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 July 31, 2021

OR

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

For the transition period from _________ to _________

Commission file number: 001-39561

MISSION PRODUCE, INC.

(Exact name of Registrant as specified in its charter)

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

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

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

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
Emerging growth company	☒		

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

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

As of September 6, 2021, the registrant had 70,609,485 shares of common stock at $0.001 par value outstanding.

MISSION PRODUCE, INC.
TABLE OF CONTENTS

FORM 10-Q

FISCAL THIRD QUARTER 2021

INDEX

PART I- FINANCIAL INFORMATION		5
Item 1.	Financial Statements	5
	Condensed Consolidated Balance Sheets (Unaudited)	5
	Condensed Consolidated Statements of Comprehensive Income (Unaudited)	6
	Condensed Consolidated Statements of Cash Flows (Unaudited)	8
	Condensed Consolidated Statements of Shareholders' Equity (Unaudited)	7
	Notes to Unaudited Condensed Consolidated Financial Statements	10
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	24
Item 4.	Controls and Procedures	24
PART II- OTHER INFORMATION		25
Item 1.	Legal Proceedings	25
Item 1A.	Risk Factors	25
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	25
Item 3.	Defaults Upon Senior Securities	25
Item 4.	Mine Safety Disclosures	25
Item 5.	Other Information	25
Item 6.	Exhibits	26
	Signatures	26

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; 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; loss of key personnel and an adequate labor supply; information system security risks, data protection breaches and systems integration issues; changes in privacy and/or information security laws, policies and/or contractual arrangements; failure to maintain or protect our brand; and changes in tax rates or international tax legislation.

- 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; failure to meet continued Nasdaq listing requirements; concentration of control in our executive officers, directors and principal stockholders over matters submitted to stockholders for approval; limited sources of capital appreciation; the sale into the market of restricted shares; reduced disclosure requirements due to our emerging growth company status; 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, 2020 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, 2020 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)	July 31, 2021	October 31, 2020
Assets		
Current Assets:		
Cash and cash equivalents	$ 70.9	$ 124.0
Restricted cash	4.2	1.4
Accounts receivable		
Trade, net of allowances of $0.2 and $0.3, respectively	69.8	57.5
Grower and fruit advances	1.5	1.5
Miscellaneous receivables	15.5	13.4
Inventory	66.6	38.6
Prepaid expenses and other current assets	12.4	8.8
Loans to equity method investees	3.2	—
Income taxes receivable	5.9	2.9
Total current assets	250.0	248.1
Property, plant and equipment, net	418.6	379.1
Equity method investees	49.4	46.7
Loans to equity method investees	1.8	4.5
Deferred income taxes	7.1	4.4
Goodwill	76.4	76.4
Other assets	18.1	18.1
Total assets	$ 821.4	$ 777.3
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable	$ 24.0	$ 20.5
Accrued expenses	30.1	28.3
Income taxes payable	2.9	1.7
Grower payables	26.7	18.8
Long-term debt—current portion	8.8	7.4
Capital leases—current portion	1.2	1.2
Total current liabilities	93.7	77.9
Long-term debt, net of current portion	159.7	166.7
Capital leases, net of current portion	2.4	3.3
Income taxes payable	3.5	3.8
Deferred income taxes	35.3	27.8
Other long-term liabilities	23.1	24.3
Total liabilities	317.7	303.8
Commitments and contingencies (Note 5)		
Shareholders' Equity		
Common stock ($0.001 par value, 1,000,000,000 shares authorized; 70,609,485 and 70,550,922 shares issued and outstanding as of July 31, 2021 and October 31, 2020, respectively)	0.1	0.1
Additional paid-in capital	224.8	222.8
Notes receivable from shareholders	—	(0.1)
Accumulated other comprehensive loss	(0.4)	(0.5)
Retained earnings	279.2	251.2
Total shareholders' equity	503.7	473.5
Total liabilities and shareholders' equity	$ 821.4	$ 777.3

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
(In millions, except for per share amounts)	**2021**	**2020**	**2021**	**2020**
Net sales	$ 246.8	$ 236.4	$ 654.7	$ 655.5
Cost of sales	205.9	192.2	564.0	570.4
Gross profit	40.9	44.2	90.7	85.1
Selling, general and administrative expenses	17.2	13.5	48.1	39.4
Operating income	23.7	30.7	42.6	45.7
Interest expense	(1.0)	(1.1)	(2.7)	(5.5)
Equity method income	2.1	1.2	4.2	1.6
Impairment on equity method investment	—	—	—	(21.2)
Other expense	(0.5)	(1.2)	(0.8)	(0.2)
Income before income taxes	24.3	29.6	43.3	20.4
Provision for income taxes	5.9	6.2	15.3	10.4
Net income	$ 18.4	$ 23.4	$ 28.0	$ 10.0
Net income per share:				
Basic	$ 0.26	$ 0.37	$ 0.40	$ 0.16
Diluted	$ 0.26	$ 0.37	$ 0.39	$ 0.16
Other comprehensive income, net of tax				
Foreign currency translation adjustments	(0.2)	(0.2)	0.1	(0.3)
Comprehensive income	$ 18.2	$ 23.2	$ 28.1	$ 9.7

See accompanying notes to unaudited condensed consolidated financial statements.

MISSION PRODUCE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)

(In millions, except for shares and per share data)	Common stock						
	Shares	Amount	Additional paid-in capital	Notes receivable from shareholders	Accumulated other comprehensive loss	Retained earnings	Total shareholders' equity
Balance at October 31, 2019	63,386,251	$ 0.1	$ 139.7	$ (0.1)	$ —	$ 239.3	$ 379.0
Dividends declared ($0.12 per share)	—	—	—	—	—	(7.5)	(7.5)
Stock-based compensation	—	—	0.1	—	—	—	0.1
Exercise of stock options	17,000	—	—	—	—	—	—
Net income		—	—	—	—	1.4	1.4
Balance at January 31, 2020	63,403,251	$ 0.1	$ 139.8	$ (0.1)	$ —	$ 233.2	$ 373.0
Stock-based compensation	—	—	0.2	—	—	—	0.2
Reclassification of liability-based awards	—	—	0.3	—	—	—	0.3
Purchase and retirement of stock	(306,000)	—	—	—	—	(3.7)	(3.7)
Net loss	—	—	—	—	—	(14.8)	(14.8)
Other comprehensive loss	—	—	—	—	(0.1)	—	(0.1)
Balance at April 30, 2020	63,097,251	$ 0.1	$ 140.3	$ (0.1)	$ (0.1)	$ 214.7	$ 354.9
Issuance of common stock	7,921	—	0.1	—	—	—	0.1
Stock-based compensation	—	—	0.4	—	—	—	0.4
Purchase and retirement of stock	(4,250)	—	—	—	—	(0.2)	(0.2)
Net income	—	—	—	—	—	23.4	23.4
Other comprehensive loss	—	—	—	—	(0.2)	—	(0.2)
Balance at July 31, 2020	63,100,922	0.1	140.8	(0.1)	(0.3)	237.9	378.4
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 loss	—	—	—	—	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
Issuance of common stock for equity awards	8,563	—	—	—	—	—	—
Stock-based compensation	—	—	0.5	—	—	—	0.5
Net income	—	—	—	—	—	18.4	18.4
Other comprehensive loss	—	—	—	—	(0.2)	—	(0.2)
Balance at July 31, 2021	70,609,485	$ 0.1	$ 224.8	$ —	$ (0.4)	$ 279.2	$ 503.7

See accompanying notes to unaudited condensed consolidated financial statements.

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

(In millions)	Nine Months Ended July 31, 2021	2020
Operating Activities		
Net income	$ 28.0	$ 10.0
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	13.7	12.6
Amortization of debt issuance costs	0.2	0.2
Equity method income	(4.2)	(1.6)
Impairment on equity method investment	—	21.2
Stock-based compensation	2.0	1.1
Dividends received from equity method investees	1.7	1.7
Net gains and losses on asset impairment, disposals and sales, net of insurance recoveries	0.2	0.1
Deferred income taxes	4.8	(0.4)
Other	(0.2)	(2.6)
Unrealized (gains) losses on derivative financial instruments	(0.1)	3.3
Effect on cash of changes in operating assets and liabilities:		
Trade accounts receivable	(12.3)	(7.4)
Grower fruit advances	(0.1)	1.6
Miscellaneous receivables	(0.2)	(3.1)
Inventory	(29.1)	(5.0)
Prepaid expenses and other current assets	(0.5)	(1.4)
Income taxes receivable	(3.1)	(3.5)
Other assets	(4.9)	(2.4)
Accounts payable and accrued expenses	10.9	9.8
Income taxes payable	0.8	0.9
Grower payables	7.9	(1.1)
Other long-term liabilities	(0.3)	(1.1)
Net cash provided by operating activities	$ 15.2	$ 32.9
Investing Activities		
Purchases of property and equipment	(61.3)	(40.4)
Proceeds from sale of property, plant and equipment	2.3	0.1
Insurance proceeds for the replacement of property, plant and equipment	0.8	—
Investment in equity method investees	(0.2)	(2.9)
Loans to equity method investees	(2.0)	—
Loan repayments from equity method investees	1.5	—
Other	—	(0.2)
Net cash used in investing activities	$ (58.9)	$ (43.4)
Financing Activities		
Borrowings on revolving credit facility	—	14.0
Payments on revolving credit facility	—	(14.0)
Principal payments on long-term debt obligations	(5.7)	(4.7)
Principal payments on capital lease obligations	(0.9)	(0.7)
Payments for long-term supplier financing	—	(1.1)
Dividends paid	—	(7.5)
Repayment of stock option notes receivable	—	0.1
Debt issuance costs	—	(0.1)
Purchase and retirement of stock	—	(1.9)
Net cash used in financing activities	$ (6.6)	$ (15.9)
Effect of exchange rate changes on cash	—	0.2
Net decrease in cash, cash equivalents and restricted cash	(50.3)	(26.2)
Cash, cash equivalents and restricted cash, beginning of period	127.0	65.6
Cash, cash equivalents and restricted cash, end of period	$ 76.7	$ 39.4

(In millions)	Nine Months Ended July 31, 2021	2020
Summary of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets:		
Cash and cash equivalents	$ 70.9	$ 36.5
Restricted cash	4.2	1.5
Restricted cash included in other assets	1.6	1.4
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows	$ 76.7	$ 39.4

See accompanying notes to unaudited condensed consolidated financial statements.

1. General

Business

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

Basis of presentation and consolidation

The unaudited interim condensed consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and include the Company’s consolidated domestic and international subsidiaries. Certain information and disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Accordingly, these unaudited interim condensed consolidated financial statements and accompanying footnotes should be read in conjunction with the Company’s Annual Report for the year ended October 31, 2020. In the opinion of management, all adjustments, of a normal recurring nature, considered necessary for a fair statement have been included in the unaudited condensed consolidated financial statements. Interim results of operations are not necessarily indicative of future results, including results that may be expected for the twelve months ended October 31, 2021.

Recently issued accounting standards

As a company with less than $1.07 billion of revenue during our last fiscal year, we qualify as an “emerging growth company” (“EGC”), as defined in the Jumpstart Our Business Startups Act. This classification allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use the adoption dates applicable to private companies. As a result, the Company’s financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective date for new or revised accounting standards that are applicable to public companies. The Company expects to lose its EGC status on October 31, 2021, when it expects to qualify as a large accelerated filer based on its market capitalization as of April 30, 2021, according to Rule 12b-2 of the Securities Exchange Act of 1934, as amended. As a result, the Company intends to adopt all accounting pronouncements currently deferred under the EGC election according to public company standards at October 31, 2021 on the Company’s 2021 Form 10-K filing. The adoption dates for the new accounting pronouncements disclosed below have been presented as such.

In March 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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.

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes, as part of its Simplification Initiative to reduce the cost and complexity in accounting for income taxes. ASU 2019-12 removes certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. ASU 2019-12 also amends other aspects of the guidance to help simplify and promote consistent application of GAAP. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, as such we plan to adopt this ASU beginning November 1, 2021. The Company is continuing to assess the impact of the adoption of this ASU on our financial condition, results of operations and cash flows.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. This guidance requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected. It also requires credit losses on available-for-sale debt securities to be presented as an allowance, rather than reducing the carrying amount. The amendments should be applied on either a prospective transition or modified-retrospective approach depending on the subtopic. This ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is also permitted. The Company plans to adopt Topic 326 as of November 1, 2020 at October 31, 2021 on our 2021 Form 10-K filing. Though we are still evaluating the impact of the adoption of this ASU on our financial condition, results of operations and cash flows, we do not expect the impact of the adoption of this standard to be material.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), and subsequent updates following, which requires a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of use asset ("ROU") and a corresponding lease liability. For finance leases, the lessee would recognize interest expense and amortization of the right-of-use asset, and for operating leases, the lessee would recognize a straight-line total lease expense. The guidance also requires qualitative and specific quantitative disclosures to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an entity's leasing activities, including significant judgments and changes in judgments. Topic 842 is effective for our fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company plans to adopt Topic 842 as of November 1, 2020 at October 31, 2021 on our 2021 Form 10-K filing, using the modified retrospective method. Though we are still evaluating the impact of the adoption of this ASU on our financial condition, results of operations and cash flows, we expect to report increased assets and liabilities as a result of recording right-of-use assets and lease liabilities.

2. Inventory

Major classes of inventory were as follows:

(In millions)	July 31, 2021	October 31, 2020
Finished goods	$ 41.8	$ 16.3
Crop growing costs	10.9	11.9
Packaging and supplies	13.9	10.4
Inventory	$ 66.6	$ 38.6

3. Details of Certain Account Balances

Accrued expenses

Accrued expenses consisted of the following:

(In millions)	July 31, 2021	October 31, 2020
Employee-related	$ 12.7	$ 15.3
Freight	5.0	4.4
Customer advances	3.0	—
Construction-in-progress	.6	1.8
Interest rate swaps	2.2	2.2
Outside fruit purchase	.5	.8
Other	6.1	3.8
Accrued expenses	$ 30.1	$ 28.3

Other expense

Other expense consisted of the following:

	Three Months Ended July 31,		Nine Months Ended July 31,	
(In millions)	2021	2020	2021	2020
Losses (gains) on derivative financial instruments	$ 0.2	$ 0.8	$ (0.1)	$ 4.2
Foreign currency loss (gain)	1.0	1.1	2.8	(2.1)
Interest income	(0.3)	(0.6)	(1.4)	(1.9)
Other	(0.4)	(0.1)	(0.5)	—
Other expense	$ 0.5	$ 1.2	$ 0.8	$ 0.2

4. Debt

Credit facility

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

(In millions)	July 31, 2021	October 31, 2020
Revolving line of credit. The interest rate is variable, based on LIBOR plus a spread that varies with the Company's leverage ratio. As of July 31, 2021 and October 31, 2020, the interest rate was 1.84% and 1.90%, respectively. Interest is payable monthly and principal is due in full in October 2023.	$ —	$ —
Senior term loan (A-1). The interest rate is variable, based on LIBOR plus a spread that varies with the Company's leverage ratio. As of July 31, 2021 and October 31, 2020, the interest rate was 1.84% and 1.90%, respectively. Interest is payable monthly, principal is payable quarterly and due in full in October 2023.	91.2	95.0
Senior term loan (A-2). The interest rate is variable, based on LIBOR plus a spread that varies with the Company's leverage ratio. As of July 31, 2021 and October 31, 2020, the interest rate was 2.34% and 2.40% respectively. Interest is payable monthly, principal is payable quarterly and due in full in October 2025.	72.9	73.5
Notes payable to BoA. Payable in monthly installments including interest at a weighted average rate of 4.56% and 4.52% as of July 31, 2021 and October 31, 2020, respectively. Principal is due September 2025.	4.8	6.2
Total long-term debt	168.9	174.7
Less debt issuance costs	(0.4)	(0.6)
Long-term debt, net of debt issuance costs	168.5	174.1
Less current portion of long-term debt	(8.8)	(7.4)
Long-term debt, net of current portion	$ 159.7	$ 166.7

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

Interest rate swaps

The Company has four separate interest rate swaps with a total notional amount of $100 million to hedge changes in the variable interest rate on $100 million of principal value of the Company's term loans. The Company has not designated the interest rate swaps as cash flow hedges, and as a result, changes in the fair value of the interest rate swaps have been recorded in other expense in the condensed consolidated statements of comprehensive income and changes in the liability are presented in net cash provided by 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 nine months ended July 31, 2021 and July 31, 2020, differs from the income taxes expected at the U.S. federal statutory tax rate of 21.0%, primarily due to income attributable to foreign jurisdictions which is taxed at different rates, changes in foreign exchange rates taxable in foreign jurisdictions, state taxes, nondeductible tax items, changes in uncertain tax positions ("UTP"), and changes in tax law affecting the rate in future years.

As of July 31, 2021, the Company had $15.7 million in UTP accrued, of which $7.9 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. During the three and nine months ended July 31, 2021, the Company recognized $0.3 million and $0.8 million, respectively, as income tax expense related to inflationary and other adjustments. Changes in the UTP related to changes in foreign exchange rates during the period are included in other expense in the condensed consolidated statements of comprehensive income.

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.

7. Fair Value Measurements

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

	July 31, 2021				October 31, 2020			
(In millions)	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swap liability	$ 4.7	$ —	$ 4.7	$ —	$ 6.5	$ —	$ 6.5	$ —

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

8. Earnings Per Share

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2021	2020	2021	2020
Numerator:				
Net income available to shareholders (in millions)	$ 18.4	$ 23.4	$ 28.0	$ 10.0
Denominator:				
Weighted average shares of common stock outstanding, used in computing basic earnings per share	70,607,000	63,097,901	70,572,874	63,252,020
Effect of dilutive stock options	630,036	21,862	444,564	22,674
Effect of dilutive RSUs	7,400	n/a	26,352	n/a
Weighted average shares of common stock outstanding, used in computing diluted earnings per share	71,244,436	63,119,763	71,043,790	63,274,694
Earnings per share				
Basic	$ 0.26	$ 0.37	$ 0.40	$ 0.16
Diluted	$ 0.26	$ 0.37	$ 0.39	$ 0.16

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2021	2020	2021	2020
Anti-dilutive stock options	—	1,700,000	141,392	1,700,000
Anti-dilutive RSUs	5,736	n/a	3,068	n/a

9. Related Party Transactions

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

	Condensed Consolidated Balance Sheets					
	July 31, 2021			October 31, 2020		
(In millions)	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	$ 0.9	$ —	$ —	$ —	$ —	$ —
Mr. Avocado	1.7	—		0.6	—	—
Moruga[1]	0.2	3.0	—	2.0	4.5	—
Copaltas[4]	—	2.0	—	—	—	—
Other:						
Directors/Officers[2]	0.4	—	0.6	0.3	—	0.2
Employees[3]	—	—	0.1	—	—	—

	Condensed Consolidated Statements of Comprehensive Income							
	Net sales	Cost of sales	Selling, general and administrative expenses	Other income	Net sales	Cost of sales	Selling, general and administrative expenses	Other income
(In millions)	Three Months Ended July 31, 2021				Nine Months Ended July 31, 2021			
Equity method investees:								
Henry Avocado	$ 1.3	$ —	$ —	$ —	$ 1.3	$ —	$ —	$ —
Mr. Avocado	1.7	—	—	—	3.6	—	—	—
Moruga[1]	0.1	—	—	0.3	2.7	—	—	0.4
Other:								
Directors/Officers[2]	0.9	1.6	—	—	2.5	3.0	0.1	—
Employees[3]	—	2.1	—	—	—	8.1	—	—
	Three Months Ended July 31, 2020				Nine Months Ended July 31, 2020			
Equity method investees:								
Henry Avocado	$ 0.3	$ 0.6	$ —	$ —	$ 0.3	$ 0.8	$ —	$ —
Mr. Avocado	0.7	—	—	—	1.4	—	—	—
Moruga[1]	—	—	—	—	2.0	—	—	—
Other:								
Directors/Officers[2]	0.6	1.9	0.1	—	1.9	4.3	0.2	—

(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, 2022.

(2) The Company purchases from and sells avocados to a small number of entities having full or partial ownership by some of our directors/officers. These transactions are made under substantially similar terms as with other growers and customers. The Company entered into a consulting agreement with a director in 2018 to provide consulting and advice on current business operations, as well as to analyze opportunities for fresh avocado farming and packing facilities in South and Central America, which was terminated in June 2021.

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

(4) The Company has provided loans to Copaltas to support growth and expansion projects, bearing interest at 6.66%, due December 31, 2021.

10. Segment Information

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

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

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

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

(In millions)	Marketing & Distribution	International Farming	Total	Marketing & Distribution	International Farming	Total
	Three Months Ended July 31,					
	2021			2020		
Third party sales	$ 239.6	$ 7.2	$ 246.8	$ 230.9	$ 5.5	$ 236.4
Affiliated sales	—	58.9	58.9	—	48.9	48.9
Total segment sales	239.6	66.1	305.7	230.9	54.4	285.3
Intercompany eliminations	—	(58.9)	(58.9)	—	(48.9)	(48.9)
Total net sales	$ 239.6	$ 7.2	$ 246.8	$ 230.9	$ 5.5	$ 236.4
	Nine Months Ended July 31,					
	2021			2020		
Third party sales	$ 641.6	$ 13.1	$ 654.7	$ 644.9	$ 10.6	$ 655.5
Affiliated sales	—	61.1	61.1	—	49.2	49.2
Total segment sales	641.6	74.2	715.8	644.9	59.8	704.7
Intercompany eliminations	—	(61.1)	(61.1)	—	(49.2)	(49.2)
Total net sales	$ 641.6	$ 13.1	$ 654.7	$ 644.9	$ 10.6	$ 655.5

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

(In millions)	Three Months Ended July 31, 2021	Three Months Ended July 31, 2020	Nine Months Ended July 31, 2021	Nine Months Ended July 31, 2020
Marketing & Distribution adjusted EBITDA	$ 13.1	$ 21.0	$ 43.0	$ 48.8
International Farming adjusted EBITDA	17.0	15.6	15.9	10.6
Total reportable segment adjusted EBITDA	30.1	36.6	58.9	59.4
Net income	18.4	23.4	28.0	10.0
Interest expense	1.0	1.1	2.7	5.5
Provision for income taxes	5.9	6.2	15.3	10.4
Depreciation and amortization	6.1	5.5	13.7	12.6
Equity method income	(2.1)	(1.2)	(4.2)	(1.6)
Impairment on equity method investment	—	—	—	21.2
Asset impairment and disposals, net of insurance recoveries	(0.2)	—	(0.2)	—
Legal settlement	—	—	0.8	—
Other expense	0.5	1.2	0.8	0.2
Stock-based compensation	0.5	0.4	2.0	1.1
Total adjusted EBITDA	$ 30.1	$ 36.6	$ 58.9	$ 59.4

Net sales to customers outside the U.S. were $64.3 million and $49.3 million for the three months ended July 31, 2021 and 2020, respectively, and $164.7 million and $138.0 million, for the nine months ended July 31, 2021 and 2020, respectively.

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

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

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes included elsewhere in this quarterly report. This discussion and analysis contains forward-looking statements based upon our current beliefs, plans and expectations that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors. 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 primarily sources fruit from growers and then distributes the fruit through our global distribution network. Our International Farming segment owns and operates avocado orchards (principally located in Peru) that supply our Marketing and Distribution segment with a stable supply of avocados. Substantially all fruit produced by our International Farming segment is sold to our Marketing and Distribution segment.

Results of Operations

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

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

	Three Months Ended July 31,				Nine Months Ended July 31,			
	2021		2020		2021		2020	
(In millions, except for percentages)	Dollars	%	Dollars	%	Dollars	%	Dollars	%
Net sales	$ 246.8	100 %	$ 236.4	100 %	$ 654.7	100 %	$ 655.5	100 %
Cost of sales	205.9	83 %	192.2	81 %	564.0	86 %	570.4	87 %
Gross profit	40.9	17 %	44.2	19 %	90.7	14 %	85.1	13 %
Selling, general and administrative expenses	17.2	7 %	13.5	6 %	48.1	7 %	39.4	6 %
Operating income	23.7	10 %	30.7	13 %	42.6	7 %	45.7	7 %
Interest expense	(1.0)	— %	(1.1)	— %	(2.7)	— %	(5.5)	(1)%
Equity method income	2.1	1 %	1.2	1 %	4.2	1 %	1.6	— %
Impairment on equity method investment	—	— %	—	— %	—	— %	(21.2)	(3)%
Other expense	(0.5)	— %	(1.2)	(1)%	(0.8)	— %	(0.2)	— %
Income before income taxes	24.3	10 %	29.6	13 %	43.3	7 %	20.4	3 %
Provision for income taxes	5.9	2 %	6.2	3 %	15.3	2 %	10.4	2 %
Net income	$ 18.4	7 %	$ 23.4	10 %	$ 28.0	4 %	$ 10.0	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 mainly the balance between the supply of and demand for our produce and competition from other fresh produce companies. Our net sales are also dependent on our ability to supply a consistent volume and quality of fresh produce to the markets we serve.

(In millions)	Three Months Ended July 31, 2021	Three Months Ended July 31, 2020	Nine Months Ended July 31, 2021	Nine Months Ended July 31, 2020
Net sales:				
Marketing and Distribution	$ 239.6	$ 230.9	$ 641.6	$ 644.9
International Farming	7.2	5.5	13.1	10.6
Total net sales	$ 246.8	$ 236.4	$ 654.7	$ 655.5

Net sales increased $10.4 million or 4% in the three months ended July 31, 2021 compared to the same period last year primarily due to a 2% increase in avocado volume sold and 2% increase in average per-unit avocado sales prices. From a volume perspective, strength in industry supply out of Mexico was largely offset by a smaller California crop.

Net sales were nearly flat in the nine months ended July 31, 2021 compared to the same period last year, as changes in volume and price largely offset each other. Average per-unit avocado sales prices decreased 11% and avocado volume sold increased 10% compared to the same period last year, both of which were driven by strong industry supply from Mexico. Lower pricing and higher volumes were concentrated in the first half of the fiscal year when Mexico was the country of origin for the majority of the fruit sold.

Gross profit

Costs 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, particularly in our International Farming segment. Accordingly, higher volumes processed through packing and distribution facilities or produced on company-owned farms directly reduce the average cost per pound of fruit grown on company owned orchards, while lower volumes directly increase the average cost per pound of fruit grown on company owned orchards.

	Three Months Ended July 31, 2021	Three Months Ended July 31, 2020	Nine Months Ended July 31, 2021	Nine Months Ended July 31, 2020
Gross profit (in millions)	$ 40.9	$ 44.2	$ 90.7	$ 85.1
Gross profit as a percentage of sales	16.6 %	18.7 %	13.9 %	13.0 %

Gross profit decreased 7%, in the three months ended July 31, 2021 compared to the same period last year to $40.9 million, and gross profit percentage decreased 210 basis points to 16.6% of revenue. The declines were due to tighter per-unit margins related to sourcing of Californian and Mexican fruit, which were exacerbated by smaller industry volumes within the California market as well as smaller fruit sizes within the Mexican market. Additionally, gross margin was pressured by incremental infrastructure costs related to our new Laredo facility within the Marketing & Distribution segment, which is still in the process of ramping up utilization. The impact was partially offset by higher volume of avocados sold from Company-owned farms within our International Farming segment compared to prior year, which had lower per-unit cost than fruit purchased from third-party growers.

Gross profit increased 7% in the nine months ended July 31, 2021 compared to the same period last year to $90.7 million, and gross profit percentage increased by 90 basis points to 13.9% of revenue. The increase in gross profit is due primarily to higher avocado volume sold. The improvement in gross profit percentage was driven by lower per-unit sales prices, as our per-unit margins represent a higher proportion of the sales value. Gross profit percentage will fluctuate based upon per-unit sales price levels.

Selling, general and administrative expenses

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
(In millions)	2021	2020	2021	2020
Selling, general and administrative expenses	$ 17.2	$ 13.5	$ 48.1	$ 39.4

Selling, general and administrative expenses increased $3.7 million or 27% in the three months ended July 31, 2021 compared to the same period last year due primarily to higher professional fees and higher liability insurance premiums associated with being a public company. Higher professional fees were primarily related to our anticipated change in SEC filer status from an emerging growth company to a large accelerated filer on October 31, 2021.

Selling, general and administrative expenses increased $8.7 million or 22% in the nine months ended July 31, 2021 compared to the same period last year due primarily to higher professional fees and liability insurance premiums due to the same drivers noted above, and higher employee-related costs. We also experienced an increase in rent expense in conjunction with our move to our new corporate headquarters in February 2021 and we recorded a legal settlement contingency of $0.8 million.

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.

	Three Months Ended July 31,		Nine Months Ended July 31,	
(In millions)	2021	2020	2021	2020
Interest expense	$ 1.0	$ 1.1	$ 2.7	$ 5.5

Interest expense was relatively flat in the three months ended July 31, 2021 compared to the same period last year as interest rates were comparable. Average debt balances were lower reflecting principal payments of existing long-term debt.

Interest expense decreased $2.8 million or 51% in the nine months ended July 31, 2021 compared to the same period last year due to a combination of lower interest rates and lower average debt balances. A substantial portion of our debt has variable interest rates that are based on LIBOR, which has declined significantly since the first half of fiscal year 2020.

Equity method income

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
(In millions)	2021	2020	2021	2020
Equity method income	$ 2.1	$ 1.2	$ 4.2	$ 1.6
Impairment on equity method investment	—	—	—	(21.2)

Equity method income increased $0.9 million or 75% in the three months ended July 31, 2021 compared to the same period last year, due to strong performance within HAC. Equity method income increased $2.6 million or 163% in the nine months ended July 31, 2021 compared to the same period last year, driven by higher earnings from investments in HAC and Moruga. HAC's earnings increased due to higher per-unit margins. The impact of COVID-19 related stay at-home orders that went into effect in March 2020 were more profound to HAC due to their heavier concentration of foodservice customers. Moruga's earnings increased due to improved yields and better pricing returns on the latter half of the 2020-21 blueberry harvest.

During the second quarter of fiscal 2020, industry wide production information regarding the 2019-2020 blueberry harvest in Peru became available, indicating that there is greater competition and expansion by competitors than what we were previously expecting. We believe that the increase in supply due to expansion will result in a reduction in pricing over the long-term. As a result of this factor, among others, we lowered our long-term revenue and profitability forecasts of Moruga during the second quarter of fiscal 2020, and concluded that the reduction in the forecasted revenues was an indicator of impairment. As a result, we tested our investment in Moruga for impairment and concluded that the estimated fair value of the investment in Moruga was less than the carrying value of the investment. Due to the change in long-term pricing and revenue expectations, we concluded that the impairment is other-than-temporary. We recorded an impairment charge of $21.2 million to reduce the carrying balance of the investment to its estimated fair value of $22.2 million during the second quarter of fiscal 2020.

Other expense

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
(In millions)	2021	2020	2021	2020
Other expense	$ 0.5	$ 1.2	$ 0.8	$ 0.2

Other expense decreased $0.7 million or 58% in the three months ended July 31, 2021 compared to the same period last year primarily due to lower losses on our interest rate swaps driven by market movements in short-term interest rates.

Other expense increased $0.6 million or 300% in the nine months ended July 31, 2021 compared to the same period last year, due to the effect of foreign currency loss in the current year compared to gains in the previous year, partially offset by losses on interest rate swaps in the prior year. The significant weakening of the Mexican peso relative to the U.S. dollar and the substantial reduction in LIBOR in fiscal 2020 were correlated with the COVID-19 pandemic. Losses and gains on interest rate swaps are driven by market movements in short-term interest rates.

Provision for income taxes

The provision for income taxes consists of the consolidation of tax provisions, computed on a separate entity basis, in each country in which we have operations. We use an estimated annual effective tax rate and adjust for discrete items that occur during the quarter. 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 July 31,		Nine Months Ended July 31,	
	2021	2020	2021	2020
Provision for income taxes (in millions)	$ 5.9	$ 6.2	$ 15.3	$ 10.4
Effective tax rate	24.3 %	20.9 %	35.3 %	51.0 %

The provision for income taxes decreased $0.3 million or 5% in the three months ended July 31, 2021 compared to the same period last year, primarily due to lower pre-tax income. The impact was partially offset by foreign exchange losses recorded in our Mexico and Peru subsidiaries that are nondeductible for income tax purposes.

The provision for income taxes increased $4.9 million or 47% in the nine months ended July 31, 2021 compared to the same period last year, primarily due to the impact of discrete items. During the nine months ended July 31, 2021, we recognized discrete deferred 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. During the nine months ended July 31, 2020, we recognized $1.6 million in discrete charges in relation to foreign exchange gains recorded in our Mexico subsidiary that are nondeductible for income tax purposes, partially offset by a discrete tax benefit of $1.2 million related to net operating loss carrybacks that can be applied to higher tax rate years as a result of enactment of the CARES Act. Our effective tax rate for both the nine months ended July 31, 2021 and 2020 was negatively impacted by the discrete items previously mentioned, as well as by a $21.2 million impairment of Moruga, which was nondeductible for income tax purposes.

Segment Results of Operations

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

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

Net sales

(In millions)	Marketing & Distribution	International Farming	Total	Marketing & Distribution	International Farming	Total
	Three Months Ended July 31,					
	2021			2020		
Third party sales	$ 239.6	$ 7.2	$ 246.8	$ 230.9	$ 5.5	$ 236.4
Affiliated sales	—	58.9	58.9	—	48.9	48.9
Total segment sales	239.6	66.1	305.7	230.9	54.4	285.3
Intercompany eliminations	—	(58.9)	(58.9)	—	(48.9)	(48.9)
Total net sales	$ 239.6	$ 7.2	$ 246.8	$ 230.9	$ 5.5	$ 236.4
	Nine Months Ended July 31,					
	2021			2020		
Third party sales	$ 641.6	$ 13.1	$ 654.7	$ 644.9	$ 10.6	$ 655.5
Affiliated sales	—	61.1	61.1	—	49.2	49.2
Total segment sales	641.6	74.2	715.8	644.9	59.8	704.7
Intercompany eliminations	—	(61.1)	(61.1)	—	(49.2)	(49.2)
Total net sales	$ 641.6	$ 13.1	$ 654.7	$ 644.9	$ 10.6	$ 655.5

Adjusted EBITDA

(In millions)	Three Months Ended July 31, 2021	Three Months Ended July 31, 2020	Nine Months Ended July 31, 2021	Nine Months Ended July 31, 2020
Marketing & Distribution adjusted EBITDA	$ 13.1	$ 21.0	$ 43.0	$ 48.8
International Farming adjusted EBITDA	17.0	15.6	15.9	10.6
Total reportable segment adjusted EBITDA	30.1	36.6	58.9	59.4
Net income	18.4	23.4	28.0	10.0
Interest expense	1.0	1.1	2.7	5.5
Provision for income taxes	5.9	6.2	15.3	10.4
Depreciation and amortization	6.1	5.5	13.7	12.6
Equity method income	(2.1)	(1.2)	(4.2)	(1.6)
Impairment on equity method investment	—	—	—	21.2
Asset impairment and disposals, net of insurance recoveries	(0.2)	—	(0.2)	—
Legal settlement	—	—	0.8	—
Other expense	0.5	1.2	0.8	0.2
Stock-based compensation	0.5	0.4	2.0	1.1
Total adjusted EBITDA	$ 30.1	$ 36.6	$ 58.9	$ 59.4

Marketing and Distribution

Net sales in our Marketing and Distribution segment increased $8.7 million or 4% in the three months ended July 31, 2021 compared to the same period last year, due to the same drivers impacting consolidated revenue.

Segment adjusted EBITDA decreased $7.9 million or 38% in the three months ended July 31, 2021 compared to the same period last year due to a combination of lower per-unit contribution margins, higher infrastructure costs, and higher selling, general and administrative expenses as described above.

Net sales in our Marketing and Distribution segment were nearly flat in the nine months ended July 31, 2021 compared to the same period last year, as changes in volume and price nearly offset each other. Average per-unit avocado sales prices decreased 11% and avocado volume sold increased 10% compared to the same period last year, both of which were driven by strong industry supply from Mexico. Lower pricing and higher volumes were concentrated in the first half of the fiscal year when Mexico was the country of origin for the vast majority of the fruit sold.

Segment adjusted EBITDA decreased $5.8 million or 12% in the nine months ended July 31, 2021 compared to the same period last year due to higher selling, general and administrative expenses as mentioned above.

International Farming

Substantially all sales of fruit from the Company's International Farming segment are to the Marketing and Distribution segment, with the remainder of revenue largely derived from services provided to independent 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.

Total segment sales in our International Farming segment increased $11.7 million or 22% in the three months ended July 31, 2021, due to higher fruit volumes resulting from improved harvest yields at the maturing orchards.

Segment adjusted EBITDA improved by $1.4 million in the three months ended July 31, 2021 to $17.0 million, primarily due to the revenue drivers noted above, partially offset by higher costs associated with strategic initiatives in farming maintenance and operations that are intended to drive yield enhancements.

Total segment sales in our International Farming segment increased $14.4 million or 24% in the nine months ended July 31, 2021, due to higher fruit volumes resulting from improved harvest yields at our maturing orchards.

Segment adjusted EBITDA improved by $5.3 million in the nine months ended July 31, 2021 to $15.9 million primarily due to the revenue and margin drivers noted above.

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.

	Nine Months Ended July 31,	
(In millions)	2021	2020
Net income	$ 28.0	$ 10.0
Depreciation and amortization	13.7	12.6
Equity method income	(4.2)	(1.6)
Impairment on equity method investment	—	21.2
Stock-based compensation	2.0	1.1
Deferred income taxes	4.8	(0.4)
Dividends received from equity method investees	1.7	1.7
Other	0.1	1.0
Changes in working capital	(30.9)	(12.7)
Net cash provided by operating activities	$ 15.2	$ 32.9

Net cash provided by operating activities decreased $17.7 million for the nine months ended July 31, 2021 compared to the respective period last year, reflecting unfavorable net change in working capital. Within working capital, unfavorable changes in inventory and accounts receivable were partially offset by favorable changes in grower payables. Changes in inventory were driven by a combination of a build-up of growing crop inventory in Peru, as well as higher per-unit cost of Mexican fruit on-hand compared to prior year. The growing crop increases were due primarily to higher per-acre farming costs to drive higher production yields. Additionally contributing to the build-up of crop inventory, a lower percentage of the estimated seasonal crop was harvested and sold as of July 31, 2021. Accounts receivable increases were due to a combination of higher sales volumes and rising sales prices during the period. Favorable changes in grower payables were correlated with the pricing increases experienced with Mexican inventory.

Investing activities

(In millions)	Nine Months Ended July 31, 2021	2020
Purchases of property and equipment	$ (61.3)	$ (40.4)
Proceeds from sale of property, plant and equipment	2.3	0.1
Insurance proceeds for the replacement of property, plant and equipment	0.8	—
Investment in equity method investees	(0.2)	(2.9)
Loan repayments from equity method investees	1.5	—
Loans to equity method investees	(2.0)	—
Other	—	(0.2)
Net cash used in investing activities	$ (58.9)	$ (43.4)

Property, plant and equipment

In the nine months ended July 31, 2021, capital expenditures were concentrated in land improvements and orchard development in Peru and Guatemala, as well as finishing construction related to our new distribution and ripening facility in Laredo, Texas, which opened in May 2021. In the nine months ended July 31, 2020, capital expenditures were for farm development and packinghouse expansion in Peru, the purchase of farmland in California and early-stage construction costs for the Laredo facility.

In the nine months ended July 31, 2021, proceeds from the sale of property, plant and equipment were primarily from the sale of two multi-unit housing properties in California that had been used for housing seasonal avocado labor contractors. We also received insurance proceeds for property, plant and equipment damage sustained in our Dallas facility from a cold weather storm in February 2021. The proceeds have been reinvested in the rebuilding of the equipment.

Equity method investees

In the nine months ended July 31, 2021 and 2020, capital contributions to equity method investees were to our joint venture, Copaltas S.A.S., to support the purchase of additional farmland in Colombia. During the nine months ended July 31, 2021, we issued $2.0 million in loans to Copaltas to support the working capital needs of the entity. In addition, we received an installment payment of $1.5 million on our outstanding loan to Moruga during the nine months ended July 31, 2021.

Financing activities

(In millions)	Nine Months Ended July 31, 2021	2020
Principal payments on long-term borrowings, capital leases and supplier financing	$ (6.6)	$ (6.5)
Dividends paid	—	(7.5)
Other	—	(1.9)
Net cash used in financing activities	$ (6.6)	$ (15.9)

Borrowings and repayments of debt

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

Shareholders' equity

We paid dividends of $0.12 per share during the nine months ended July 31, 2020. No dividends were paid during the nine months ended July 31, 2021.

Capital resources

(In millions)		July 31, 2021		October 31, 2020
Cash and cash equivalents	$	70.9	$	124.0
Working capital		156.3		170.2

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

We have a syndicated credit facility with Bank of America, N.A., comprised of two term loans and a revolving credit facility (“revolver”) that provides up to $100 million in borrowings that will expire in October 2023. The credit facility also includes a swing line facility and an accordion feature which allows us to increase the borrowings by up to $125 million, with bank approval. We did not have any outstanding borrowings under the revolver as of July 31, 2021 and October 31, 2020. Interest on the revolver bears rates at a spread over LIBOR that varies with our leverage ratio. As of July 31, 2021 and October 31, 2020, interest rates on the revolver were 1.84% and 1.90%, respectively.

As of July 31, 2021, we were required to comply with the following financial covenants: (a) a quarterly consolidated leverage ratio of not more than 3.00 to 1.00 and (b) a quarterly consolidated fixed charge coverage ratio of not less than 1.50 to 1.00. As of July 31, 2021, our consolidated leverage ratio was 1.83 to 1.00 and our consolidated fixed charge coverage ratio was 2.40 to 1.00 and we were in compliance with all such covenants of the credit facility. The loans are secured by real property, personal property and the capital stock of our subsidiaries. We pay fees on unused commitments on the credit facility.

Commitments for capital expenditures

We have various capital projects in progress for farming expansion and facility improvements which we intend to fund through our operating cash flow. We expect to spend approximately $20 million on these projects in the fourth quarter of fiscal 2021.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

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

Limitations on Effectiveness of Controls and Procedures

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

PART II- OTHER INFORMATION

Item 1. Legal Proceedings

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

The following updates the matter discussed in "Part I, Item 3. Legal Proceedings" in our Annual Report on Form 10-K for the year ended October 31, 2020:

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.

Item 1A. Risk Factors

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

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

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

INDEX

Exhibit No.	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
3.1#	Amended and Restated Certificate of Incorporation	8-K	10/7/2020	3.1	
3.2#	Amended and Restated Bylaws	8-K	10/7/2020	3.2	
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 July 31, 2021 formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income, (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

* 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 September 13, 2021.

MISSION PRODUCE, INC.

/s/ Stephen J. Barnard

Stephen J. Barnard

Chief Executive Officer

/s/ Bryan E. Giles

Bryan E. Giles

Chief Financial Officer

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

I, Stephen J. Barnard, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ Stephen J. Barnard

Stephen J. Barnard

President, Chief Executive Officer and Director

Date: September 13, 2021

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

I, Bryan E. Giles, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ Bryan E. Giles

Bryan E. Giles

Chief Financial Officer

Date: September 13, 2021

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

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

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

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

/s/ Stephen J. Barnard

Stephen J. Barnard

President, Chief Executive Officer and Director

Date: September 13, 2021

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

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

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

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

/s/ Bryan E. Giles

Bryan E. Giles

Chief Financial Officer

Date: September 13, 2021