

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 30, 2022

OR

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

For the transition period from _____ to _____

Commission file number: 001-39561

MISSION PRODUCE, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

2710 Camino Del Sol
Oxnard, California
(Address of Principal Executive Offices)

95-3847744
(I.R.S. Employer
Identification No.)

93030
(Zip Code)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer
Emerging growth company

Accelerated filer
Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of May 31, 2022, the registrant had 70,655,841 shares of common stock at \$0.001 par value outstanding.

MISSION PRODUCE, INC.

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FORWARD LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may”, “will”, “should”, “expects”, “plans”, “anticipates”, “could”, “intends”, “target”, “projects”, “contemplates”, “believes”, “estimates”, “predicts”, “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We believe that these factors include, but are not limited to, the following:

- Risks related to our business, including: limitations regarding the supply of avocados, either through purchasing or growing; the loss of one or more of our largest customers or a reduction in the level of purchases by customers; doing business internationally, including Mexican and Peruvian economic, political and/or societal conditions; fluctuations in market prices of avocados; increasing competition; inherent farming risks; variations in operating results due to the seasonality of the business; general economic conditions; the effects of the COVID-19 pandemic, including resulting economic conditions; inflationary pressures and increases in costs of commodities or other products used in our business; food safety events and recalls of our products; changes to USDA and FDA regulations, U.S. trade policy, and/or tariff and import/export regulations; restrictions due to health and safety laws; significant costs associated with compliance with environmental laws and regulations; acquisitions of other businesses; the ability of our infrastructure to handle our business needs; supply chain optimization failures or disruptions; disruption to the supply of reliable and cost-effective transportation; failure to recruit and retain key personnel and an adequate labor supply and lack of good employee relations; information system security risks, data protection breaches and systems integration issues; changes in privacy and/or information security laws, policies and/or contractual arrangements; material litigation or adverse governmental actions; failure to maintain or protect our brand; changes in tax rates or international tax legislation; risks associated with our indebtedness; and risks associated with Russia/Ukraine conflict.
- Risks related to our common stock, including: the viability of an active, liquid, and orderly market for our common stock; volatility in the trading price of our common stock; concentration of control in our executive officers, directors and principal stockholders over matters submitted to stockholders for approval; limited sources of capital appreciation; significant costs associated with being a public company and the allocation of significant management resources thereto; reliance on analyst reports; failure to maintain proper and effective internal control over financial reporting; restrictions on takeover attempts in our charter documents and under Delaware law; and the selection of Delaware as the exclusive forum for substantially all disputes between us and our stockholders.
- Other risks and factors listed under “Item 1A. Risk Factors” in our most recent Annual Report on Form 10-K for the year ended October 31, 2021 and elsewhere in this report.

We have based the forward-looking statements contained in this report primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, prospects, business strategy and financial needs. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, assumptions and other factors described in “Item 1A. Risk Factors” in our most recent Annual Report on Form 10-K for the year ended October 31, 2021 and elsewhere in this report. These risks are not exhaustive. Other sections of this report include additional factors that could adversely impact our business and financial performance. Furthermore, new risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this report. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

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

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

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

This quarterly report may also include trademarks, tradenames and service marks that are the property of the Company and also certain trademarks, tradenames and service marks that are the property of other organizations. Solely for convenience, trademarks and tradenames referred to in this quarterly report appear without the ® and ™ symbols, but those references are not intended to indicate, in any way, that we will

not assert, to the fullest extent under applicable law, our rights, or that the applicable owner will not assert its rights, to these trademarks and tradenames.

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

PART I- FINANCIAL INFORMATION

Item 1. Financial Statements

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

(In millions, except for shares)	April 30, 2022	October 31, 2021
Assets		
Current Assets:		
Cash and cash equivalents	\$ 21.4	\$ 84.5
Restricted cash	2.6	6.1
Accounts receivable		
Trade, net of allowances of \$0.2 and \$0.2, respectively	102.9	73.8
Grower and fruit advances	4.4	0.6
Miscellaneous receivables	10.7	12.3
Inventory	90.6	48.2
Prepaid expenses and other current assets	7.8	11.6
Loans to equity method investees	2.1	3.3
Income taxes receivable	12.6	6.7
Total current assets	255.1	247.1
Property, plant and equipment, net	438.2	424.2
Operating lease right-of-use assets	49.2	43.9
Equity method investees	52.8	52.7
Loans to equity method investees	1.9	1.8
Deferred income tax assets, net	7.7	7.6
Goodwill	76.4	76.4
Other assets	19.5	19.8
Total assets	\$ 900.8	\$ 873.5
Liabilities and Shareholders' Equity		
Liabilities		
Accounts payable	\$ 26.3	\$ 22.8
Accrued expenses	28.9	28.8
Income taxes payable	1.8	1.9
Grower payables	58.0	22.2
Long-term debt—current portion	8.8	8.8
Operating leases—current portion	3.9	3.6
Finance leases—current portion	1.1	1.1
Total current liabilities	128.8	89.2
Long-term debt, net of current portion	150.7	155.1
Operating leases, net of current portion	47.8	42.5
Finance leases, net of current portion	1.7	2.2
Income taxes payable	3.1	3.5
Deferred income tax liabilities, net	26.8	26.8
Other long-term liabilities	17.1	20.0
Total liabilities	376.0	339.3
Commitments and contingencies (Note 5)		
Shareholders' Equity		
Common stock (\$0.001 par value, 1,000,000,000 shares authorized; 70,654,041 and 70,631,525 shares issued and outstanding as of April 30, 2022 and October 31, 2021, respectively)	0.1	0.1
Additional paid-in capital	227.3	225.6
Accumulated other comprehensive loss	(0.6)	(0.5)
Retained earnings	298.0	309.0
Total shareholders' equity	524.8	534.2
Total liabilities and shareholders' equity	\$ 900.8	\$ 873.5

See accompanying notes to unaudited condensed consolidated financial statements.

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

(In millions, except for per share amounts)	Three Months Ended April 30,		Six Months Ended April 30,	
	2022	2021	2022	2021
Net sales	\$ 278.1	\$ 234.7	\$ 494.7	\$ 407.9
Cost of sales	258.3	207.6	474.4	358.1
Gross profit	19.8	27.1	20.3	49.8
Selling, general and administrative expenses	18.7	16.3	37.4	30.9
Operating income (loss)	1.1	10.8	(17.1)	18.9
Interest expense	(1.1)	(0.8)	(2.0)	(1.7)
Equity method income (loss)	0.3	(0.2)	1.9	2.1
Other income (expense)	2.9	(0.3)	4.5	(0.3)
Income (loss) before income taxes	3.2	9.5	(12.7)	19.0
Provision (benefit) for income taxes	0.8	2.1	(1.7)	9.4
Net income (loss)	\$ 2.4	\$ 7.4	\$ (11.0)	\$ 9.6
Net income (loss) per share:				
Basic	\$ 0.03	\$ 0.10	\$ (0.16)	\$ 0.14
Diluted	\$ 0.03	\$ 0.10	\$ (0.16)	\$ 0.14
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	0.2	(0.2)	(0.1)	0.3
Comprehensive income (loss)	\$ 2.6	\$ 7.2	\$ (11.1)	\$ 9.9

See accompanying notes to unaudited condensed consolidated financial statements.

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

(In millions, except for shares)	Common stock		Additional paid-in capital	Notes receivable from shareholders	Accumulated other comprehensive loss	Retained earnings	Total shareholders' equity
	Shares	Amount					
Balance at October 31, 2020	70,550,922	\$ 0.1	\$ 222.8	\$ (0.1)	\$ (0.5)	\$ 251.2	\$ 473.5
Stock-based compensation	—	—	0.8	—	—	—	0.8
Repayment of stock option notes receivable	—	—	—	0.1	—	—	0.1
Net income	—	—	—	—	—	2.2	2.2
Other comprehensive income	—	—	—	—	0.5	—	0.5
Balance at January 31, 2021	70,550,922	\$ 0.1	\$ 223.6	\$ —	\$ —	\$ 253.4	\$ 477.1
Issuance of common stock for equity awards	50,000	—	—	—	—	—	—
Stock-based compensation	—	—	0.7	—	—	—	0.7
Net income	—	—	—	—	—	7.4	7.4
Other comprehensive loss	—	—	—	—	(0.2)	—	(0.2)
Balance at April 30, 2021	70,600,922	\$ 0.1	\$ 224.3	\$ —	\$ (0.2)	\$ 260.8	\$ 485.0
Balance at October 31, 2021	70,631,525	\$ 0.1	\$ 225.6	\$ —	\$ (0.5)	\$ 309.0	\$ 534.2
Stock-based compensation	—	—	0.8	—	—	—	0.8
Net loss	—	—	—	—	—	(13.4)	(13.4)
Other comprehensive loss	—	—	—	—	(0.3)	—	(0.3)
Balance at January 31, 2022	70,631,525	\$ 0.1	\$ 226.4	\$ —	\$ (0.8)	\$ 295.6	\$ 521.3
Stock-based compensation	—	—	0.9	—	—	—	0.9
Issuance of common stock for equity awards	22,516	—	—	—	—	—	—
Net income	—	—	—	—	—	2.4	2.4
Other comprehensive income	—	—	—	—	0.2	—	0.2
Balance at April 30, 2022	70,654,041	\$ 0.1	\$ 227.3	\$ —	\$ (0.6)	\$ 298.0	\$ 524.8

See accompanying notes to unaudited condensed consolidated financial statements.

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

(In millions)	Six Months Ended April 30,	
	2022	2021
Operating Activities		
Net (loss) income	\$ (11.0)	\$ 9.6
Adjustments to reconcile net (loss) income to net cash used in operating activities		
Provision for losses on accounts receivable	0.1	0.1
Depreciation and amortization	10.1	7.6
Amortization of debt issuance costs	0.2	0.2
Noncash lease expense	2.5	2.0 ⁽¹⁾
Equity method income	(1.9)	(2.1)
Stock-based compensation	1.7	1.5
Dividends received from equity method investees	2.2	—
Losses (gains) on asset impairment, disposals and sales, net of insurance recoveries	—	0.3
Deferred income taxes	(0.1)	5.0
Other	—	0.3
Unrealized gains on derivative financial instruments	(3.0)	(0.3)
Effect on cash of changes in operating assets and liabilities:		
Trade accounts receivable	(29.6)	(28.2)
Grower fruit advances	(3.7)	(1.7)
Miscellaneous receivables	1.6	1.1
Inventory	(40.7)	(27.5)
Prepaid expenses and other current assets	0.9	(0.1) ⁽¹⁾
Income taxes receivable	(5.8)	(3.5)
Other assets	(0.1)	(4.7)
Accounts payable and accrued expenses	7.3	10.5
Income taxes payable	(0.5)	(0.9)
Grower payables	36.4	12.5
Operating lease liabilities	(2.1)	(1.2) ⁽¹⁾
Other long-term liabilities	(1.5)	(0.7) ⁽¹⁾
Net cash used in operating activities	\$ (37.0)	\$ (20.2)
Investing Activities		
Purchases of property and equipment	(29.1)	(46.8)
Proceeds from sale of property, plant and equipment	2.9	2.3
Investment in equity method investees	(0.3)	(0.2)
Loans to equity method investees	—	(1.5)
Loan repayments from equity method investees	1.0	1.5
Other	(0.3)	(0.3)
Net cash used in investing activities	\$ (25.8)	\$ (45.0)
Financing Activities		
Borrowings on revolving credit facility	20.0	—
Payments on revolving credit facility	(20.0)	—
Principal payments on long-term debt obligations	(4.4)	(3.9)
Principal payments on finance lease obligations	(0.6)	(0.6)
Net cash used in financing activities	\$ (5.0)	\$ (4.5)
Effect of exchange rate changes on cash	(0.4)	0.2
Net decrease in cash, cash equivalents and restricted cash	(68.2)	(69.5)
Cash, cash equivalents and restricted cash, beginning of period	92.2	127.0
Cash, cash equivalents and restricted cash, end of period	\$ 24.0	\$ 57.5
Summary of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets:		
Cash and cash equivalents	\$ 21.4	\$ 54.2
Restricted cash	2.6	1.7
Restricted cash included in other assets	—	1.6
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows	\$ 24.0	\$ 57.5

⁽¹⁾ Prior period amounts differ from those previously reported due to the adoption of ASC 842, Leases, effective November 1, 2020, which was first presented in our annual report on Form-10K for the year ended October 31, 2021.

See accompanying notes to unaudited condensed consolidated financial statements.

MISSION PRODUCE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General

Business

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

Basis of presentation and consolidation

The unaudited interim condensed consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and include the Company’s consolidated domestic and international subsidiaries. Certain information and disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Accordingly, these unaudited interim condensed consolidated financial statements and accompanying footnotes should be read in conjunction with the Company’s Annual Report for the year ended October 31, 2021. In the opinion of management, all adjustments, of a normal recurring nature, considered necessary for a fair statement have been included in the unaudited condensed consolidated financial statements. Interim results of operations are not necessarily indicative of future results, including results that may be expected for the twelve months ended October 31, 2022.

Recently issued accounting standards

In March 2022, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2022-02, Financial Instruments—Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures, which among other things, requires that entities disclose current-period gross write-offs by year of origination for financing receivables. The amendments in this ASU are required to be adopted for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The impact of ASU 2022-02 is not expected to be material on our financial condition, results of operations and cash flows.

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

2. Inventory

Major classes of inventory were as follows:

(In millions)	April 30, 2022		October 31, 2021	
Finished goods	\$	43.7	\$	22.5
Crop growing costs		30.8		11.9
Packaging and supplies		16.1		13.8
Inventory	\$	90.6	\$	48.2

MISSION PRODUCE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Details of Certain Account Balances

Accrued expenses

(In millions)	April 30, 2022	October 31, 2021
Employee-related	\$ 12.1	\$ 14.6
Freight	6.7	3.9
Interest rate swaps	—	2.1
Construction-in-progress	0.4	0.2
Outside fruit purchase	2.9	2.2
VAT and local taxes payable	0.5	1.0
Legal settlement	0.8	0.8
Other	5.5	4.0
Accrued expenses	\$ 28.9	\$ 28.8

Other income (expense)

(In millions)	Three Months Ended April 30,		Six Months Ended April 30,	
	2022	2021	2022	2021
Gains on derivative financial instruments	\$ 2.2	\$ 0.3	\$ 3.0	\$ 0.3
Foreign currency transaction (loss) gain	(0.4)	(1.2)	0.1	(1.8)
Interest income	1.1	0.9	1.2	1.1
Other	—	(0.3)	0.2	0.1
Other income (expense)	\$ 2.9	\$ (0.3)	\$ 4.5	\$ (0.3)

4. Debt

Credit facility

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

(In millions)	April 30, 2022	October 31, 2021
Revolving line of credit. The interest rate is variable, based on LIBOR plus a spread that varies with the Company’s leverage ratio. As of April 30, 2022 and October 31, 2021, the interest rate was 2.45% and 1.84%, respectively. Interest is payable monthly and principal is due in full in October 2023.	\$ —	\$ —
Senior term loan (A-1). The interest rate is variable, based on LIBOR plus a spread that varies with the Company’s leverage ratio. As of April 30, 2022 and October 31, 2021, the interest rate was 2.76% and 1.84%, respectively. Interest is payable monthly, principal is payable quarterly and due in full in October 2023.	86.3	90.0
Senior term loan (A-2). The interest rate is variable, based on LIBOR plus a spread that varies with the Company’s leverage ratio. As of April 30, 2022 and October 31, 2021, the interest rate was 3.26% and 2.34% respectively. Interest is payable monthly, principal is payable quarterly and due in full in October 2025.	72.4	72.8
Note payable to BoA. Payable in monthly installments including interest at a rate of 3.96% as of both April 30, 2022 and October 31, 2021. Principal is due July 2024.	1.2	1.5
Total long-term debt	159.9	164.3
Less debt issuance costs	(0.4)	(0.4)
Long-term debt, net of debt issuance costs	159.5	163.9
Less current portion of long-term debt	(8.8)	(8.8)
Long-term debt, net of current portion	\$ 150.7	\$ 155.1

The credit facility requires the Company to comply with financial and other covenants, including limitations on investments, capital expenditures, dividend payments, amounts and types of liens and indebtedness, and material asset sales. The Company is also required to maintain certain leverage and fixed charge coverage ratios. As of April 30, 2022, the Company was in compliance with all covenants of the credit facility.

Interest rate swaps

The Company has four separate interest rate swaps with a total notional amount of \$100 million to hedge changes in the variable interest rate on \$100 million of principal value of the Company’s term loans. We account for the interest rate swaps in accordance with ASC 815, Derivatives

MISSION PRODUCE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

and Hedging, as amended, which requires the recognition of all derivative instruments as either assets or liabilities in the consolidated balance sheets and measurement of those instruments at fair value. The Company has not designated the interest rate swaps as cash flow hedges, and as a result under the accounting guidance, changes in the fair value of the interest rate swaps have been recorded in other income (expense) in the condensed consolidated statements of comprehensive income (loss) and changes in the liability are presented in net cash used in operating activities in the condensed consolidated statements of cash flow. Refer to Note 7 for more details.

5. Commitments and Contingencies

Litigation

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

On April 23, 2020, former Mission Produce, Inc. employees filed a class action lawsuit in the Superior Court of the State of California for the County of Los Angeles against us alleging violation of certain wage and labor laws in California, including failure to pay all overtime wages, minimum wage violations, and meal and rest period violations, among others. Additionally, on June 10, 2020, former Mission Produce, Inc. employees filed a class action lawsuit in the Superior Court of the State of California for the County of Ventura against us alleging similar violations of certain wage and labor laws. The plaintiffs in both cases seek damages primarily consisting of class certification and payment of wages earned and owed, plus other consequential and special damages. While the Company believes that it did not violate any wage or labor laws, it nevertheless decided to settle these class action lawsuits. In May 2021, the plaintiffs in both class action lawsuits and the Company agreed preliminarily to a comprehensive settlement to resolve both class action cases for a total of \$0.8 million, which the Company recorded as a loss contingency in selling, general and administrative expenses in the condensed consolidated statements of comprehensive income during the three months ended April 30, 2021. This preliminary settlement is subject to approval by the applicable courts.

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

6. Income Taxes

The income tax expense recorded for the three and six months ended April 30, 2022 and 2021, differs from the income taxes expected at the U.S. federal statutory tax rate of 21.0%, primarily due to income attributable to foreign jurisdictions which is taxed at different rates, changes in foreign exchange rates taxable in foreign jurisdictions, state taxes, nondeductible tax items, changes in uncertain tax positions ("UTP"), and changes in tax law affecting the rate in future years.

As of April 30, 2022, the Company had \$14.0 million in UTP accrued, of which \$7.8 million relates to interest and penalties, inclusive of inflationary adjustments. The period for assessing interest and penalties has expired. However, the Company continues to record certain statutory adjustments related to inflation. Changes in the UTP related to changes in foreign exchange rates during the period are included in other income (expense) in the condensed consolidated statements of comprehensive income (loss).

Additionally, the Company recorded a discrete tax expense of \$5.1 million during the three months ended January 31, 2021, related to the remeasurement of our deferred tax liabilities in Peru due to the enactment of tax rate changes for future years. On December 30, 2020, Peru enacted certain tax law changes effective January 1, 2021 that repealed existing tax laws which provided benefits to agribusiness entities. The new law will subject the Company to higher Peruvian tax rates than the current rate of 15% as follows: 20% for calendar years 2023 to 2024, 25% for calendar years 2025 to 2027, and 29.5% thereafter.

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7. Fair Value Measurements

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

(In millions)	April 30, 2022				October 31, 2021			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets								
Mutual funds	\$ 1.2	\$ 1.2	\$ —	\$ —	\$ 1.2	\$ 1.2	\$ —	\$ —
Interest rate swap	0.6	—	0.6	—	—	—	—	—
Liabilities								
Interest rate swap	—	—	—	—	3.5	—	3.5	—

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

The fair value of interest rate swaps is determined using widely accepted valuation techniques, including discounted cash flow analysis, on the expected cash flows of each derivative. The analysis reflects the contractual terms of the swaps, including the period to maturity, and uses observable market-based inputs, including interest rate curves (“significant other observable inputs”). The fair value calculation also includes an amount for risk of non-performance using “significant unobservable inputs” such as estimates of current credit spreads to evaluate the likelihood of default. The Company has concluded, as of April 30, 2022 and October 31, 2021, that the fair value associated with the “significant unobservable inputs” relating to the Company’s risk of non-performance was insignificant to the overall fair value of the interest rate swap agreements and, as a result, the Company has determined that the relevant inputs for purposes of calculating the fair value of the interest rate swap agreements, in their entirety, were based upon “significant other observable inputs”. The assets or liabilities associated with the interest rate swaps have been included in prepaid and other current assets and other assets or accrued expenses and other long-term liabilities, respectively, in the condensed consolidated balance sheets and gains and losses for the interest rate swaps have been included in other income (expense) in the condensed consolidated statements of comprehensive income (loss).

8. Earnings Per Share

	Three Months Ended April 30,		Six Months Ended April 30,	
	2022	2021	2022	2021
Numerator:				
Net income (loss) available to shareholders (in millions)	\$ 2.4	\$ 7.4	\$ (11.0)	\$ 9.6
Denominator:				
Weighted average shares of common stock outstanding, used in computing basic earnings per share	70,636,331	70,560,287	70,633,888	70,555,528
Effect of dilutive stock options	27,174	605,469	—	335,095
Effect of dilutive RSUs	29,918	41,703	—	36,961
Weighted average shares of common stock outstanding, used in computing diluted earnings per share	70,693,423	71,207,459	70,633,888	70,927,584
Earnings per share				
Basic	\$ 0.03	\$ 0.10	\$ (0.16)	\$ 0.14
Diluted	\$ 0.03	\$ 0.10	\$ (0.16)	\$ 0.14

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

	Three Months Ended April 30,		Six Months Ended April 30,	
	2022	2021	2022	2021
Anti-dilutive stock options	2,033,888	141,392	2,184,694	510,000
Anti-dilutive RSUs	213,287	3,480	236,890	5,782

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9. Related Party Transactions

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

(In millions)	Condensed Consolidated Balance Sheets					
	April 30, 2022			October 31, 2021		
	Accounts receivable	Loans to equity method investees	Accounts payable & accrued expenses	Accounts receivable	Loans to equity method investees	Accounts payable & accrued expenses
Equity method investees:						
Henry Avocado	\$ —	\$ —	\$ 0.2	\$ —	\$ —	\$ —
Mr. Avocado	0.2	—	—	1.3	—	—
Moruga ⁽¹⁾	—	1.9	—	3.9	3.0	—
Copaltas ⁽²⁾	—	2.1	—	—	2.1	—
Other:						
Directors/Officers ⁽³⁾	0.1	—	0.8	0.1	—	—
Employees ⁽⁴⁾	—	—	0.4	—	—	0.2

(In millions)	Condensed Consolidated Statements of Comprehensive Income (Loss)							
	Three Months Ended April 30, 2022				Six Months Ended April 30, 2022			
	Net sales	Cost of sales	Selling, general and administrative expenses	Other income (expense)	Net sales	Cost of sales	Selling, general and administrative expenses	Other income
Equity method investees:								
Henry Avocado	\$ —	\$ 0.3	\$ —	\$ —	\$ —	\$ 0.5	\$ —	\$ —
Mr. Avocado	0.1	—	—	—	0.5	—	—	—
Moruga ⁽¹⁾	0.7	—	—	—	4.1	—	—	0.4
Copaltas ⁽²⁾	—	—	—	0.1	—	—	—	0.1
Other:								
Directors/Officers ⁽³⁾	0.3	2.2	—	—	0.7	2.3	—	—
Employees ⁽⁴⁾	—	2.4	—	—	—	4.1	—	—

(In millions)	Three Months Ended April 30, 2021				Six Months Ended April 30, 2021			
	Net sales	Cost of sales	Selling, general and administrative expenses	Other income (expense)	Net sales	Cost of sales	Selling, general and administrative expenses	Other income
	Equity method investees:							
Mr. Avocado	\$ 0.8	\$ —	\$ —	\$ —	\$ 1.9	\$ —	\$ —	\$ —
Moruga ⁽¹⁾	0.1	—	—	0.1	2.6	—	—	0.1
Other:								
Directors/Officers ⁽³⁾	1.0	1.4	0.1	—	1.6	1.4	0.1	—
Employees ⁽⁴⁾	—	3.0	—	—	—	6.0	—	—

⁽¹⁾ The Company has provided loans to Moruga Inc. S.A.C. to support growth and expansion projects, bearing interest at 6.5%, due December 31, 2023. The Company also provides packing and cooling services for blueberries and leases owned land to Blueberries Peru S.A.C., a wholly owned subsidiary of Moruga, in Peru.

⁽²⁾ The Company has provided loans to Copaltas to support growth and expansion projects, bearing interest at 6.66%. The notes outstanding as of April 30, 2022 have an amended due date of August 31, 2022.

⁽³⁾ The Company purchases from and sells avocados to, and provides logistics services to, a small number of entities having full or partial ownership by some of our directors/officers. These transactions are made under substantially similar terms as with other growers and customers. The Company had a consulting agreement with a director to advise on business operations, as well as to analyze opportunities for fresh avocado farming and packing facilities in South and Central America, that was terminated in June 2021.

⁽⁴⁾ The Company utilizes a small number of transportation vendors in Mexico having full or partial ownership by some of our employees. The Company also purchases avocados from a small number of entities having full or partial ownership by some employees. These transactions are made under substantially similar terms as with other transportation carriers and growers.

10. Segment Information

We have two operating segments which are also reporting segments. Our reporting segments are presented based on how information is used by our CEO, who is the chief operating decision maker, to measure performance and allocate resources. These reporting segments are Marketing and Distribution and International Farming. Our Marketing and Distribution reporting segment sources fruit from growers and then distributes the fruit through our global distribution network. Our International Farming segment owns and operates orchards from which substantially all fruit produced is sold to our Marketing and Distribution segment. The International Farming segment's farming activities range from cultivating early-stage plantings to harvesting from mature trees, and it also earns service revenues for packing and processing for producers of other crops during the avocado off-harvest season. The International Farming segment is principally located in Peru, with smaller operations emerging in other areas of Latin America.

The CEO evaluates and monitors segment performance primarily through segment sales and segment adjusted earnings before interest expense, income taxes and depreciation and amortization ("adjusted EBITDA"). We believe that adjusted EBITDA by segment provides useful information for analyzing the underlying business results as well as allowing investors a means to evaluate the financial results of each reportable

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segment in relation to the Company as a whole. These measures are not in accordance with, nor are they a substitute for or superior to, the comparable GAAP financial measures.

Adjusted EBITDA refers to net income (loss), before interest expense, income taxes, depreciation and amortization expense, stock-based compensation expense, other income (expense), and income (loss) from equity method investees, further adjusted by asset impairment and disposals, net of insurance recoveries, farming costs for nonproductive orchards (which represents land lease costs), noncapitalizable ERP implementation costs, transaction costs, material legal settlements, and any special, non-recurring, or one-time items such as impairments that are excluded from the results the CEO reviews uses to assess segment performance and results.

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

(In millions)	Marketing and Distribution		International Farming		Total	
	Three Months Ended April 30,		Marketing and Distribution		International Farming	
	2022		2021		Total	
Third party sales	\$ 273.7	\$ 4.4	\$ 278.1	\$ 232.4	\$ 2.3	\$ 234.7
Affiliated sales	—	2.6	2.6	—	2.0	2.0
Total segment sales	273.7	7.0	280.7	232.4	4.3	236.7
Intercompany eliminations	—	(2.6)	(2.6)	—	(2.0)	(2.0)
Total net sales	\$ 273.7	\$ 4.4	\$ 278.1	\$ 232.4	\$ 2.3	\$ 234.7
Six Months Ended April 30,						
2022						
2021						
Third party sales	\$ 486.0	\$ 8.7	\$ 494.7	\$ 402.0	\$ 5.9	\$ 407.9
Affiliated sales	—	1.6	1.6	—	2.2	2.2
Total segment sales	486.0	10.3	496.3	402.0	8.1	410.1
Intercompany eliminations	—	(1.6)	(1.6)	—	(2.2)	(2.2)
Total net sales	\$ 486.0	\$ 8.7	\$ 494.7	\$ 402.0	\$ 5.9	\$ 407.9

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

(In millions)	Three Months Ended April 30,		Six Months Ended April 30,	
	2022	2021	2022	2021
Marketing and Distribution adjusted EBITDA	\$ 11.7	\$ 16.2	\$ 4.0	\$ 29.9
International Farming adjusted EBITDA	(2.5)	0.1	(5.2)	(1.1)
Total reportable segment adjusted EBITDA	9.2	16.3	(1.2)	28.8
Net income (loss)	2.4	7.4	(11.0)	9.6
Interest expense	1.1	0.8	2.0	1.7
Provision (benefit) for income taxes	0.8	2.1	(1.7)	9.4
Depreciation and amortization	5.6	4.0	10.1	7.6
Equity method (income) loss	(0.3)	0.2	(1.9)	(2.1)
Stock-based compensation	0.9	0.7	1.7	1.5
Legal settlement	—	0.8	—	0.8
Asset impairment and disposals, net of insurance recoveries	(0.1)	—	—	—
Farming costs for nonproductive orchards	0.3	—	0.8	—
Noncapitalizable ERP implementation costs	1.3	—	2.8	—
Transaction costs	0.1	—	0.5	—
Other (income) expense	(2.9)	0.3	(4.5)	0.3
Total adjusted EBITDA	\$ 9.2	\$ 16.3	\$ (1.2)	\$ 28.8

Net sales to customers outside the U.S. were \$42.6 million and \$53.2 million for the three months ended April 30, 2022 and 2021, respectively, and \$81.1 million and \$100.4 million for the six months ended April 30, 2022 and 2021, respectively.

Our goodwill balance of \$76.4 million as of April 30, 2022 and October 31, 2021 was wholly attributed to the International Farming segment.

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11. Subsequent Events

Moruga Shareholders Agreement

The Company owns a 60% equity ownership interest in Moruga, an entity which was established in 2014 when it began small-scale blueberry plantings in Peru. Since inception, Moruga has expanded to approximately 360 productive hectares. On May 1, 2022, the shareholders of Moruga amended and restated its shareholders agreement (“the amendment”), wherein certain supermajority requirements that previously prevented us as shareholders from having a controlling financial interest were removed. In connection with the amendment, shareholders approved a new capital project to farm an additional 600 hectares of blueberries. Blueberries produced will be marketed through a marketing agreement which gives exclusive marketing rights to a minority shareholder. The new capital project is anticipated to require a total investment of approximately \$40 to \$50 million. The capital investment will be funded by cash flow generated by Moruga and pro-rata shareholder contributions based on each shareholders’ respective ownership interest.

We have concluded that we will consolidate Moruga’s financial results with our financial results prospectively from May 1, 2022. This is because we have concluded that as of the date the shareholders agreement was amended, Moruga is a variable interest entity, we have a variable interest in Moruga through our equity ownership interest, and we are the primary beneficiary of Moruga. In connection with the consolidation of Moruga into our results, we also expect to record a remeasurement gain or loss on the difference between the fair value of our 60% equity investment in Moruga and its carrying value immediately prior to consolidating. We are currently in the process of finalizing the fair value report.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes included elsewhere in this quarterly report. This discussion and analysis contains forward-looking statements based upon our current beliefs, plans and expectations that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors. Please refer to the section of this report under the heading “Forward Looking Statements.”

Overview

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

We have two operating segments, which are also reporting segments. These reporting segments are Marketing and Distribution and International Farming. Our Marketing and Distribution reporting segment sources fruit from growers and then distributes the fruit through our global distribution network. Our International Farming segment owns and operates orchards from which substantially all fruit produced is sold to our Marketing and Distribution segment. The International Farming segment’s farming activities range from cultivating early-stage plantings to harvesting from mature trees, and it also earns service revenues for packing and processing for producers of other crops during the avocado off-harvest season. The International Farming segment is principally located in Peru, with smaller operations emerging in other areas of Latin America.

ERP system implementation

On November 1, 2021, we implemented a new enterprise resource planning (“ERP”) system in our Marketing and Distribution segment to improve operational visibility and financial reporting capabilities. During implementation, we encountered significant challenges which limited our ability to effectively manage our business operations, thereby impacting our profitability and financial results for the first quarter of 2022. Our distribution centers and packing houses experienced problems with purchasing, receiving and shipping, which resulted in a high reliance on both third-party fruit and packaged fruit that we would have otherwise sourced directly in the field and packed in our facilities. Other issues included delays in automated customer invoicing and inventory management issues. During the second quarter of 2022, these operational issues we experienced during the first quarter were largely resolved. We continue to work with our third-party implementation firm to improve the system, and thus the financial impact during the second quarter was primarily limited to ongoing consulting costs.

Results of Operations

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

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

(In millions, except for percentages)	Three Months Ended April 30,				Six Months Ended April 30,			
	2022		2021		2022		2021	
	Dollars	%	Dollars	%	Dollars	%	Dollars	%
Net sales	\$ 278.1	100 %	\$ 234.7	100 %	\$ 494.7	100 %	\$ 407.9	100 %
Cost of sales	258.3	93 %	207.6	88 %	474.4	96 %	358.1	88 %
Gross profit	19.8	7 %	27.1	12 %	20.3	4 %	49.8	12 %
Selling, general and administrative expenses	18.7	7 %	16.3	7 %	37.4	8 %	30.9	8 %
Operating income (loss)	1.1	— %	10.8	5 %	(17.1)	(3)%	18.9	5 %
Interest expense	(1.1)	— %	(0.8)	— %	(2.0)	— %	(1.7)	— %
Equity method income (loss)	0.3	— %	(0.2)	— %	1.9	— %	2.1	1 %
Other income (expense)	2.9	1 %	(0.3)	— %	4.5	1 %	(0.3)	— %
Income (loss) before income taxes	3.2	1 %	9.5	4 %	(12.7)	(3)%	19.0	5 %
Provision (benefit) for income taxes	0.8	— %	2.1	1 %	(1.7)	— %	9.4	2 %
Net income (loss)	\$ 2.4	1 %	\$ 7.4	3 %	\$ (11.0)	(2)%	\$ 9.6	2 %

Net sales

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

(In millions)	Three Months Ended April 30,		Six Months Ended April 30,	
	2022	2021	2022	2021
Net sales:				
Marketing and Distribution	\$ 273.7	\$ 232.4	\$ 486.0	\$ 402.0
International Farming	4.4	2.3	8.7	5.9
Total net sales	\$ 278.1	\$ 234.7	\$ 494.7	\$ 407.9

Net sales increased \$43.4 million or 18% and \$86.8 million or 21% in the three and six months ended April 30, 2022 compared to the same periods last year, respectively. Growth was driven by 44% and 46% increases in average per-unit avocado sales prices in the three and six months ended April 30, 2022, compared to the same periods last year, respectively, due to lower industry supply out of Mexico, as well as inflationary pressures. Partially offsetting price gains were decreases in avocado volume sold of 19% for both the three and six months ended April 30, 2022 compared to the same periods last year, primarily driven by lower supply. Domestic volumes declined at a lower relative rate during these periods, demonstrating the resiliency of demand for avocados amid higher price points in the U.S. market.

Gross profit

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

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

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

	Three Months Ended April 30,				Six Months Ended April 30,			
	2022		2021		2022		2021	
Gross profit (in millions)	\$	19.8	\$	27.1	\$	20.3	\$	49.8
Gross profit as a percentage of sales		7.1 %		11.5 %		4.1 %		12.2 %

Gross profit decreased \$7.3 million or 27%, in the three months ended April 30, 2022 compared to the same period last year to \$19.8 million, and gross profit percentage decreased 440 basis points to 7.1% of revenue. The decreases were primarily driven by the impact of lower avocado volume sold in our Marketing & Distribution segment, and its related impact on fixed cost absorption. In addition, we experienced gross profit decreases in the International Farming segment were due to the timing of cost incurred and impact of pricing at early-stage mango farms. The lower gross profit percentage was driven by higher per-unit sales prices, as per-unit margin represented a lower proportion of the sales value. Margin is primarily managed on a per-unit basis in our Marketing and Distribution segment, which can lead to significant movement in gross profit percentage when sales prices fluctuate.

Gross profit decreased \$29.5 million or 59%, in the six months ended April 30, 2022 compared to the same period last year to \$20.3 million, and gross profit percentage decreased 810 basis points to 4.1% of revenue. The decreases were due to the same factors mentioned above, as well as temporary and unforeseen operational challenges created by the ERP implementation in our Marketing & Distribution segment during the first quarter of 2022, which limited our ability to effectively manage our supply chain.

Selling, general and administrative expenses

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

(In millions)	Three Months Ended April 30,				Six Months Ended April 30,			
	2022		2021		2022		2021	
Selling, general and administrative expenses	\$	18.7	\$	16.3	\$	37.4	\$	30.9

Selling, general and administrative expenses increased \$2.4 million or 15% in the three months ended April 30, 2022 compared to the same period last year due to noncapitalizable costs associated with the implementation of our new ERP system in our Marketing and Distribution segment, higher employee-related costs driven by increased headcount and labor inflation and higher travel expenses as COVID-related travel restrictions have eased.

Selling, general and administrative expenses increased \$6.5 million or 21% in the six months ended April 30, 2022 compared to the same period last year due to the same factors above, as well as higher professional fees and certain transaction costs. Higher professional fees were in-part related to our change in SEC filer status from an emerging growth company to a large accelerated filer on October 31, 2021.

Interest expense

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

(In millions)	Three Months Ended April 30,				Six Months Ended April 30,			
	2022		2021		2022		2021	
Interest expense	\$	1.1	\$	0.8	\$	2.0	\$	1.7

Interest expense increased \$0.3 million or 37.5% and \$0.3 million or 17.6% in the three and six months ended April 30, 2022 compared to the same periods last year, respectively. The increases were primarily due to higher interest rates, as the majority of our outstanding debt is subject to variable rates.

Equity method income (loss)

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

(In millions)	Three Months Ended April 30,				Six Months Ended April 30,			
	2022		2021		2022		2021	
Equity method income (loss)	\$	0.3	\$	(0.2)	\$	1.9	\$	2.1

Equity method income in the three months ended April 30, 2022 was \$0.3 million compared to a loss of \$0.2 million in the same period last year, primarily due to higher earnings from HAC due to improved per-unit margins.

Equity method income decreased \$0.2 million or 10% in the six months ended April 30, 2022 compared to the same period last year as lower earnings from Moruga and Mr. Avocado were substantially offset by higher earnings from HAC. Moruga was affected by lower per-unit sales pricing, as well as higher farming costs associated with the replacement of certain farmable area with the intent of increasing yields.

Other income (expense)

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

(In millions)	Three Months Ended April 30,		Six Months Ended April 30,	
	2022	2021	2022	2021
Other income (expense)	\$ 2.9	\$ (0.3)	\$ 4.5	\$ (0.3)

Other income was \$2.9 million in the three months ended April 30, 2022 compared to expense of \$0.3 million in the same period last year, and \$4.5 million in the six months ended April 30, 2022 compared to expense of \$0.3 million in the same period last year. The changes were primarily due to gains on our interest rate swaps driven by market movements in short-term interest rates and lower losses on foreign currency transactions primarily between the U.S. dollar and Mexican peso compared to the same periods prior year.

Provision (benefit) for income taxes

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

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

	Three Months Ended April 30,		Six Months Ended April 30,	
	2022	2021	2022	2021
Provision (benefit) for income taxes (in millions)	\$ 0.8	\$ 2.1	\$ (1.7)	\$ 9.4
Effective tax rate	25.0 %	22.1 %	13.4 %	49.5 %

The provision for income taxes decreased \$1.3 million or 62% in the three months ended April 30, 2022 compared to the same period last year primarily due to lower pre-tax income in the second quarter of fiscal 2022.

We had an income tax benefit of \$1.7 million in the six months ended April 30, 2022 compared to a provision for income taxes of \$9.4 million for the same period last year. The benefit from income taxes for the six months ended April 30, 2022 was attributed to pre-tax losses recorded during the period. The prior year provision for income taxes included a discrete tax expense of \$5.1 million, related to the remeasurement of our deferred tax liabilities in Peru due to the enactment of tax rate changes for future years.

Segment Results of Operations

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

Adjusted EBITDA refers to net income (loss), before interest expense, income taxes, depreciation and amortization expense, stock-based compensation expense, other income (expense), and income (loss) from equity method investees, further adjusted by asset impairment and disposals, net of insurance recoveries, farming costs for nonproductive orchards (which represents land lease costs), noncapitalizable ERP implementation costs, transaction costs, material legal settlements, and any special, non-recurring, or one-time items such as impairments that are excluded from the results the CEO reviews uses to assess segment performance and results.

Net sales

(In millions)	Marketing and Distribution		International Farming		Total		Marketing and Distribution		International Farming		Total				
	Three Months Ended April 30,						Six Months Ended April 30,								
	2022				2021				2022				2021		
Third party sales	\$	273.7	\$	4.4	\$	278.1	\$	232.4	\$	2.3	\$	234.7			
Affiliated sales		—		2.6		2.6		—		2.0		2.0			
Total segment sales		273.7		7.0		280.7		232.4		4.3		236.7			
Intercompany eliminations		—		(2.6)		(2.6)		—		(2.0)		(2.0)			
Total net sales	\$	273.7	\$	4.4	\$	278.1	\$	232.4	\$	2.3	\$	234.7			

Adjusted EBITDA

(In millions)	Three Months Ended April 30,				Six Months Ended April 30,			
	2022		2021		2022		2021	
Marketing and Distribution adjusted EBITDA	\$	11.7	\$	16.2	\$	4.0	\$	29.9
International Farming adjusted EBITDA		(2.5)		0.1		(5.2)		(1.1)
Total reportable segment adjusted EBITDA		9.2		16.3		(1.2)		28.8
Net income (loss)		2.4		7.4		(11.0)		9.6
Interest expense		1.1		0.8		2.0		1.7
Provision (benefit) for income taxes		0.8		2.1		(1.7)		9.4
Depreciation and amortization		5.6		4.0		10.1		7.6
Equity method (income) loss		(0.3)		0.2		(1.9)		(2.1)
Stock-based compensation		0.9		0.7		1.7		1.5
Legal settlement		—		0.8		—		0.8
Asset impairment and disposals, net of insurance recoveries		(0.1)		—		—		—
Farming costs for nonproductive orchards		0.3		—		0.8		—
Noncapitalizable ERP implementation costs		1.3		—		2.8		—
Transaction costs		0.1		—		0.5		—
Other (income) expense		(2.9)		0.3		(4.5)		0.3
Total adjusted EBITDA	\$	9.2	\$	16.3	\$	(1.2)	\$	28.8

Marketing and Distribution

Net sales in our Marketing and Distribution segment increased \$41.3 million or 18% and \$84.0 million or 21% in the three and six months ended April 30, 2022, compared to the same periods last year, respectively. The increases were due to the same drivers impacting consolidated revenue.

Segment adjusted EBITDA decreased \$4.5 million or 28% in the three months ended April 30, 2022 compared to the same period last year due primarily to the impact of lower avocado volume sold on gross margin and higher selling, general and administrative expenses.

Segment adjusted EBITDA decreased \$25.9 million or 87% in the six months ended April 30, 2022 compared to the same period last year due to lower gross margin, attributed to ERP-related issues in the first quarter of 2022 and lower avocado volume sold, and higher selling, general and administrative expenses as described above.

International Farming

Substantially all sales of fruit from our International Farming segment are to the Marketing and Distribution segment, with the remainder of revenue largely derived from services provided to third parties. Affiliated sales are concentrated in the second half of the fiscal year in alignment with the Peruvian avocado harvest season, which typically runs from April through August of each year. As a result, adjusted EBITDA for International Farming is generally concentrated in the third and fourth quarters of the fiscal year in alignment with sales. The Company operates approximately 300 hectares of mangos in Peru that are largely in an early-stage of production. The timing of the mango harvest is concentrated in the fiscal second quarter and, as a result, mangos have a more pronounced impact on segment financial performance during this timeframe.

Net sales in our International Farming segment increased \$2.1 million or 91% and \$2.8 million or 47% in the three and six months ended April 30, 2022 compared to the same periods last year, respectively, due to both higher third-party service revenue and higher mango harvest volumes.

Segment adjusted EBITDA was \$(2.5) million in the three months ended April 30, 2022 to compared to \$0.1 million in the same period last year primarily due to the timing of cost incurred and impact of pricing at early-stage mango farms.

Segment adjusted EBITDA decreased \$4.1 million or 373% in the six months ended April 30, 2022 to \$(5.2) million, due to losses at early-stage mango farms that were mainly driven by lower than expected sales prices and higher costs associated with strategic initiatives in farming maintenance and operations that are intended to drive yield enhancements.

Liquidity and Capital Resources

Operating activities

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

(In millions)	Six Months Ended April 30,	
	2022	2021
Net (loss) income	\$ (11.0)	\$ 9.6
Depreciation and amortization	10.1	7.6
Noncash lease expense	2.5	2.0 ⁽¹⁾
Equity method income	(1.9)	(2.1)
Stock-based compensation	1.7	1.5
Dividends received from equity method investees	2.2	—
Losses (gains) on asset impairment, disposals and sales, net of insurance recoveries	—	0.3
Deferred income taxes	(0.1)	5.0
Other	(2.7)	0.3
Changes in working capital	(37.8)	(44.4) ⁽¹⁾
Net cash used in operating activities	\$ (37.0)	\$ (20.2)

⁽¹⁾ Prior period amounts differ from those previously reported due to the adoption of ASC 842, Leases, effective November 1, 2020, which was first presented in our annual report on Form-10K for the year ended October 31, 2021.

Net cash used in operating activities was higher by \$16.8 million for the six months ended April 30, 2022 compared to the respective period last year, reflecting our net loss in fiscal 2022, partially offset by favorable net change in working capital. Within working capital, favorable changes in grower payables were partially offset by unfavorable changes in inventory. Changes in grower payables were due to higher fruit prices compared to prior year. Changes in inventory were due to increased per-box value of fruit on hand in North America and higher growing crop inventory in Peru, driven by inflationary pressures on farming costs and additional productive acreage, compared to last year.

Investing activities

(In millions)	Six Months Ended April 30,	
	2022	2021
Purchases of property and equipment	\$ (29.1)	\$ (46.8)
Proceeds from sale of property, plant and equipment	2.9	2.3
Investment in equity method investees	(0.3)	(0.2)
Loans to equity method investees	—	(1.5)
Loan repayments from equity method investees	1.0	1.5
Other	(0.3)	(0.3)
Net cash used in investing activities	\$ (25.8)	\$ (45.0)

Property, plant and equipment

In the six months ended April 30, 2022, capital expenditures were concentrated in the purchase of farmland in Peru as well as land improvements and orchard development in Peru and Guatemala.

In the six months ended April 30, 2021, capital expenditures were for the construction of the Laredo facility, which formally opened in May 2021, as well as land improvements and orchard development in Peru and Guatemala.

Proceeds from the sale of property, plant and equipment in the six months ended April 30, 2022 were for land that had been originally intended for use as our corporate headquarters, and in the six months ended April 30, 2021, proceeds were primarily from the sale of two multi-unit housing properties in California that had been used for housing seasonal avocado labor contractors.

Equity method investees

In the six months ended April 30, 2022 and 2021, we made capital contributions to our joint venture Copaltas, to support the purchase of additional farmland in Colombia. We also received installment payments in both years on outstanding loans made to Moruga.

In the six months ended April 30, 2022 we also made a capital contribution to Mr. Avocado to support the addition of a new distribution facility in southern China.

In the six months ended April 30, 2021 we issued a \$1.5 million loan to Copaltas to support the working capital needs of the entity and received an installment payment on our outstanding loan to Moruga.

Financing activities

(In millions)	Six Months Ended April 30,	
	2022	2021
Borrowings on revolving credit facility	\$ 20.0	\$ —
Payments on revolving credit facility	(20.0)	—
Principal payments on long-term borrowings	(4.4)	(3.9)
Principal payments on finance lease obligations	(0.6)	(0.6)
Net cash used in financing activities	\$ (5.0)	\$ (4.5)

Borrowings and repayments of debt

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

Capital resources

(In millions)	April 30, 2022	October 31, 2021
Cash and cash equivalents	\$ 21.4	\$ 84.5
Working capital ⁽¹⁾	126.3	157.9

⁽¹⁾ Includes cash and cash equivalents

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

We have a syndicated credit facility with Bank of America, N.A., comprised of two term loans and a revolving credit facility (“revolver”) that provides up to \$100 million in borrowings. The credit facility also includes a swing line facility and an accordion feature which allows us to increase the borrowings by up to \$125 million, with bank approval. We did not have any outstanding borrowings under the revolver as of April 30, 2022 and October 31, 2021. Interest on the revolver bears rates at a spread over LIBOR that varies with our leverage ratio. As of April 30, 2022 and October 31, 2021, interest rates on the revolver were 2.45% and 1.84%, respectively.

In April 2022, we entered into an amendment to our agreement for the credit facility, which, among other things provides for: (i) an increase to the maximum annual aggregate purchase consideration for a permitted acquisition from \$20 million to \$30 million; (ii) an increase to the consolidated total net leverage ratio for the fiscal quarter ending April 30, 2022 from 2.75:1.0 to 3.75:1.0 and for the fiscal quarter ending July 31, 2022, from 2.75:1.0 to 3.25:1.0; and (iii) certain other administrative updates.

As of April 30, 2022, we were required to comply with the following financial covenants: (a) a quarterly consolidated leverage ratio of not more than 3.75 to 1.00 and (b) a quarterly consolidated fixed charge coverage ratio of not less than 1.50 to 1.00. As of April 30, 2022, our consolidated leverage ratio was 2.56 to 1.00 and our consolidated fixed charge coverage ratio was 1.68 to 1.00 and we were in compliance with all such covenants of the credit facility. The loans are secured by real property, personal property and the capital stock of our subsidiaries. We pay fees on unused commitments on the credit facility.

Material cash requirements

Capital expenditures

We have various capital projects in progress for farming expansion and facility improvements which we intend to fund through our operating cash flow as well as cash and cash equivalents on hand. For fiscal 2022, we do not expect a material deviation from amounts spent in recent fiscal years. Cash paid for capital expenditures for the years ended October 31, 2021 and 2020, were \$73.4 million and \$67.3 million, respectively.

Operating leases

We are party to various operating leases for facilities, land, and equipment, for which our undiscounted cash liabilities were \$80.6 million as of April 30, 2022.

Long-term Debt

As of April 30, 2022, remaining maturities on our term loans and notes were \$159.9 million. See Note 4 to the consolidated financial statements for more information.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to “Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the year ended October 31, 2021.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

On November 1, 2021, we implemented a new ERP system in our Marketing and Distribution segment, which impacted recordkeeping processes for the general ledger, accounts receivable, inventory, accounts payable, purchasing, and shipping. We have focused on the maintenance of internal controls and the assessment of the design of new controls through the development and deployment of the new ERP system.

There were no other changes in our internal control over financial reporting during the quarter ended April 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

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

PART II- OTHER INFORMATION

Item 1. Legal Proceedings

We are from time to time involved in legal proceedings and investigations arising in the ordinary course of business, including those relating to employment matters, relationships with clients and contractors, intellectual property disputes and other business matters.

The Company is involved from time to time in claims, proceedings, and litigation, including those discussed in “Part I, Item 3. Legal Proceedings” in our Annual Report on Form 10-K for the year ended October 31, 2021, to which there have been no material updates.

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

Item 1A. Risk Factors

For a discussion of our risk factors, see “Part I, Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended October 31, 2021, filed with the SEC on December 22, 2021. There have been no material changes from the risk factors previously disclosed in such Annual Report on Form 10-K, except as set forth below. The risks and uncertainties that we face are not limited to those set forth in the 2021 Form 10-K and in this quarterly report. You should carefully consider the risk factors in the 2021 Form 10-K, together with the other information contained in this quarterly report on Form 10-Q, including our financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” before making a decision to purchase or sell shares of our common stock. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business and the trading price of our common stock.

The ongoing conflict between Russia and Ukraine may adversely affect our business and results of operations.

Given the nature of our business and our global operations, political, economic, and other conditions in foreign countries and regions, including geopolitical risks such as the current conflict between Russia and Ukraine, may adversely affect our business and results of operations. The broader consequences of this conflict, which may include further sanctions, embargoes, regional instability, and geopolitical shifts; transportation bans relating to certain routes, or strategic decisions to alter certain routes; potential retaliatory action by the Russian government against companies, including us, as a result of the suspension of services in Russia, including nationalization of foreign businesses in Russia; increased tensions between the United States and countries in which we operate; and the extent of the conflict’s effect on our business and results of operations as well as the global economy, cannot be predicted.

System security risks, data protection breaches, cyber-attacks and systems integration issues could disrupt our internal operations or services provided to customers, and any such disruption could reduce our expected revenue, increase our expenses, damage our reputation and adversely affect our stock price.

Our internal computer systems and those of our current and any future partners, contractors and consultants are vulnerable to damage from cyber-attacks, computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. System failures, accidents or security breaches can cause interruptions in our operations and can result in a material disruption of our business operations. Experienced computer programmers and hackers may be able to penetrate our information technology security and misappropriate or compromise our confidential information or that of third parties, create system disruptions or cause shutdowns, or develop and deploy viruses, worms, and other malicious software programs that attack our programs or otherwise exploit any security vulnerabilities of our products. In addition, sophisticated hardware and operating system software and applications that we produce or procure from third parties may contain defects in design or manufacture, including “bugs” and other problems that could unexpectedly interfere with the operation of the system. The costs to us to eliminate or alleviate cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in interruptions, delays, cessation of service and loss of existing or potential customers that may impede our sales, production, distribution or other critical functions.

Portions of our information technology infrastructure have and may in the future experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. We have experienced difficulties, and may not be successful in the future, with implementing new systems and transitioning data, which have and could cause business disruptions. These difficulties have resulted in and may result in increased costs, time consuming and resource-intensive remediation efforts to address issues, and disruption to the business. Such disruptions have and could adversely impact our ability to fulfill orders and interrupt other key business processes. We have experienced delays and lower profit from these disruptions and may experience such difficulties in the future. As a result, our financial results, stock price, or reputation have and may be adversely affected.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

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

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Exhibit No.	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
3.1#	Amended and Restated Certificate of Incorporation	8-K	10/7/2020	3.1	
3.2#	Amended and Restated Bylaws	8-K	10/7/2020	3.2	
10.17#	Second Amendment dated April 26, 2022, to the Credit Agreement dated as of October 11, 2018 and amended on September 18, 2020, by and among Mission Produce, Inc., as Borrower, certain subsidiaries of the Borrower party thereto as guarantors, Bank of America, N.A. as administrative agent, Swingline Lender and L/C Issuer, Farm Credit West, PCA as Syndication Agent, City National Bank and J.P. Morgan Chase Bank, N.A. as co-documentation agents, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Farm Credit West, PCA as joint lead arrangers and joint bookrunners, and other lenders party thereto.	8-K	4/26/2022	10.17	
10.18+	Amended and Restated Non-Employee Director Compensation Program				X
10.19+	Offer letter dated April 26, 2022 to Tim Bulow				X
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2022 formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) Condensed Consolidated Statements of Stockholders' Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Unaudited Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.				X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				X

Previously filed

+ Indicates management contract or compensatory plan.

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this quarterly report to be signed on its behalf by the undersigned, thereunto duly authorized, on June 8, 2022.

MISSION PRODUCE, INC.

/s/ Stephen J. Barnard

Stephen J. Barnard
Chief Executive Officer

/s/ Bryan E. Giles

Bryan E. Giles
Chief Financial Officer

MISSION PRODUCE, INC.

NON-EMPLOYEE DIRECTOR COMPENSATION PROGRAM

Eligible Directors (as defined below) on the board of directors (the “*Board*”) of Mission Produce, Inc. (the “*Company*”) shall be eligible to receive cash and equity compensation as set forth in this Non-Employee Director Compensation Program (this “*Program*”). The cash and equity compensation described in this Program shall be paid or be made, as applicable, automatically as set forth herein and without further action of the Board, to each member of the Board who is not an employee of the Company or any of its parents, affiliates or subsidiaries (each, an “*Eligible Director*”), who may be eligible to receive such cash or equity compensation, unless such Eligible Director declines the receipt of such cash or equity compensation by written notice to the Company.

This Program shall be effective until it is revised or rescinded by further action of the Board. This Program may be amended, modified or terminated by the Board at any time in its sole discretion. No Eligible Director shall have any rights hereunder, except with respect to equity awards granted pursuant to Section 2 of this Program.

1. Cash Compensation.

a. Annual Retainers. Each Eligible Director shall be eligible to receive an annual cash retainer of \$60,000 for service on the Board.

b. Additional Annual Retainers. An Eligible Director shall be eligible to receive the following additional annual retainers, as applicable:

(i) Audit Committee. An Eligible Director serving as Chairperson of the Audit Committee shall be eligible to receive an additional annual retainer of \$15,000 for such service. An Eligible Director serving as a member of the Audit Committee (other than the Chairperson) shall be eligible to receive an additional annual retainer of \$7,500 for such service.

(ii) Compensation Committee. An Eligible Director serving as Chairperson of the Compensation Committee shall be eligible to receive an additional annual retainer of \$10,000 for such service. An Eligible Director serving as a member of the Compensation Committee (other than the Chairperson) shall be eligible to receive an additional annual retainer of \$5,000 for such service.

(iii) Nominating and Corporate Governance Committee. An Eligible Director serving as Chairperson of the Nominating and Corporate Governance Committee shall be eligible to receive an additional annual retainer of \$10,000 for such service. An Eligible Director serving as a member of the Nominating and Corporate Governance Committee (other than the Chairperson) shall be eligible to receive an additional annual retainer of \$5,000 for such service.

c. Payment of Retainers. The annual cash retainers described in Sections 1(a) and 1(b) shall be earned on a quarterly basis based on a calendar quarter and shall be paid by the Company in arrears not later than 30 days following the end of each calendar quarter. In the event an Eligible Director does not serve as a director, or in the applicable positions described in Section 1(b), for an entire calendar quarter, the retainer paid to such Eligible Director shall be prorated for the portion of such calendar quarter actually served as a director, or in such position, as applicable.

2. Equity Compensation.

a. General. Eligible Directors shall be granted the equity awards described below. The awards described below shall be granted under and shall be subject to the terms and provisions of the most recently adopted equity incentive plan then-maintained by the Company (such plan pursuant to which an any such equity award is granted, as may be amended from time to time, the “*Equity*”

Plan”) and may be granted subject to the execution and delivery of award agreements, including attached exhibits, in substantially the forms approved by the Board prior to or in connection with such grants. All applicable terms of the Equity Plan apply to this Program as if fully set forth herein, and all grants of equity awards hereby are subject in all respects to the terms of the Equity Plan.

b. Annual Awards. An Eligible Director who is serving on the Board as of the date of the Company’s annual meeting of stockholders (the “*Annual Meeting*”) each calendar year shall be automatically granted on such Annual Meeting date, a restricted stock unit award under the Equity Plan with a value of \$100,000 (an “*Annual Award*”). The number of restricted stock units subject to an Annual Award will be determined by dividing the value of the Annual Award by the trailing 30-calendar day average closing price for the Company’s common stock through and including the date prior to the applicable grant date. Each Annual Award shall vest in full on the earlier to occur of (i) the one-year anniversary of the applicable grant date and (ii) the date of the next Annual Meeting following the grant date, subject to such Eligible Director’s continued service through the applicable vesting date.

c. Initial Awards. Each Eligible Director who is initially elected or appointed to serve on the Board shall be automatically granted a pro-rated Annual Award under the Equity Plan with a value equal to \$100,000 pro-rated based on the number of days between the date of the Eligible Director’s effective date of appointment to the Board and the Company’s next annual meeting stockholders (the “*Initial Equity Award*”). The number of restricted stock units subject to an Initial Equity Award will be determined by dividing the value of the Initial Equity Award by the trailing 30-calendar day average closing price for the Company’s common stock through and including the date prior to the applicable grant date. The Initial Equity Award shall be automatically granted on the effective date on which such Eligible Director is appointed or elected to serve on the Board and shall vest in full on the earlier to occur of (i) the one-year anniversary of the applicable grant date and (ii) the date of the next Annual Meeting following the grant date, subject to such Eligible Director’s continued service through the applicable vesting date.

d. Chairman of the Board of Directors Awards. An Eligible Director serving as the Chairman of the Board shall be automatically granted on the Annual Meeting date a restricted stock unit award under the Equity Plan with a value of \$40,000 (“*Chairman Equity Award*”). The number of restricted stock units subject to the Chairman Equity Award will be determined by dividing the value of the Chairman Equity Award by the trailing 30-calendar day average closing price for the Company’s common stock through and including the date prior to the applicable grant date. Each Chairman Equity Award shall vest in full on the earlier to occur of (i) the one-year anniversary of the applicable grant date and (ii) the date of the next Annual Meeting following the grant date, subject to such Eligible Director’s continued service through the applicable vesting date.

e. Accelerated Vesting Events. Notwithstanding the foregoing, an Eligible Director’s Annual Awards and/or Initial Awards shall vest in full immediately prior to the occurrence of a “change in control” (as defined in the Equity Plan) to the extent outstanding at such time.



April 26, 2022

Tim Bulow
[email]

Dear Tim,

On behalf of Mission Produce, Inc. (the Company), I am pleased to formally extend our offer of employment to you for the position of President and Chief Operating Officer, reporting to Stephen Barnard, our Chief Executive Officer, with a start date no later than August 1, 2022. It is with great excitement to know you will exemplify our Core Values which are Fun, Innovative, Reliable, Successful and Trustworthy. The following outlines the terms of our offer, pending formal approval from the Compensation Committee:

Compensation

- a) Your annual base salary will be \$475,000.00 and will be paid in accordance with our bi-weekly payroll disbursement schedule.
- b) You will be eligible to participate in our performance-based annual cash incentive program. Your target bonus is 75% of your base annual salary. Actual payout amounts are based on Company and individual performance. The annual cash incentive is payable after the completion of the fiscal year in accordance with our standard practice.

For fiscal 2022, your actual payout will be based on our 2022 annual cash incentive plan, but we will guarantee a minimum payout of 50% of your target bonus potential, pro-rated based on the number of months between your start date and October 31, 2022.

- c) You will receive a biweekly car allowance of \$881.00 (\$22,906.00 annually).
- d) You will be eligible to participate in our long-term equity incentive plan, with such terms approved by our Compensation Committee, beginning with fiscal 2023. You will receive a guaranteed award amount of \$500,000.00 for fiscal 2023. All equity awards made under our long-term equity incentive plan shall be subject to our Mission Produce, Inc. 2020 Incentive Award Plan.
- e) You will receive a cash signing bonus in the amount of \$350,000.00. If you voluntarily terminate your employment, or if your employment is terminated for cause prior to the expiration of three years from your effective date of hire, you must repay this cash signing bonus on a pro-rated basis based on the length of time between your departure from the Company and the date that is three years from the effective date of hire.
- f) If needed, Mission Produce will provide you and your family with temporary housing for a maximum of three months. The Company will also reimburse you for reasonable, documented, out-of-pocket expenses associated with one relocation trip to California in May 2022.
- g) Mission Produce will pay you and your family's medical, dental and vision premiums at 100%. Our current healthcare provider is through Anthem Blue Cross.

Benefits

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

- a) You will earn and accrue 6.77 hours per pay period beginning with your first day of employment. You are eligible to accrue up to 176 total hours or 22 days and a maximum accrual of 352 hours or 44 days. PTO time will be available and may be used in accordance with the terms of the Company's PTO policy.
- b) You will be eligible for medical, dental, vision, and flexible spending plans effective on the first of the month following date of hire. Our current healthcare provider is through Anthem Blue Cross. We will provide you reasonable assistance and will cover any reasonable out of pocket expenses associated with obtaining health insurance coverage prior to your start date as necessary.
- c) You will be eligible for our Company Sponsored Plans: Life and AD & D insurance at 1.5 times your Basic Annual Earnings and Long-Term Disability with a monthly benefit equal to 60% of monthly pre-disability pay, up to a maximum of \$6,000.00 per month.
- d) You will be eligible to participate in the Company's 401(k) Plan through Fidelity Investment on October 1, 2022. We match 100% of the first 3% in eligible compensation deferred and 50% of the next 2% in eligible compensation deferred. You are 100% vested immediately on the employer match.
- e) You will be eligible for our Company's Deferred Compensation Plan through Lockton. This exclusive plan provides an opportunity to defer salary and/or incentive compensation on a pretax basis to assist with your personal tax planning and funding of future retirement income. You will be eligible to enroll the first of the month following 30 days of employment.

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

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

Neither the policies nor practices described in this document, nor the document itself, create an express or implied contract of employment or any other contractual commitment. The Company may modify the terms outlined herein at its sole discretion without notice, at any time, consistent with applicable law. Employment with the Company is on an at-will basis, which means that either you or the Company may terminate the employment relationship at any time for any or no reason, consistent with applicable law.

We believe you will find our environment to be challenging, stimulating, and rewarding. Please sign and return the offer within three (3) business days. This offer of employment will lapse at that time.

Upon execution, please return the signed letter by emailing a copy to me at sbarnard@missionproduce.com with a copy to Joanne Wu at jwu@missionproduce.com.

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

Sincerely,

/s/ Stephen J. Barnard

Stephen J. Barnard
Chief Executive Officer

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

/s/ Tim Bulow

4/27/2022

Tim Bulow

Date

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

I, Stephen J. Barnard, certify that:

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

/s/ Stephen J. Barnard

Stephen J. Barnard

President, Chief Executive Officer and Director

Date: June 8, 2022

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

I, Bryan E. Giles, certify that:

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

/s/ Bryan E. Giles

Bryan E. Giles
Chief Financial Officer

Date: June 8, 2022

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

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

- (i) the Quarterly Report on Form 10-Q of the Company for the quarter ended April 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stephen J. Barnard

Stephen J. Barnard

President, Chief Executive Officer and Director

Date: June 8, 2022

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

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

- (i) the Quarterly Report on Form 10-Q of the Company for the quarter ended April 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Bryan E. Giles

Bryan E. Giles

Chief Financial Officer

Date: June 8, 2022