the Fresh Cut business meets the requirements to be classified as held for sale and discontinued operations. As a result, the financial results of that business are reported as discontinued operations in the accompanying statements of operations, and its assets and liabilities are reflected as amounts held for sale in the accompanying balance sheets. The Company's reporting segments have also been changed for the effects of the planned divestiture, as described in Note 2.

The following table presents the major classes of assets and liabilities of the Fresh Cut business that are classified as held for sale in the accompanying balance sheets (in thousands).

	January 31, 2024	October 31, 2023
Accounts receivable, net	\$ 27,863	\$ 27,479
Inventories, net	7,749	7,859
Prepaid expenses and other current assets	2,252	2,195
Property, plant, and equipment, net	50,298	51,805
Operating lease right-of-use assets	28,942	29,676
Goodwill	18,442	18,442
Intangibles	5,047	5,423
Other assets	78	78
Total assets held for sale	<u>\$ 140,671</u>	<u>\$ 142,957</u>
Trade accounts payable	\$ 10,765	\$ 10,440
Accrued expenses	13,870	15,299
Current portion of operating leases	3,385	3,399
Current portion of long-term obligations and finance leases	625	773
Long-term operating leases, less current portion	27,349	28,065
Long-term obligations and finance leases, less current portion	1,012	1,002
Other long-term liabilities	216	228
Total liabilities held for sale	<u>\$ 57,222</u>	<u>\$ 59,206</u>

Goodwill related to our Prepared segment was allocated between our Fresh Cut and guacamole businesses based on the relative fair value of the disposal group and the portion of the reporting unit to be retained.

The following table summarizes the results of operations of the Fresh Cut business that are being reported as discontinued operations (in thousands):

	Three months ended January 31,	
	2024	2023
Net sales	\$ 86,413	\$ 93,441
Cost of sales	85,582	92,094
Gross profit	831	1,347
Selling, general and administrative	4,496	4,711
Operating loss	(3,665)	(3,364)
Interest expense	(28)	(39)
Other income, net	10	14
Loss from discontinued operations before income taxes	(3,683)	(3,389)
Income tax benefit	—	1,039
Net loss from discontinued operations	<u>\$ (3,683)</u>	<u>\$ (2,350)</u>

Select cash flow information related to the Fresh Cut business follows (in thousands):

	Three months ended January 31,	
	2024	2023
Net cash used in operating activities	\$ (3,028)	\$ (2,252)
Net cash used in investing activities	\$ (353)	\$ (3,112)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This information should be read in conjunction with the unaudited consolidated financial statements and the notes thereto included in this Quarterly Report, and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Annual Report on Form 10-K for the fiscal year ended October 31, 2023 of Calavo Growers, Inc. ("we", "Calavo", or the "Company").

Recent Developments

Dividend payments

On January 31, 2024, we paid a dividend of \$0.10 per share, or an aggregate of \$1.8 million, to shareholders of record on January 26, 2024.

Sale of Fresh Cut

We and certain of our subsidiaries have entered into non-binding, exclusive negotiations regarding the potential sale of all of the assets used in our Fresh Cut business and certain related real property for approximately \$100.0 million, subject to certain adjustments that may be included in a binding agreement. The Proposed Transaction is expected to close in the second quarter of fiscal 2024. The Fresh Cut business represents substantially all of the business of the Prepared segment other than the guacamole business, which would be retained following the Proposed Transaction. See also "Discontinued Operations" below.

Compliance matters

On January 16, 2024, the Company announced that its internal audit process had identified to the Audit Committee of the Board of Directors certain matters that the Board of Directors determined after fiscal year end merited enhanced evaluation. A Special Committee of the Board of Directors (the "Special Committee") was established to commence an investigation, with the assistance of external legal counsel and external forensic accountants. The Special Committee determined that certain of those matters related to the Company's operations in Mexico raised potential issues under the Foreign Corrupt Practices Act ("FCPA"). The Company has voluntarily disclosed this ongoing internal investigation to the SEC and the Department of Justice ("DOJ"), and the Company intends to fully cooperate with the SEC and the DOJ in connection with these matters. Any determination that the Company's operations or activities were not in compliance with laws, including the FCPA, could result in the imposition of material fines and penalties and the imposition of equitable remedies. The Company cannot currently predict the timing of completion or the outcome of its internal investigation or of any actions that may be taken by the SEC, the DOJ or Mexican authorities in connection with the matters under investigation, and the Company cannot currently estimate the amount or range of loss or potential impact on its consolidated financial statements associated with these matters.

Mexican Tax Issues

See Notes 7 and 10 of the consolidated financial statements for information on Mexican tax matters and the Mexican IVA taxes receivable.

Critical Accounting Estimates

In preparing our financial statements in accordance with GAAP, we are required to make estimates and assumptions that affect the amounts of assets, liabilities, revenue, and costs and expenses that are reported in the financial statements and accompanying disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results may differ from these estimates and assumptions. To the extent that there are differences between our

estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

There have been no material changes in our critical accounting estimates during the three months ended January 31, 2024, as compared to those disclosed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates" in our Annual Report on Form 10-K for our fiscal year ended October 31, 2023.

Discontinued Operations

We and certain of our subsidiaries have entered into non-binding, exclusive negotiations regarding the potential sale of all of the assets used in our Fresh Cut business and certain related real property for approximately \$100.0 million, subject to certain adjustments that may be included in a binding agreement. The Proposed Transaction is expected to close in second quarter of fiscal 2024. The Fresh Cut business represents substantially all of the business of the Prepared segment other than the guacamole business, which would be retained following the Proposed Transaction.

The financial results of the Fresh Cut business have been classified as discontinued operations in the statements of operations and its assets and liabilities have been classified as held for sale in the balance sheets included herein. Unless otherwise noted, amounts and disclosures in this section, relate to our continuing operations (except for the Liquidity and Capital Resources section).

Prior to the decision to divest our Fresh Cut business, the Company's Prepared reporting segment included the Fresh Cut business unit and our guacamole business. As a result of the planned divestiture, the Fresh Cut business unit is no longer included in our Prepared business segment. All segment information included herein reflect these changes. See Note 11 of the consolidated financial statements for further information.

Non-GAAP Financial Measures

The below tables include non-GAAP measures EBITDA from continuing operations, adjusted EBITDA from continuing operations, adjusted net income (loss) from continuing operations and adjusted net income (loss) from continuing operations per diluted share, which are not prepared in accordance with U.S. generally accepted accounting principles, or "GAAP."

EBITDA from continuing operations is defined as net income (loss) from continuing operations excluding (1) interest income and expense, (2) income taxes (benefit) provision, (3) depreciation and amortization and (4) stock-based compensation expense. Adjusted EBITDA from continuing operations is EBITDA from continuing operations with further adjustments for (1) non-cash net income (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 from continuing operations is a primary metric by which management evaluates the operating performance of the business, on which certain operating expenditures and internal budgets are based and by which, in addition to other factors, the Company's senior management is compensated. The adjustments to calculate EBITDA from continuing operations and adjusted EBITDA from continuing operations 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 loss from continuing operations is defined as net loss from continuing operations excluding (1) non-cash net income (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 (loss) from continuing operations and the related measure of adjusted net income (loss) from continuing operations per diluted share 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 (loss) from continuing operations affords investors a different view of the overall financial performance of the

Company than adjusted EBITDA from continuing operations and the GAAP measure of net income (loss) attributable to Calavo Growers, Inc.

Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures are provided in the financial tables below.

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 below.

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 from continuing operations, adjusted EBITDA from continuing operations, adjusted net income (loss) from continuing operations and adjusted net income (loss) from continuing operations per diluted share may not be comparable to similarly titled measures presented by other companies and may not be identical to corresponding measures used in Company agreements.

Adjusted Net Income from Continuing Operations (Non-GAAP, Unaudited)

The following table presents adjusted income (loss) from continuing operations, net of income taxes and adjusted net income (loss) from continuing operations per diluted share, each a non-GAAP measure, and reconciles them to income (loss) from continuing operations, net of income taxes, and Diluted EPS from continuing operations, which are the most directly comparable GAAP measures. See "Non-GAAP Financial Measures" above (in thousands, except per share amounts).

	Three months ended January 31,	
	2024	2023
Net loss from continuing operations	\$ (2,574)	\$ (445)
Add: Net income attributable to noncontrolling interest	(10)	(273)
Net loss from continuing operations attributable to Calavo Growers, Inc.	(2,584)	(718)
Non-GAAP adjustments:		
Non-cash income recognized from unconsolidated entities (a)	(1)	(156)
Restructure costs - consulting, management recruiting and severance (b)	487	203
Expenses related to Mexican tax matters (c)	383	2,048
Professional fees related to FCPA Mexico investigation (d)	2,380	—
Tax impact of adjustments (e)	(839)	(551)
Adjusted net loss from continuing operations	\$ (174)	\$ 826
Calavo Growers, Inc.'s continuing operations per share:		
Diluted EPS from continuing operations (GAAP)	\$ (0.15)	\$ (0.04)
Adjusted net loss from continuing operations per diluted share	\$ (0.01)	\$ 0.05
Number of shares used in per share computation:		
Diluted	17,799	17,673

(a) For the three months ended January 31, 2024 and 2023, we realized income of less than \$0.1 million and income of \$0.2 million from Agrícola Don Memo.

(b) For the three months ended January 31, 2024, we incurred \$0.4 million in severance and other costs and \$0.1 million in stock-based compensation related to the departure of certain member of management. For the three months ended January 31, 2023, we recorded \$0.2 million of expenses related to an enterprise-wide strategic business restructuring to improve the profitability of the organization and efficiency of our operations.

(c) For the three months ended January 31, 2024 and 2023, we incurred \$0.2 million and \$0.6 million of professional fees related to the Mexican tax matters, respectively. For the three months ended January 31, 2024 and 2023, we recognized a reserve of \$0.2 million and \$1.4 million related to the collectability of IVA receivables.

(d) For the three months ended January 31, 2024, we incurred \$2.4 million of professional fee expenses related to the FCPA investigation in Mexico. See further information in note 7 to the consolidated financial statements.

(e) Tax impact of non-GAAP adjustments are based on effective year-to-date tax rates.

Reconciliation of EBITDA from Continuing Operations and Adjusted EBITDA from Continuing Operations (Non-GAAP, Unaudited)

The following table presents EBITDA from continuing operations and adjusted EBITDA from continuing operations, 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" above (in thousands, except per share amounts).

	Three months ended January 31,	
	2024	2023
Net loss from continuing operations	\$ (2,574)	\$ (445)
Add: Net income attributable to noncontrolling interest	(10)	(273)
Net loss from continuing operations attributable to Calavo Growers, Inc.	(2,584)	(718)
Interest Income	(125)	(273)
Interest Expense	824	377
Provision (benefit) for Income Taxes	573	(41)
Depreciation and Amortization	2,032	1,954
Stock-Based Compensation	892	1,192
EBITDA from continuing operations	\$ 1,612	\$ 2,491
Adjustments:		
Non-cash income recognized from unconsolidated entities (a)	(1)	(156)
Restructure costs - consulting and management recruiting and severance (b)	417	203
Expenses related to Mexican tax matters (c)	383	2,048
Professional fees related to FCPA Mexico investigation (d)	2,380	—
Adjusted EBITDA from continuing operations	\$ 4,791	\$ 4,586

See prior page for footnote references

Results of Operations

Net Sales

The following table summarizes our net sales by business segment for each of the three months ended January 31, 2024 and 2023:

	Three months ended January 31,		
	2024	Change	2023
Gross sales:			
Grown	\$ 113,026	(4)%	\$ 117,748
Prepared	14,580	(3)%	15,015
Total net sales	<u>\$ 127,606</u>	<u>(4)%</u>	<u>\$ 132,763</u>
As a percentage of sales:			
Grown	88.6 %		88.7 %
Prepared	11.4 %		11.3 %
	<u>100.0 %</u>		<u>100.0 %</u>

Summary

Net sales for the three months ended January 31, 2024, compared to the corresponding period in fiscal 2023, decreased by \$5.2 million, or approximately 4%. This decrease was across both segments.

We will continue to pursue grower recruitment opportunities and expand relationships with retail and/or foodservice customers to fuel net sales growth in each of our business segments. Our Grown and Prepared segments of our business are subject to seasonal trends which can impact the volume and/or quality of raw materials sourced in any particular quarter.

Grown products

First Quarter 2024 vs. First Quarter 2023

Net sales for the Grown products business decreased by approximately \$4.7 million, or 4%, for the first quarter of fiscal 2024 compared to the corresponding period in fiscal 2023. The decrease in Grown product sales during the first quarter of fiscal 2024 was primarily related to a decrease of pounds sold of tomatoes, partially offset by an increase in sales prices per pound for tomatoes. In addition, avocado sales also declined in the first quarter of fiscal 2024 compared to the corresponding period of fiscal 2023, due to overall a decrease in cartons sold of avocados.

Sales of tomatoes decreased \$2.7 million, or 19%, for the first quarter of 2024, when compared to the prior year period. The decrease in tomato sales was primarily due to a decrease in volume of tomatoes sold of approximately 28% in the first quarter of 2024, compared to the same prior year period. The sales price per carton of tomatoes increased by approximately 11%.

Sales of avocados decreased \$1.7 million, or 2%, for the first quarter of 2024 compared to the prior year period. The decrease in avocado sales during the first quarter of fiscal 2024 was primarily related to a decrease of cartons sold by 18%, partially offset by an increase in sales prices per carton by approximately 20%. The increase in the sales price per carton was mainly due to an industry-wide decrease in the supply of avocados in the marketplace.

Prepared products

First Quarter 2024 vs. First Quarter 2023

Net sales for the Prepared products business decreased by approximately \$0.4 million, for the three months ended January 31, 2024 compared to the corresponding period in fiscal 2023. This decrease in Prepared product sales during the three months ended January 31, 2024 was primarily related to lower sales prices per pound. In addition, salsa sales decreased, due to the divestiture of our salsa business in June 2023.

Gross Profit

The following table summarizes our gross profit and gross profit percentages by business segment for the three months ended January 31, 2024 and 2023:

	Three months ended January 31,		
	2024	Change	2023
Gross profit (loss):			
Grown	\$ 8,138	(14)%	\$ 9,481
Prepared	4,330	20 %	3,604
Total gross profit	<u>\$ 12,468</u>	(5)%	<u>\$ 13,085</u>
Gross profit percentages:			
Grown	7.2 %		8.1 %
Prepared	29.7 %		24.0 %
Consolidated	9.8 %		9.9 %

Summary

Our cost of goods sold consists predominantly of ingredient costs (fruit and other food products), packing materials, freight and handling, labor and overhead (including depreciation) associated with packing, distributing and/or preparing food products, and other direct expenses pertaining to products sold.

Gross profit decreased by approximately \$0.6 million, or 5%, for the first quarter of fiscal 2024 compared to the corresponding period in fiscal 2023. This decrease was due to our grown products, partially offset by our prepared segment.

Grown products

The decrease in our Grown products gross profit for the quarter ended January 31, 2024 was primarily the result of decreased gross profit for tomatoes, partially offset by a slight increase in avocados. For the first quarter of fiscal 2024, the gross profit for tomatoes decreased by approximately \$1.1 million or 87%. This decrease is mainly due to lower volumes of tomatoes and a decrease in margins due to the availability of quality fruit. For the first quarter of fiscal 2024, the gross profit percentage for avocados was 8.0% compared to 7.9% for the first quarter of 2023.

Gross profit for the quarter was also affected by the change in the value of the U.S. dollar in relation to the Mexican peso during the quarter, resulting in a \$1.7 million net gain related the remeasurement of peso-dominated net assets at our Mexican subsidiaries. This is in comparison to a remeasurement gain of \$1.3 million for the same period last year.

Note that any additional significant fluctuations in the exchange rate between the U.S. dollar and the Mexican peso may have a material impact on future gross profits for our Grown products segment.

Prepared products

The increase in our Prepared products gross profit for the three months ended January 31, 2024 was the result of an increase in guacamole products.

Guacamole products gross profit percentage for the three months ended January 31, 2024 was 29.7%, compared to a gross profit of 24.9% for the prior year period. The increase in gross profit percentage for the three months ended January 31, 2024 in guacamole products was primarily due to lower raw product fruit costs and manufacturing improvements. Any significant fluctuation in the cost of fruit used in the production process or the exchange rate between the U.S. dollar and the Mexican peso may have a material impact on future gross profit for our Prepared segment.

Selling, General and Administrative

	Three months ended January 31,		
	2024	Change	2023
	(Dollars in thousands)		
Selling, general and administrative	\$ 13,463	16 %	\$ 11,642
Percentage of net sales	10.6 %		8.8 %

Selling, general and administrative expenses of \$13.5 million for the three months ended January 31, 2024 include costs of marketing and advertising, sales expenses (including broker commissions) and other general and administrative costs. Selling, general and administrative expenses increased by \$1.8 million, or 16%, for the three months ended January 31, 2024 compared to the prior year period. This increase was primarily due to an increase of \$2.4 million in professional fees for the FCPA Mexico investigation and related expenses.

Income from unconsolidated entities

	Three months ended January 31,		
	2024	Change	2023
	(Dollars in thousands)		
Income from unconsolidated entities	\$ 1	(99)%	\$ 156

Income from unconsolidated entities includes our participation in earnings or losses from our investments in Don Memo. For the three months ended January 31, 2024 and 2023 we realized income of less than \$0.1 million and income of \$0.2 million from Agricola Don Memo, respectively.

Income Taxes Benefit (Expense)

	Three months ended January 31,		
	2024	Change	2023
Income tax benefit (expense)	\$ (573)	(1,498)%	\$ 41
Effective tax rate	(28.6)%		8.4 %

Our tax provision is determined using an estimated annual effective tax rate and is adjusted for discrete taxable events that may occur during the quarter.

Liquidity and Capital Resources

Cash provided by operating activities was \$0.1 million for the three months ended January 31, 2024, compared to cash used by operating activities of \$5.9 million for the corresponding period in fiscal 2023. Cash provided by operating activities for the three months ended January 31, 2024 reflect primarily our net loss of \$6.3 million, and offset by net cash provided in the components of our working capital of approximately \$0.7 million, and non-cash activities (depreciation and amortization, stock-based compensation expense, provision for losses on accounts receivable, losses from unconsolidated entities, loss on disposal of property, plant and equipment, and gain on the sale of the Temecula packinghouse) of \$5.6 million.

Increases in operating cash flows were caused by working capital changes including an increase in payable to growers of \$7.2 million, a net decrease in accounts payable accrued expenses and other liabilities of \$3.9 million, an increase in advances to suppliers of \$1.4 million, an increase in prepaid expenses and other current assets of \$1.3 million and a decrease in income taxes receivable of \$0.2 million, partially offset by an increase in inventory of \$7.9 million, an increase in other assets of \$3.8 million, and an increase in accounts receivable of \$1.6 million.

The increase in payable to growers is mostly due to higher volume of Mexican avocados in January 2024 compared to October 2023. The increase in accounts payable, accrued expenses and other liabilities is primarily related to the timing of payments in January 2024. The increase in our prepaid and other current assets is primarily due to a deposit as of October 31, 2023, for collateral in connection with our workers compensation policies while we are in process of obtaining a letter of credit. The increase in advances to suppliers is mainly due to preseason advances paid to our consignment growers at the start of the tomato season. The increase in our inventory as of January 31, 2024, when compared to October 31, 2023, is primarily due to higher inventory of Mexican avocados. The increase in other assets as of January 31, 2024, when compared to October 31, 2023, is primarily due to an increase in Mexican IVA taxes receivable. The increase in our accounts receivable is due to an increase in sales for the month of January 2024 compared to October 2023.

Cash used in investing activities was \$1.0 million for the three months ended January 31, 2024, which related to purchases of property, plant, and equipment.

Cash provided by financing activities was \$3.8 million for the three months ended January 31, 2024, which related principally to net receipts on our credit facilities totaling \$6.7 million, partially offset by payments of \$1.8 million in dividends, the payment of minimum withholding of taxes on the net settling of shares of \$0.6 million, payments on long-term obligations of \$0.4 million and payments on the term loan \$0.1 million.

Our principal sources of liquidity are our existing cash reserves, cash generated from operations and amounts available for borrowing under our existing credit facilities. Cash and cash equivalents as of January 31, 2024 and October 31, 2023 totaled \$5.6 million and \$2.9 million. Our working capital at January 31, 2024 was \$50.5 million, compared to \$51.6 million at October 31, 2023.

As discussed in the Overview section above, we and certain of our subsidiaries have entered into non-binding, exclusive negotiations regarding the potential sale of all of the assets used in our Fresh Cut business and certain related real property for approximately \$100.0 million, subject to certain adjustments that may be included in a binding agreement. The Proposed Transaction is expected to close in the second quarter of fiscal 2024. If completed, we expect to use the net proceeds from the Proposed Transaction primarily for the reduction of debt and return of cash to shareholders.

We believe that cash flows from operations, the available Credit Facility, and other sources will be sufficient to satisfy our future capital expenditures, grower recruitment efforts, working capital and other financing requirements for the foreseeable future.

On June 26, 2023, Calavo and certain subsidiaries entered into a Credit Agreement by and among Calavo, certain subsidiaries of Calavo as guarantors, and Wells Fargo Bank, National Association, as agent and lender. The Credit

Agreement provides for a revolving credit facility of up to \$90.0 million, along with an undrawn capex credit facility of up to \$10.0 million.

Borrowings of the Revolving Loans under the Credit Agreement are asset based and will be subject to a borrowing base calculation that includes a certain percentage of eligible accounts receivable, inventory and equipment of Calavo, less any reserves implemented by Agent in its permitted discretion; provided that the equipment based portion of such borrowing base calculation will reduce monthly following the Closing Date.

Borrowings under the Credit Agreement bear interest at a rate per annum equal to an applicable margin, plus, at Calavo's option, either a base rate or a secured overnight financing rate ("SOFR") term rate (which includes a spread adjustment of 0.10% and is subject to a floor of 0.00%). The applicable margin is (i) for Revolving Loans, 0.50% for base rate borrowings and 1.50% for SOFR term rate borrowings, and (ii) for Term Loan, 1.00% for base rate borrowings and 2.00% for SOFR term rate borrowings. The Credit Facility matures on June 26, 2028.

As of January 31, 2024, we were in compliance with the financial covenants. As of January 31, 2024, approximately \$28.0 million was available for borrowing, based on our borrowing base calculation discussed above.

The weighted-average interest rate under the Credit Facility was 7.1% at January 31, 2024. Under the Credit Facility, we had \$41.7 million and \$4.0 million outstanding related to the Revolving Loans and Term Loan, respectively, as of January 31, 2024.

Contractual Commitments

There have been no other material changes to our contractual commitments from those previously disclosed in our Annual Report on Form 10-K for our fiscal year ended October 31, 2023. For a summary of the contractual commitments at October 31, 2023, see Part II, Item 7, in our 2023 Annual Report on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our financial instruments include cash and cash equivalents, accounts receivable, payable to growers, accounts payable, current and long-term borrowings pursuant to our Credit Facility, and long-term, fixed-rate obligations. All of our financial instruments are entered into during the normal course of operations and have not been acquired for trading purposes. The table below summarizes interest rate sensitive financial instruments and presents principal cash flows in U.S. dollars, which is our reporting currency, and weighted-average interest rates by expected maturity dates, as of January 31, 2024.

(All amounts in thousands)	Expected maturity date January 31,						Total	Fair Value
	2025	2026	2027	2028	2029	Thereafter		
Assets								
Cash and cash equivalents (1)	\$ 5,658	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,658	\$ 5,658
Accounts receivable (1)	35,158	—	—	—	—	—	35,158	35,158
Advances to suppliers (1)	13,409	—	—	—	—	—	13,409	13,409
Liabilities								
Payable to growers (1)	\$ 21,964	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 21,964	\$ 21,964
Accounts payable (1)	4,916	—	—	—	—	—	4,916	4,916
Borrowings pursuant to credit facilities (1)	—	—	—	41,677	—	—	41,677	41,677
Term loan (1)	792	692	692	1,829	—	—	4,005	4,005

(1) We believe the carrying amounts of cash and cash equivalents, accounts receivable, advances to suppliers, payable to growers, and accounts payable approximate their fair value due to the short maturity of these financial instruments and the carrying amount of borrowings pursuant to credit facilities approximates fair market value due to the variable rate of interest.

We were not a party to any derivative instruments during the fiscal year. It is currently our practice not to use derivative instruments for speculative or trading purposes. Additionally, we do not use any hedging or forward contracts to offset market volatility.

Our Mexican-based operations transact a significant portion of business in Mexican pesos. Funds are transferred by our corporate office to Mexico on a weekly basis to satisfy Mexican cash needs. We do not currently use derivative instruments to hedge fluctuations in the Mexican peso to U.S. dollar exchange rates. Management does, however, evaluate this opportunity from time to time. Total foreign currency remeasurement gains for the three months ended January 31, 2024 and 2023, net of losses, was \$1.7 million and \$1.3 million, respectively.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective.

There were no changes in the Company's internal control over financial reporting during the quarter ended January 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in litigation arising in the ordinary course of our business. We have provided information about certain legal proceedings in which we are involved in Note 7 to the consolidated financial statements included in this Quarterly Report for further information.

ITEM 1A. RISK FACTORS

For a discussion of our risk factors, see Part I, Item 1A “Risk Factors” of our Annual Report on Form 10-K for the year ended October 31, 2023. There have been no material changes from the risk factors set forth in such Annual Report on Form 10-K. However, the risks and uncertainties that we face are not limited to those set forth in such Annual Report on Form 10-K. 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 5. OTHER INFORMATION

Trading Plans

During the quarter ended January 31, 2024, no director or Section 16 officer adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmation defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangements.”

ITEM 6. EXHIBITS

- 10.1 [Separation and Release Agreement – Graciela Montgomery.](#) *
- 31.1 [Certification of Chief Executive Officer Pursuant to Rule 13a-14\(a\)/15d-14\(a\), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#) *
- 31.2 [Certification of Chief Financial Officer pursuant to Rule 13a-14\(a\)/15d-14\(a\), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#) *
- 32.1 [Certification by Chief Executive Officer and Chief Financial Officer of Periodic Report Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#) *
- 101 The following financial information from the Quarterly Report on Form 10-Q of Calavo Growers, Inc. for the quarter ended January 31, 2024, formatted in Inline XBRL (Extensible Business Reporting Language) includes: (1) Consolidated Balance Sheets as of January 31, 2024 and October 31, 2023; (2) Consolidated Statements of Operations for the three months ended January 31, 2024 and 2023; (3) Consolidated Statements of Cash Flows for the three months ended January 31, 2024 and 2023; (4) Consolidated Statements of Shareholders' Equity for the three months ended January 31, 2024 and 2023; and (5) Notes to Consolidated Financial Statements.
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* This certification is deemed not filed for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

SIGNATURES

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, thereunto duly authorized.

Calavo Growers, Inc.
(Registrant)

Date: March 11, 2024

By /s/ Lecil E. Cole
Lecil E. Cole
Chief Executive Officer
(Principal Executive Officer)

Date: March 11, 2024

By /s/ Shawn Munsell
Shawn Munsell
Chief Financial Officer
(Principal Financial Officer)

SEPARATION AND RELEASE AGREEMENT

This SEPARATION AND RELEASE AGREEMENT ("Agreement") is made between Calavo Growers, Inc. ("Company") and Graciela Montgomery ("Employee") (collectively, "Parties" or individually "Party").

1. Termination of Employment. The Parties agree that on December 31, 2023 the Employee's employment was terminated (the "Termination Date"). This termination was at the Employee's request pursuant to the "Good Reason" provision set forth in Section 5(b)(ii) of the Parties' October 11, 2021 Employment Agreement, as amended on January 12, 2024 (with the aforementioned Employment Agreement and any amendment thereto hereby incorporated by reference) (the "Employment Agreement"). The termination shall be deemed effective prior to the execution of this Agreement.

2. Separation Benefits. In accordance with Section 5(b)(ii) of the Employment Agreement (as amended), if (before January 31, 2024): (a) Employee signs, dates and returns this Agreement to the Company, and Employee allows it become effective in accordance with its terms, and (b) Employee complies with the terms of this Agreement and Employee's other continuing obligations owed to the Company, the Company will provide Employee with the total aggregate of: (1) payment to Employee an amount equal to one year of her annual Base Salary (\$360,000.00), payable in substantially equal installments (with the possible exception of the first installment which to the extent necessary will include an additional amount covering the time period from the Termination Date through the pay period covered by such first installment) at regular payroll intervals (beginning on the first payroll period following the Effective Date (defined below); (2) accelerate the vesting of certain of Employee's equity compensation awards as provided in Section 5(b)(ii) of the Employment Agreement, in satisfaction of the Company's obligations pursuant to Section 5(b)(ii) of the Employment Agreement; and (3) continuation benefits for one-year from the Termination Date with such benefits being: group health benefits; participation in retirement plans; life, disability, accident insurance programs; an automobile allowance; cellphone/internet allowance; and accrual of vacation time/paid time off (subclauses (1) through (3) collectively hereinafter the "Separation Benefits").

The Employee will be treated as an in-service employee for purposes of benefits continuation during any benefits continuation period (which shall be a duration of one-year following the Termination Date and on the same benefit terms and conditions in effect as of the Termination Date). The payments and benefits described in this Agreement shall be subject to the Employer's right to make customary and applicable deductions and withholdings, including, without limitation, for federal and state taxes, FICA, Medicaid and other customary payroll activities. Following the in-service period, the Company will also provide the Employee the option, for a period of thirty-six (36) months thereafter, at the Employee's own expense to continue her medical, dental, and vision benefits at the equivalent of her COBRA continuation cost, if and to the extent the continuation of such benefits is permitted under COBRA and other applicable law and the terms of the insurance policies. Employee acknowledges that this is consideration beyond that to which Employee is otherwise entitled if Employee did not enter into this Agreement and allow it to become effective.

3. Tax Liability. No Party or attorney for any Party has made any representations or warranties regarding the taxability of the Separation Benefits made herein. Employee will rely on Employee's own tax advisors as to the tax consequences of the Company's payment of the Separation Benefits. Employee shall take full and complete responsibility for any and all tax liability incurred by Employee's resulting from this Agreement, if any, including but not limited to, withholdings, social security, SUI/SDI, federal, state or local taxes, and any interest or penalties incurred as a result of this settlement and Agreement. Employee further agrees to indemnify and hold harmless the Released Parties (as defined below) against any assessment of payroll, withholding, FICA, or other taxes or penalties to Employee on the Separation Benefits, if any.

CIRCULAR 230 DISCLAIMER. EACH PARTY TO THIS AGREEMENT (FOR PURPOSES OF THIS SECTION, THE "ACKNOWLEDGING PARTY"; AND EACH PARTY TO THIS AGREEMENT OTHER THAN THE ACKNOWLEDGING PARTY, AN "OTHER PARTY") ACKNOWLEDGES AND AGREES THAT (1) NO PROVISION OF THIS AGREEMENT, AND NO WRITTEN COMMUNICATION OR DISCLOSURE BETWEEN OR AMONG THE PARTIES OR THEIR ATTORNEYS AND OTHER ADVISERS, IS OR WAS INTENDED TO BE, NOR SHALL ANY SUCH COMMUNICATION OR DISCLOSURE CONSTITUTE OR BE CONSTRUED OR BE RELIED UPON AS, TAX ADVICE WITHIN THE MEANING OF UNITED STATES TREASURY DEPARTMENT CIRCULAR 230 (31 CFR PART 10, AS AMENDED); (2) THE ACKNOWLEDGING PARTY (A) HAS RELIED EXCLUSIVELY UPON HIS, HER OR ITS OWN INDEPENDENT LEGAL AND TAX ADVISERS FOR ADVICE (INCLUDING TAX ADVICE) IN CONNECTION WITH THIS AGREEMENT, (B) HAS NOT ENTERED INTO THIS AGREEMENT BASED UPON THE RECOMMENDATION OF ANY OTHER PARTY OR ANY ATTORNEY OR ADVISOR TO ANY OTHER PARTY, AND (C) IS NOT ENTITLED TO RELY UPON ANY COMMUNICATION OR DISCLOSURE BY ANY ATTORNEY OR ADVISER TO ANY OTHER PARTY TO AVOID ANY TAX PENALTY THAT MAY BE IMPOSED ON THE ACKNOWLEDGING PARTY; AND (3) NO ATTORNEY OR ADVISER TO ANY OTHER PARTY HAS IMPOSED ANY LIMITATION THAT PROTECTS THE CONFIDENTIALITY OF ANY SUCH ATTORNEY'S OR ADVISER'S TAX STRATEGIES (REGARDLESS OF WHETHER SUCH LIMITATION IS LEGALLY BINDING) UPON DISCLOSURE BY THE ACKNOWLEDGING PARTY OF THE TAX TREATMENT OR TAX STRUCTURE OF ANY TRANSACTION, INCLUDING ANY TRANSACTION CONTEMPLATED BY THIS AGREEMENT.

This Agreement is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended ("409A"). The Company shall undertake to administer, interpret and construe the provisions of the Agreement in a manner that does not result in the imposition of any additional tax, penalty or interest under 409A.

4. Employee's Release ("Release"). This Section is hereinafter referred to as the "Release." Except as otherwise stated in this Agreement, and in consideration for all of the promises and covenants herein, including the Separation Benefits, Employee knowingly and voluntarily fully releases and discharges forever the Company and all of its past, present, and

future parents, subsidiaries, affiliated companies, employees, servants, officers, directors, managing agents, members, owners (whether direct or indirect), partners, trustees, representatives, shareholders, stockholders, attorneys, parents, subsidiaries, equity sponsors, related companies/corporations and/or partnerships, divisions, assigns, predecessors, successors, insurers, reinsurers, consultants, joint venturers, joint employers, potential and alleged joint employers, temporary staffing agencies, dual employers, potential and alleged dual employers, co-employers, potential and alleged co-employers, common law employers, potential and alleged common law employers, contractors, affiliates, service providers, alter-egos, alleged alter-egos, vendors, affiliated organizations, any person and/or entity with potential or alleged to have joint liability, and all of their respective past, present and future employees, directors, officers, members, owners, agents, representatives, payroll agencies, attorneys, stockholders, fiduciaries, parents, subsidiaries, other service providers, clients and assigns and any and all persons and/or entities acting under, by, through or in concert with any of them (hereinafter referred to collectively as the "Released Parties"), and each and all of them, from any and all liabilities, claims, causes of action, charges, complaints, obligations, costs, losses, damages, injuries, attorneys' fees, and other legal responsibilities, of any form whatsoever, whether known or unknown, unforeseen, unanticipated, unsuspected or latent, which Employee or Employee's heirs, administrators, executors, successors in interest, and/or assigns have incurred or expect to incur, or now own or hold, or have at any time heretofore owned or held, or may at any time own, hold, or claim to hold by reason of any matter or thing arising from any cause whatsoever prior to Employee's execution of this Agreement. To the extent Employee releases persons or entities not signatory to this Agreement, Employee acknowledges and agrees that this Agreement is made for each of their benefit and use.

Without limiting the generality of the foregoing, and by way of example only, Employee fully releases and discharges each and all of the Released Parties (which as defined above specifically includes the Company) from any and all claims, demands, rights, and causes of action that have been or could be alleged against any of said Released Parties (i) in connection with Employee's employment, prior employment agreements (to include but not limited to the Employment Agreement), or the termination of such employment; (ii) in connection with any and all matters pertaining to Employee's employment by any of the Released Parties, including, but not limited to, any and all compensation, salaries, wages, bonuses, incentive compensation, commissions, overtime, compensatory time off, monies, pay, allowances, benefits, sick pay, paid sick leave, severance pay, paid leave benefits, penalties, interest, damages, and promises on any and all of the above; and (iii) under or in connection with the state and federal age discrimination laws, as explained further below. Notwithstanding the foregoing, this Release does not apply to any claims that cannot be released as a matter of law.

This Release extends to any and all claims including, but not limited to, any alleged (a) violation of the National Labor Relations Act, Title VII of the Civil Rights Act, the California Fair Employment and Housing Act, the Americans With Disabilities Act of 1990, the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act of 1990, the Fair Labor Standards Act, the California Labor Code, any applicable California Wage Order, the California Private Attorneys General Act (to include, but not limited to, acting as a PAGA representative), the California Fair Pay Act, the California Equal Pay Act, the Occupational Safety and Health Act, the Consolidated Omnibus Budget Reconciliation Act of 1985, the California Family Rights Act, the Employee Retirement Income Security Act

(excluding vested benefits), the California Unfair Business Practices Act/Unfair Competition Law, the Family and Medical Leave Act, the California Family Rights Act, the Worker Adjustment and Retraining Notification Act, and any state law equivalent; (b) harassment, discrimination, and/or retaliation on the basis of age, race, color, ancestry, national origin (including language use restrictions), citizenship, religious creed (including religious dress and grooming practices), sex (which includes pregnancy, childbirth, breastfeeding and medical conditions related to pregnancy, childbirth or breastfeeding), marital status, domestic partnership status, sexual orientation, gender, gender identity or gender expression, veteran status, military status, political affiliation, family care or medical leave status or the denial of family and medical care leave, physical or mental disability (including HIV and AIDS), medical condition (including cancer and genetic characteristics), genetic information or any other basis protected by applicable federal, state and/or local laws, regulations, rules, ordinances and/or orders, failure to prevent harassment, discrimination, and/or retaliation, failure to accommodate, failure to engage in the interactive process, retaliation, failure to pay wages due or other monies owed; (c) any whistleblower or retaliation claims on the basis of any protected activity or other protected basis; (d) breach of any express or implied promise, contract or agreement, or breach of the implied covenant of good faith and fair dealing, to include but not limited to the Employment Agreement, as amended, and any equity incentive plan; (e) any tort or common law claims, including wrongful discharge, intentional or negligent infliction of emotional distress, negligence, fraud, misrepresentation, defamation, interference with prospective economic advantage, or other tort or common law actions; (f) claims for misclassification, wage and hour, or other claims related to hours, conditions, or compensation related to work; and (g) any other violation of local, state, or federal law, constitution, statute, regulation or ordinance, public policy, contract, or tort or common law claim, whether for legal or equitable relief, having any bearing whatsoever on the terms and conditions of employment, or association or working relationship, with any of the Released Parties, including but not limited to any allegations for penalties, interest, costs and fees, including attorneys' fees, incurred in any of these matters, which Employee ever had, now has, or may have as of the date of this Agreement. All such claims, liabilities or causes of action (including, without limitation, claims for related attorneys' fees and costs) are forever barred by this Agreement regardless of the forum in which they may be brought. The Parties intend for this Release to be as broad as possible.

To the maximum extent permitted by law, Employee waives any right or ability to be a class action, collective action or PAGA representative, or to otherwise knowingly and voluntarily participate in any putative or certified class, collective, representative, or multi-party action or proceedings in which any of the Released Parties is a party.

Without limiting the scope of this Release in any way, Employee also certifies that this Release constitutes a knowing and voluntary waiver of any and all rights or claims that exist or that Employee has or may claim to have under the Federal Age Discrimination in Employment Act ("ADEA"), as amended by the Older Workers Benefit Protection Act of 1990 ("OWBPA"), which is set forth at 29 U.S.C. § § 621, et seq. This Release does not govern any rights or claims that may arise under the ADEA or the OWBPA after this Agreement is signed by Employee.

Notwithstanding the foregoing, Employee does not waive or release any claim which cannot be waived or released by private agreement. Further, nothing in this Agreement shall prevent Employee from filing a charge or complaint with, or from participating in, an

investigation or proceeding conducted by the Occupational Safety and Health Administration ("OSHA"), the Equal Employment Opportunity Commission ("EEOC"), the California Civil Rights Department ("CRD"), the National Labor Relations Board ("NLRB"), the Securities and Exchange Commission ("SEC") or any other federal, state or local agency charged with the enforcement of any employment or other applicable laws. Employee, however, understands that by signing this Agreement, Employee waives the right to recover any damages or to receive other relief in any claim or suit brought by or through the OSHA, EEOC, CRD, NLRB, SEC or any other federal, state or local agency on Employee's behalf directly from the Released Parties to the fullest extent permitted by law, but expressly excluding any monetary award or other relief available, including a whistleblower award, or other awards or relief that may not lawfully be waived.

5. Employee's Acknowledgments and Representations.

a. Employee warrants and agrees that Employee shall not and has not filed any claims, causes of action or complaints against any of the Released Parties that relate to any actions or conduct occurring prior to the execution of this Agreement, except for any such claims that cannot be waived in a private agreement. Employee agrees that if Employee does file such action against the Released Parties, the Company shall be entitled to cease any further payments and that the payments already made under this Agreement, if any, shall constitute full and complete consideration for Employee's release of claims. Employee acknowledges that such claims also include claims based on the ADEA and the OWBPA.

b. Employee represents and acknowledges that the consideration contained in the Agreement shall constitute the entire consideration provided to Employee and Employee will not seek any further compensation for any claim, damage, cost, or attorney's fees in connection with the matters encompassed in the Release. Employee represents and acknowledges that the consideration contained in this Agreement constitutes a full satisfaction and accord of any claims Employee has or may have against any of the Released Parties.

By signing this Agreement, Employee agrees that the Separation Benefits are sufficient to compensate Employee for any and all wages, compensation, or reimbursements that may allegedly be due, if any, including, but not limited to, claims for failure to pay minimum wages, straight time compensation, overtime compensation, double-time compensation, bonuses, incentive pay, any equity incentive plan, tips or commissions, allowances, meal and rest period premiums, reporting time pay, sick pay, severance pay, final pay, paid leave benefits, vacation, holiday or paid time off, unauthorized deductions or garnishments, reimbursement of business expenses, regular rate claims, and interest, damages, and promises on any and all of the above, but agrees that the Released Parties have a good faith basis for believing those claims are invalid and there is a bona fide dispute as to such amounts being owed as well as that this Agreement provides additional consideration beyond such amounts that may allegedly be owing, and that California Labor Code section 206.5 does not apply to, and cannot invalidate this Agreement. Employee further understands that Employee is waiving any protection that may exist under California Labor Code section 206.5, including the following provision:

NO EMPLOYER SHALL REQUIRE THE EXECUTION OF ANY RELEASE OF ANY CLAIM OR RIGHT ON ACCOUNT OF WAGES DUE, OR TO BECOME

DUE, OR MADE AS AN ADVANCE ON WAGES TO BE EARNED, UNLESS PAYMENT OF SUCH WAGES HAS BEEN MADE.

In so acknowledging and agreeing, Employee acknowledges that either (a) Company has already paid to Employee all compensation or payments due, including but not limited to any and all wages, minimum wages, straight time compensation, overtime compensation, double-time compensation, bonuses, incentive pay, any equity incentive plan, tips or commissions, allowances, meal and rest period premiums, reporting time pay, sick pay, severance pay, final pay, paid leave benefits, vacation, holiday or paid time off; or (b) Employee believes that Employee is owed some type of compensation or payments, which may include wages, minimum wages, straight time compensation, overtime compensation, double-time compensation, bonuses, incentive pay, any equity incentive plan, tips or commissions, allowances, meal and rest period premiums, reporting time pay, sick pay, severance pay, final pay, paid leave benefits, vacation, holiday or paid time off (and any interest, penalties, or damages on any and all of the above), but acknowledges and agrees that any and all of the Released Parties dispute and have a good faith basis for believing those claims are invalid (a bona fide dispute exists), and as detailed in this Agreement, Employee accepts the Separation Benefits as consideration for the release of any and all undisputed claims and as a compromise and release for any and all disputed claims. Employee acknowledges the Separation Benefits constitute ample consideration beyond the outstanding wages due, the sufficiency of which is hereby acknowledged, for the promises in this Agreement.

c. Employee acknowledges that Employee has been advised in writing to consult with an attorney and has been provided with a reasonable opportunity to consult with an attorney of Employee's choice prior to signing this Agreement, which contains a general release and waiver of claims.

6. Section 1542 Waiver. It is a condition of this Agreement, and it is the Parties' intention by executing this Agreement, that the release of claims contained in this Agreement ("Release") shall be effective as a bar to each and every claim of Employee against the Released Parties, whether now known or unknown. As such, Employee expressly, knowingly and voluntarily waives any and all rights and benefits conferred by section 1542 of the California Civil Code and does so understanding and acknowledging the significance and consequence of such specific waiver of section 1542, 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.

Employee expressly waives and releases any right to benefits that Employee may have under California Civil Code section 1542 to the fullest extent Employee may do so lawfully. Employee further acknowledges that Employee may later discover facts different from or in addition to those facts now known to Employee's or believed by Employee's to be true with respect to any

or all of the matters covered by this Agreement, and Employee agrees that this Agreement nevertheless shall remain in full and complete force and effect.

7. Arbitration. In accordance with the Federal Arbitration Act, 9 U.S.C. §1 et seq., any dispute arising out or relating to this Agreement, or the interpretation, application or enforcement of its terms, shall be submitted to and resolved in final and binding arbitration through JAMS and pursuant to the provisions of the applicable JAMS Employment Arbitration Rules & Procedures which can be found at: <http://jamsadr.com/rules-employment-arbitration>. The arbitration shall take place in the County where Employee was employed, before an experienced arbitrator licensed to practice law in California, as the exclusive remedy for such claim or controversy. Either Party desiring to arbitrate shall give written notice to the other Party within a reasonable period of time after the Party becomes aware of the need for arbitration. This arbitration provision constitutes a waiver of any right to a jury trial and relates to the resolution of all claims arising out of, relating to, or in connection with the interpretation, validity, construction, performance, breach or termination of this Agreement. The decision of the Arbitrator shall be final, conclusive and binding on the Parties, and such award shall be enforceable exclusively by any state or federal court of competent jurisdiction. If any part of this arbitration procedure is in conflict with any mandatory requirement or applicable law, the law shall govern, and that part of this arbitration procedure shall be reformed and construed to the maximum extent possible in conformance with the applicable law. The arbitration procedure shall remain otherwise unaffected and enforceable. The Parties agree that any Party shall be entitled to commence legal action in any court of competent jurisdiction to compel any other Party to this Agreement to submit any claim or controversy covered by this mandatory and binding arbitration in accordance with the terms and provisions outlined herein.

8. Attorney's Fees. Each Party will be responsible for payment of its own attorneys' fees and costs (if any) incurred in connection with the negotiation and execution of this Agreement. In the event that any action, suit or other proceeding (including arbitration under Section 7) is instituted to remedy, prevent, or obtain relief from a breach of this Agreement, or arising out of a breach of this Agreement, the prevailing Party will recover the attorneys' fees and costs incurred by such Party.

9. Indemnification. Employee shall indemnify and hold harmless the Released Parties against any loss or liability, whatsoever, including reasonable attorneys' fees, caused by any action or proceeding, in any state or federal courts or administrative processes if such action arises out of or is based upon any claim, actions or cause of action released herein.

10. Return of Company Property. Employee agrees that Employee has returned to the Company documents (and all copies thereof) and all Company property and equipment that Employee has in Employee's possession or control, in whatever form (including information in electronic form and all reproductions thereof in whole or in part). Employee further agrees that Employee will not copy, delete, or alter in any way any information or material contained upon any Company issued computer, equipment, or any Personal Systems (as defined below). In addition, if Employee has used any personally owned computer, server, e-mail system, memory stick, flash memory card, or portable electronic device (e.g., iPhone, iPad, Android) (collectively, "Personal Systems") to receive, store, prepare or transmit any Company information, then Employee must immediately provide the Company with a computer-useable

copy of all such information and then permanently delete and expunge all such Company information from such Personal Systems without retaining any copy or reproduction in any form.

11. Employment Inquiries. In the event there are any inquiries from prospective employers regarding Employee, the Company agrees to provide only Employee's dates of employment and job title(s). All such inquiries must be directed to Kim Oglesby, HR Director (; 951-434-1196).

12. No Admission of Liability. Neither the Agreement nor the furnishing of the consideration for the Agreement will be deemed or construed as an admission of liability or wrongdoing on the part of the Released Parties, nor will be admissible as evidence in any proceeding other than for the enforcement of the Agreement.

13. Consideration. The Separation Benefits constitute good and valuable consideration for Employee's compromise and release of all claims and allegations against the Released Parties. The Released Parties have no independent legal duty to pay Employee the Separation Benefits absent the terms of this Agreement itself.

14. Liens and Encumbrances. Employee represents and warrants that there are no liens or encumbrances on the Separation Benefits. Employee also represents and warrants that Employee has not assigned or transferred or purported to assign or transfer to any person, firm or corporation any claim, demand, right, damage, liability, debt, account, action, cause of action, or any other matter herein released. Employee agrees to indemnify and hold the Released Parties harmless against any claim, demand, right, damage, liability, debt, account, action, cause of action, cost or expense, including attorneys' fees, arising out of or in any way connected with any liens, encumbrances, transfer or assignment, or any such purported claimed lien, encumbrance, transfer or assignment.

15. Severability and Waiver. The Parties acknowledge and agree that each term and/or provision of this Agreement shall be enforceable independently of every other term and/or provision. Furthermore, in the event that any provision is deemed to be unenforceable for any reason, the remaining terms and/or provisions shall remain effective, binding and enforceable. The Parties further acknowledge and agree that the failure of any Party to enforce any term and/or provision of this Agreement shall not constitute a waiver of that term and/or provision, or of any other term and/or provision of this Agreement.

16. Governing Law. This Agreement shall be governed by and interpreted under the laws of the State of California applicable to contracts made and to be performed entirely within such State.

17. Construing Provisions. The language of all parts in this Agreement shall be construed as a whole, according to its fair meaning, and not strictly for or against either Party. Should any provision in this Agreement be declared or determined to be illegal or invalid, the validity of the remaining parts, terms, or provisions shall not be affected and the illegal or invalid part, term, or provision shall be deemed not to be part of this Agreement, and all remaining provisions shall remain valid and enforceable. This is a jointly negotiated Agreement. All pronouns and any variations thereof used herein shall be deemed to refer to the masculine,

feminine, neuter, singular or plural as the identity of the person or persons referred to may require.

18. Modifications. The Parties agree that the provisions of this Agreement may not be modified by any subsequent agreement unless the modifying agreement is: (i) in writing; (ii) specifically references this Agreement; (iii) signed by Employee; and (iv) signed and approved by an authorized officer of the Company.

19. Contractual Terms. Each term of this Agreement is contractual and not merely a recital.

20. Admissibility of Agreement. The Parties agree that this Agreement is admissible for the purposes of proving up and or enforcing the terms of the Parties' Agreement, as set forth herein, pursuant to California Evidence Code section 1123 and California Civil Code section 664.6 or any federal counterpart to those statutes.

21. Execution in Counterparts. This Agreement may be executed by the Parties in any number of counterparts, which are defined as duplicate originals, all of which taken together shall be construed as one document. A signature by facsimile on this Agreement shall be as legally binding as an original signature. The Parties agree where practicable to use DocuSign, an electronic signature technology, to expedite the execution of this Agreement, pursuant to California Civil Code section 1633.7.

22. Waiver of Age Claims. By signing this Agreement, Employee acknowledges that: Employee has carefully read, and understands, this Agreement; Employee has been given at least twenty-one (21) calendar days to consider Employee's rights and obligations under this Agreement; Employee has been and hereby is advised to consult with an attorney before signing this Agreement; Employee understands that this Agreement is legally binding and that by signing it Employee is giving up certain rights; Employee has voluntarily chosen to enter into this Agreement and has not been forced or pressured in any way to sign it; Employee understands that the Release in this Agreement includes a waiver and release of all claims Employee may have under the Age Discrimination in Employment Act ("ADEA"), as amended by the Older Workers Benefit Protection Act of 1990 ("OWBPA"); and Employee understands that this Agreement and Release does not waive any rights or claims that may arise under either the ADEA or the OWBPA after this Agreement is signed by Employee.

Employee knowingly and voluntarily waives the remainder of the 21-day consideration period, if any, following the date Employee signs this Agreement. Employee has not been asked by the Company to shorten Employee's time-period for consideration of whether to sign this Agreement. The Company has not threatened to withdraw or alter the benefit due to Employee prior to the expiration of the 21-day period nor has the Company provided different terms to Employee because Employee has decided to sign this Agreement prior to the expiration of the 21-day consideration period. Employee understands that if Employee waives some portion of the 21-day consideration period, the Company may expedite the processing of benefits provided to Employee in exchange for signing this Agreement.

Employee agrees with the Company that changes to this Agreement, whether material or immaterial, will not restart the running of the 21-day consideration period.

23. Revocation. Employee understands that if Employee signs this Agreement, Employee can change Employee's mind and has seven (7) calendar days to revoke the Agreement after signing it by returning it with written revocation notice sent by mail and email to: Kim Oglesby, HR Director (; 951-434-1196; 1141A Cummings Rd, Santa Paula, CA 93060).

Employee understands that this Agreement will not become effective until 12:00:01 a.m. on the eighth calendar day after Employee signs it (the "Effective Date" as defined below) Employee understands that if Employee revokes this Agreement, the entire Agreement shall become null and void and Employee shall not receive any of the Separation Benefits. Employee understands that following the seven-day revocation period, this Agreement will be final and binding.

24. Review of the Agreement. Employee fully understands, acknowledges and agrees that Employee:

- a. Has been given at least twenty-one (21) calendar days to consider this Agreement before executing it (although Employee may voluntarily choose to execute the Agreement earlier) and had the opportunity to consult with an attorney.
- b. Has carefully read and fully understands all of the provisions of this Agreement and that the Agreement is in Employee's preferred language and no translation is required.
- c. Is, by the execution of this Agreement, waiving, releasing and forever discharging the Released Parties from all rights and claims Employee has or may have against the Released Parties including but not limited to all rights relating to and claims of age discrimination prior to Employee's execution of this Agreement.
- d. Knowingly and voluntarily agrees to all of the terms of this Agreement.
- e. Knowingly and voluntarily intends to be legally bound by all of the terms of this Agreement.
- f. Has a period of seven (7) calendar days following execution of this Agreement to revoke it by providing written notice to the Company, as set forth above.

25. Entire Agreement. The Parties have full authority to enter into this Agreement and to be bound by it. The Parties are voluntarily entering into this Agreement free of any duress or coercion. The Parties acknowledge and agree that this Agreement constitutes the entire agreement between the Parties regarding the subject matter herein; that the Parties have executed this Agreement based upon the expressed terms in this Agreement; that the Parties have not relied on any prior agreement or representation, whether oral or written, that is not set forth in this Agreement; that no prior agreement, whether oral or written, shall have any effect on the terms and provisions of this Agreement; and that except the extent that they are specifically

incorporated into or continued in effect under this Agreement, all prior agreements, whether oral or written, are expressly superseded and/or revoked by this Agreement; *provided, however,* that nothing in this Agreement shall be construed to release Employee from compliance with any restrictive covenant(s) signed by Employee in connection with Employee's employment with the Company which obligations remain in full force and effect and are in addition to the obligations in this Agreement. This Agreement is not intended to restrict communications or actions that are protected by federal law, including discussing terms and conditions of employment with a union, the NLRB, or other current and former employees, or otherwise exercising protected rights (protected concerted activity) under the National Labor Relations Act. Nothing in this Agreement prevents you from discussing or disclosing information about unlawful acts in the workplace, such as harassment, discrimination and/or retaliation, or any other conduct that you have reason to believe is unlawful. The section titles and headings contained in this Agreement are inserted as a matter of convenience and for ease of reference only, and shall be disregarded for all other purposes including the construction or enforcement of this Agreement or any of its provisions. Any uncertainty or ambiguity in the Agreement shall not be construed for or against any Party based on the attribution of drafting to any Party.

26. Effective Date. The "Effective Date" of this Agreement shall be the eighth (8th) calendar day after Employee executes this Agreement, provided that Employee has not revoked Employee's acceptance.

This Agreement consists of eleven (11) pages.

**THIS SEPARATION AND RELEASE AGREEMENT INCLUDES A RELEASE OF ALL KNOWN
AND UNKNOWN CLAIMS.**

GRACIELA MONTGOMERY

/s/ Graciela Montgomery _____ Date: January 12, 2024 _____

CALAVO GROWERS, INC.

By: /s/ Shawn Munsell _____ Date: 1-12-24 _____

Name: Shawn Munsell _____

Title: CFO _____

CERTIFICATION PURSUANT TO
15 U.S.C. § 7241
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lecil E. Cole, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Calavo Growers, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present, in all material respects, the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2024

/s/ Lecil E. Cole
Lecil E. Cole
Chief Executive Officer (Principal Executive Officer)

CERTIFICATION PURSUANT TO
15 U.S.C. § 7241
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Shawn Munsell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Calavo Growers, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present, in all material respects, the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2024

/s/ Shawn Munsell
Shawn Munsell
Chief Financial Officer (Principal Financial Officer)

WRITTEN STATEMENT OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The undersigned, the Chief Executive Officer, and our Interim Chief Financial Officer of Calavo Growers, Inc. (the Company), hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the Report), fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 11, 2024

/s/ Lecil E Cole

Lecil E. Cole
Chief Executive Officer

/s/ Shawn Munsell

Shawn Munsell
Chief Financial Officer
