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, 2023

OR

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

For the transition period from __________ to __________

Commission file number: 001-39561

MISSION PRODUCE, INC.
(Exact name of Registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

As of September 1, 2023, the registrant had 70,792,120 shares of common stock at $0.001 par value outstanding.

MISSION PRODUCE, INC.

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FISCAL THIRD QUARTER 2023

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; fluctuations in the market price of avocados; increasing competition; risks associated with doing business internationally, including Mexican and Peruvian economic, political and/or societal conditions; inflationary pressures; loss of one or more of our largest customers; general economic conditions or downturns; supply chain failures or disruptions; disruption to the supply of reliable and cost-effective transportation; failure to recruit or retain employees, poor employee relations, and/or ineffective organizational structure; inherent farming risks; seasonality in operating results; failures associated with information technology infrastructure, system security and cyber risks; new and changing privacy laws and our compliance with such laws; food safety events and recalls; failure to comply with laws and regulations, including those promulgated by the USDA and FDA, health and safety laws, environmental laws, and other laws and regulations; changes to trade policy and/or export/import laws and regulations; risks from business acquisitions, if any; lack of or failure of infrastructure; material litigation or governmental inquiries/actions; failure to maintain or protect our brand; changes in tax rates or international tax legislation; and risks associated with the ongoing conflict in Russia and Ukraine.

- 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.

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

- Other risks and factors listed under “Item 1A. Risk Factors” in our most recent Annual Report on Form 10-K for the year ended October 31, 2022 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, 2022 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, 2023	October 31, 2022
Assets		
Current Assets:		
Cash and cash equivalents	$ 23.0	$ 52.8
Restricted cash	2.1	1.1
Accounts receivable		
Trade, net of allowances of $0.9 and $0.3, respectively	88.6	62.9
Grower and fruit advances	2.6	1.8
Other	18.9	17.3
Inventory	87.8	73.1
Prepaid expenses and other current assets	8.6	11.1
Income taxes receivable	12.3	8.0
Total current assets	243.9	228.1
Property, plant and equipment, net	528.0	489.7
Operating lease right-of-use assets	74.4	65.4
Equity method investees	29.4	27.1
Deferred income tax assets, net	8.9	8.1
Goodwill	39.4	39.4
Intangible asset, net	0.8	2.0
Other assets	19.6	19.7
Total assets	$ 944.4	$ 879.5
Liabilities and Equity		
Liabilities		
Accounts payable	$ 43.4	$ 34.4
Accrued expenses	26.1	30.1
Income taxes payable	1.3	1.0
Grower payables	28.5	24.3
Short-term borrowings	2.8	2.5
Loans from noncontrolling interest holders—current portion	0.5	—
Long-term debt—current portion	3.6	3.5
Operating leases—current portion	6.4	4.7
Finance leases—current portion	2.2	1.2
Total current liabilities	114.8	101.7
Long-term debt, net of current portion	164.3	136.9
Loans from noncontrolling interest holders, net of current portion	2.5	1.0
Operating leases, net of current portion	72.7	63.9
Finance leases, net of current portion	14.8	1.4
Income taxes payable	2.3	3.1
Deferred income tax liabilities, net	28.9	29.4
Other long-term liabilities	23.7	19.2
Total liabilities	424.0	356.6
Commitments and contingencies (Note 6)		
Shareholders' Equity		
Common stock ($0.001 par value, 1,000,000,000 shares authorized; 70,791,225 and 70,669,535 shares issued and outstanding as of July 31, 2023 and October 31, 2022, respectively)	0.1	0.1
Additional paid-in capital	232.2	229.3
Accumulated other comprehensive loss	(0.2)	(1.7)
Retained earnings	267.6	274.4
Mission Produce shareholders' equity	499.7	502.1
Noncontrolling interest	20.7	20.8
Total equity	520.4	522.9
Total liabilities and equity	$ 944.4	$ 879.5

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
(In millions, except for per share amounts)	**2023**	**2022**	**2023**	**2022**
Net sales	$ 261.4	$ 313.2	$ 696.0	$ 807.9
Cost of sales	233.0	270.6	640.5	745.0
Gross profit	28.4	42.6	55.5	62.9
Selling, general and administrative expenses	17.4	20.6	55.8	58.0
Operating income (loss)	11.0	22.0	(0.3)	4.9
Interest expense	(3.2)	(1.5)	(8.3)	(3.5)
Equity method income	1.8	1.7	3.2	3.6
Remeasurement gain on business combination with Moruga	—	2.0	—	2.0
Other (expense) income, net	(1.1)	(0.9)	(1.3)	3.6
Income (loss) before income taxes	8.5	23.3	(6.7)	10.6
Provision for income taxes	2.3	5.4	2.4	3.7
Net income (loss)	$ 6.2	$ 17.9	$ (9.1)	$ 6.9
Less: Net loss attributable to noncontrolling interest	(0.4)	(0.5)	(2.3)	(0.5)
Net income (loss) attributable to Mission Produce	$ 6.6	$ 18.4	$ (6.8)	$ 7.4
Net income (loss) per share attributable to Mission Produce:				
Basic	$ 0.09	$ 0.26	$ (0.10)	$ 0.10
Diluted	$ 0.09	$ 0.26	$ (0.10)	$ 0.10

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
(In millions)	2023	2022	2023	2022
Net income (loss)	$ 6.2	$ 17.9	$ (9.1)	$ 6.9
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	0.7	(0.5)	1.5	(0.6)
Total comprehensive income (loss), net of tax	6.9	17.4	(7.6)	6.3
Less: Comprehensive loss attributable to noncontrolling interest	(0.4)	(0.5)	(2.3)	(0.5)
Comprehensive income (loss) attributable to Mission Produce	$ 7.3	$ 17.9	$ (5.3)	$ 6.8

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Common stock						
(In millions, except for shares)	Shares	Amount	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Noncontrolling interest	Total equity
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
Stock-based compensation	—	—	0.9	—	—	—	0.9
Issuance of common stock for equity awards	5,163	—	—	—	—	—	—
Acquired noncontrolling interest	—	—	—	—	—	20.2	20.2
Net income	—	—	—	—	18.4	(0.5)	17.9
Other comprehensive loss	—	—	—	(0.5)	—	—	(0.5)
Balance at July 31, 2022	70,659,204	$ 0.1	$ 228.2	$ (1.1)	$ 316.4	$ 19.7	$ 563.3
Balance at October 31, 2022	70,669,535	$ 0.1	$ 229.3	$ (1.7)	$ 274.4	$ 20.8	$ 522.9
Stock-based compensation	—	—	0.7	—	—	—	0.7
Exercise of stock options	8,500	—	—	—	—	—	—
Issuance of common stock for equity awards, net of shares withheld for the settlement of taxes	55,055	—	(0.4)	—	—	—	(0.4)
Contributions from noncontrolling interest holders	—	—	—	—	—	1.0	1.0
Net loss	—	—	—	—	(8.8)	(1.8)	(10.6)
Other comprehensive income	—	—	—	0.5	—	—	0.5
Balance at January 31, 2023	70,733,090	$ 0.1	$ 229.6	$ (1.2)	$ 265.6	$ 20.0	$ 514.1
Stock-based compensation	—	—	1.3	—	—	—	1.3
Exercise of stock options	5,000	—	—	—	—	—	—
Issuance of common stock for equity awards, net of shares withheld for the settlement of taxes	47,592	—	—	—	—	—	—
Contributions from noncontrolling interest holders	—	—	—	—	—	0.4	0.4
Net loss	—	—	—	—	(4.6)	(0.1)	(4.7)
Other comprehensive income	—	—	—	0.3	—	—	0.3
Balance at April 30, 2023	70,785,682	$ 0.1	$ 230.9	$ (0.9)	$ 261.0	$ 20.3	$ 511.4
Stock-based compensation	—	—	1.2	—	—	—	1.2
Exercise of stock options	5,543	—	0.1	—	—	—	0.1
Contributions from noncontrolling interest holders	—	—	—	—	—	0.8	0.8
Net income (loss)	—	—	—	—	6.6	(0.4)	6.2
Other comprehensive income	—	—	—	0.7	—	—	0.7
Balance at July 31, 2023	70,791,225	$ 0.1	$ 232.2	$ (0.2)	$ 267.6	$ 20.7	$ 520.4

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Nine Months Ended July 31,	
(In millions)	2023	2022
Operating Activities		
Net (loss) income	$ (9.1)	$ 6.9
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	22.8	17.2
Amortization of debt issuance costs	0.2	0.3
Equity method income	(3.2)	(3.6)
Noncash lease expense	4.4	3.9
Stock-based compensation	3.2	2.6
Dividends received from equity method investees	2.7	2.2
Losses on asset impairment, disposals and sales, net of insurance recoveries	1.2	0.2
Deferred income taxes	(1.2)	(0.7)
Remeasurement gain on business combination with Moruga	—	(2.0)
Unrealized losses on foreign currency transactions	2.9	—
Unrealized gains on derivative financial instruments	(0.1)	(3.1)
Other	—	0.1
Effect on cash of changes in operating assets and liabilities:		
Trade accounts receivable	(23.8)	(18.1)
Grower fruit advances	(0.7)	(2.5)
Other receivables	(1.4)	(0.8)
Inventory	(13.1)	(35.0)
Prepaid expenses and other current assets	2.5	1.4
Income taxes receivable	(4.3)	(0.4)
Other assets	2.3	1.1
Accounts payable and accrued expenses	5.7	10.1
Income taxes payable	(0.5)	0.9
Grower payables	4.2	20.9
Operating lease liabilities	(2.8)	(3.3)
Other long-term liabilities	0.7	(1.4)
Net cash used in operating activities	$ (7.3)	$ (3.0)
Investing Activities		
Purchases of property, plant and equipment	(47.0)	(42.0)
Proceeds from sale of property, plant and equipment	0.1	2.9
Cash acquired in consolidation of Moruga	—	4.3
Investment in equity method investees	(1.4)	(0.4)
Purchase of other investment	(2.3)	—
Loan repayments from equity method investees	—	1.0
Other	(0.1)	—
Net cash used in investing activities	$ (50.7)	$ (34.2)
Financing Activities		
Borrowings on revolving credit facility	145.0	40.0
Payments on revolving credit facility	(115.0)	(40.0)
Proceeds from short-term borrowings	2.8	—
Repayment of short-term borrowings	(2.5)	—
Principal payments on long-term debt obligations	(2.7)	(6.6)
Principal payments on finance lease obligations	(2.4)	(1.0)
Taxes paid related to shares withheld from the settlement of equity awards	(0.4)	—

(In millions)	Nine Months Ended July 31, 2023		2022
Exercise of stock options		0.1	—
Proceeds from loan from noncontrolling interest holder		2.0	—
Equity contributions from noncontrolling interest holders		2.2	—
Net cash provided by (used in) financing activities	$	29.1	$ (7.6)
Effect of exchange rate changes on cash		0.1	(0.5)
Net decrease in cash, cash equivalents and restricted cash		(28.8)	(45.3)
Cash, cash equivalents and restricted cash, beginning of period		53.9	92.2
Cash, cash equivalents and restricted cash, end of period	$	25.1	$ 46.9
Summary of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets:			
Cash and cash equivalents	$	23.0	$ 43.8
Restricted cash		2.1	3.1
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows	$	25.1	$ 46.9

See accompanying notes to unaudited condensed consolidated financial statements.

1. General

Business

Mission Produce, Inc. together with its consolidated subsidiaries ("Mission," "the Company," "we," "us" or "our"), is a global leader in the avocado industry. The Company's expertise lies in the farming, packaging, marketing and distribution of avocados to food retailers, distributors and produce wholesalers worldwide. The Company procures avocados principally from California, Mexico and Peru. Through our various operating facilities, we grow, sort, pack, bag and ripen avocados and a small amount of other fruits for distribution to domestic and international markets. We report our results of operations in three operating segments: Marketing and Distribution, International Farming and Blueberries (see Note 11).

Basis of presentation and consolidation

The unaudited interim condensed consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and include the Company's consolidated domestic and international subsidiaries and variable interest entity ("VIE") for which we are the primary beneficiary and have a controlling interest. Certain information and disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Accordingly, these unaudited interim condensed consolidated financial statements and accompanying footnotes should be read in conjunction with the Company's Annual Report for the year ended October 31, 2022. 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, 2023.

Certain reclassifications have been made to previously reported balances in the unaudited condensed consolidated balance sheets in order to conform to current period presentation.

Consolidation of VIE

On May 1, 2022, a reconsideration event occurred related to Moruga S.A.C., an entity for which we have a 60% equity ownership interest. Moruga S.A.C. is a holding company with one wholly owned subsidiary Blueberries Peru, S.A.C. (collectively referred to as "Moruga"). Moruga was previously accounted for under the equity method of accounting, where investments are stated at initial cost and adjusted for subsequent additional investments and our proportionate share of earnings or losses and distributions. As a result of the reconsideration event, we concluded that Moruga is a VIE, and that the Company is the primary beneficiary with a controlling financial interest. Based on this conclusion, Moruga was prospectively consolidated on May 1, 2022.

Recently issued accounting standards

In September 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-04, Liabilities—Supplier Finance Programs (Topic 405), which among other things, requires certain disclosures for a buyer in a supplier finance program. Some of 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, and others are required to be adopted for fiscal years beginning after December 15, 2023. Early adoption is permitted. We are currently evaluating the impact of adoption on our financial disclosures.

In March 2022, the FASB issued ASU, 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.

2. Inventory

Major classes of inventory were as follows:

(In millions)		July 31, 2023		October 31, 2022
Finished goods	$	46.2	$	33.8
Crop growing costs		20.2		19.5
Packaging and supplies		21.4		19.8
Inventory	$	87.8	$	73.1

Inventory at October 31, 2022 included a $0.7 million adjustment to increase inventories recognized in the business combination with Moruga to their fair value as of May 1, 2022. These inventories, including the fair value adjustment, were recognized in cost of sales as the underlying inventories were sold.

3. Goodwill and Intangible Asset, net

Goodwill

(In millions)		International Farming		Blueberries		Total
Goodwill as of July 31, 2023 and October 31, 2022	$	26.9	$	12.5	$	39.4

Goodwill is tested for impairment on an annual basis in the fourth quarter, or when an event or changes in circumstances indicate that its carrying value may not be recoverable.

Intangible asset, net

(In millions)		July 31, 2023		October 31, 2022
Intangible asset, gross	$	2.8	$	2.8
Accumulated amortization		(2.0)		(0.8)
Intangible asset, net	$	0.8	$	2.0

The intangible asset, net consists of a distributor relationship entirely attributed to the business combination with Moruga on May 1, 2022. The intangible asset has an amortizable life of 2 years, to be recognized in selling, general and administrative expenses coinciding with the timing of the estimated revenues. Amortization expense was less than $0.1 million for both the three months ended July 31, 2023 and 2022, respectively, and $1.2 million and $0.1 million for the nine months ended July 31, 2023 and 2022, respectively. The remaining amortization expense is expected to be recognized as follows.

(In millions)		Remaining 2023		Year Ending October 31, 2024
Estimated annual amortization expense	$	0.2	$	0.6

4. Details of Certain Account Balances

Accrued expenses

(In millions)		July 31, 2023		October 31, 2022
Employee-related	$	9.8	$	16.3
Freight		4.4		6.2
Outside fruit purchase		1.4		1.0
Legal settlement		0.8		0.8
Other		9.7		5.8
Accrued expenses	$	26.1	$	30.1

Other long-term liabilities

(In millions)		July 31, 2023		October 31, 2022
Uncertain tax positions(1)	$	20.7	$	17.1
Employee-related		1.6		1.2
Other		1.4		0.9
Other long-term liabilities	$	23.7	$	19.2

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

Other expense (income), net

	Three Months Ended July 31,				Nine Months Ended July 31,			
(In millions)		2023		2022		2023		2022
Gains on derivative financial instruments	$	(0.1)	$	(0.1)	$	(0.1)	$	(3.1)
Foreign currency transaction loss		1.3		1.2		2.6		1.1
Interest income		(0.2)		(0.3)		(1.3)		(1.5)
Other		0.1		0.1		0.1		(0.1)
Other expense (income), net	$	1.1	$	0.9	$	1.3	$	(3.6)

5. Debt

Credit facility

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

(In millions)	July 31, 2023	October 31, 2022
Revolving line of credit. The interest rate is variable, based on SOFR plus a spread that varies with the Company's leverage ratio. As of July 31, 2023 and October 31, 2022, the interest rate was 7.33% and 5.34%, respectively. Interest is payable monthly and principal is due in full in October 2027	$ 70.0	$ 40.0
Senior term loan (A-1). The interest rate is variable, based on SOFR plus a spread that varies with the Company's leverage ratio. As of July 31, 2023 and October 31, 2022, the interest rate was 7.42% and 5.58%, respectively. Interest is payable monthly, principal is payable quarterly and due in full in October 2027.	48.1	50.0
Senior term loan (A-2). The interest rate is variable, based on SOFR plus a spread that varies with the Company's leverage ratio. As of July 31, 2023 and October 31, 2022, the interest rate was 7.67% and 5.83% respectively. Interest is payable monthly, principal is payable quarterly and due in full in October 2029.	49.6	50.0
Note payable to BoA. Payable in monthly installments including interest at a rate of 3.96% as of both July 31, 2023 and October 31, 2022. Principal is due July 2024.	0.6	1.0
Total long-term debt	168.3	141.0
Less debt issuance costs	(0.4)	(0.6)
Long-term debt, net of debt issuance costs	167.9	140.4
Less current portion of long-term debt	(3.6)	(3.5)
Long-term debt, net of current portion	$ 164.3	$ 136.9

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, 2023, the Company was in compliance with all covenants of the credit facility.

Other

The Company may issue standby letters of credit through banking institutions. As of July 31, 2023, total letters of credit outstanding were $0.7 million.

Certain of our consolidated subsidiaries may also enter into short-term bank borrowings from time to time. Short-term borrowings outstanding were $2.8 million and $2.5 million as of July 31, 2023 and October 31, 2022, respectively, with weighted average variable interest rates of 10.46% and 6.65%, respectively. Our Blueberries business also obtains loans from shareholders from time to time, which accrue interest at rates ranging from 5.0 to 6.5%. Amounts outstanding as of July 31, 2023 are expected to be repaid by the end of fiscal 2026.

Interest rate swaps

The Company has four separate interest rate swaps with a total notional amount of $100 million to hedge changes in variable interest rates on the principal value of the Company's term loans. The interest rate swaps carry fixed LIBOR rates ranging from 1.75% to 2.57%. The swaps expire at various dates through the second quarter of fiscal year 2024. We account for the interest rate swaps in accordance with ASC 815, Derivatives and Hedging, as amended, which requires the recognition of all derivative instruments as either assets or liabilities in the consolidated balance sheets and measurement of those instruments at fair value. The Company has not designated the interest rate swaps as cash flow hedges, and as a result under the accounting guidance, changes in the fair value of the interest rate swaps have been recorded in other (expense) income, net in the condensed consolidated statements of income (loss) and changes in the asset are presented in net cash used in operating activities in the condensed consolidated statements of cash flow. Refer to Note 8 for more details.

6. 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 consolidated statements of income during the three months ended April 30, 2021. The parties executed a stipulation of settlement agreement on such terms in November 2021. This preliminary settlement was approved by the applicable courts in October 2022. In the course of preparing to send out notices to the settlement class, issues arose regarding the nature and scope of the settlement, specifically with respect to the universe of participants in the settlement class, which the parties were unable to resolve. Plaintiffs filed a motion to enforce compliance with the settlement agreement and the Company filed a cross motion to reform the stipulation of settlement, or in the alternative, to vacate the order of preliminary approval. A hearing before the court was held on this matter in July 2023. The court granted Plaintiff's motion and directed the parties to proceed with the notice procedures to a class that includes a number of participants that the Company does not feel are appropriate to include. The court did not rule on the fairness of the settlement agreement between the parties and stated that this determination would be made at final approval and that the issues raised in the Company's motion would be considered at that time. The Company requested an appeal of the ruling and a delay of the mailing of notice to settlement class members, but such request was denied. A final approval hearing date has been set for January 30, 2024.

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

7. Income Taxes

The provision for income tax recorded for the three and nine months ended July 31, 2023 and 2022 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, 2023, the Company had $20.1 million accrued in UTP on income taxes, of which $10.0 million relates to interest and penalties, inclusive of inflationary adjustments. The period for assessing interest and penalties has expired. However, the Company continues to record certain statutory adjustments related to inflation. Changes in the UTP related to changes in foreign exchange rates during the period are included in other (expense) income, net in the condensed consolidated statements of income (loss).

8. Fair Value Measurements

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

	July 31, 2023				October 31, 2022			
(In millions)	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets								
Mutual funds	$ 1.6	$ 1.6	$ —	$ —	$ 1.2	$ 1.2	$ —	$ —
Interest rate swap	0.9	—	0.9	—	2.6	—	2.6	—

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

The fair value of interest rate swaps is determined using widely accepted valuation techniques, including the discounted cash flow method. The analysis reflects the contractual terms of the swaps, including the period to maturity, and uses observable market-based inputs, including interest rate curves (“significant other observable inputs”). The fair value calculation also includes an amount for risk of non-performance using “significant unobservable inputs” such as estimates of current credit spreads to evaluate the likelihood of default. The Company has concluded, as of July 31, 2023 and October 31, 2022, the fair value associated with the “significant unobservable inputs” relating to the Company’s risk of non-performance was insignificant to the overall fair value of the interest rate swap agreements and, as a result, the Company has determined that the relevant inputs for purposes of calculating the fair value of the interest rate swap agreements, in their entirety, were based upon “significant other observable inputs”. The assets associated with the interest rate swaps have been included in prepaid expenses and other current assets and other assets in the condensed consolidated balance sheets and gains and losses for the interest rate swaps have been included in other (expense) income, net in the condensed consolidated statements of income (loss).

9. Earnings Per Share

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2023	2022	2023	2022
Numerator:				
Net income (loss) attributable to Mission Produce (in millions)	$ 6.6	$ 18.4	$ (6.8)	$ 7.4
Denominator:				
Weighted average shares of common stock outstanding, used in computing basic earnings per share	70,788,574	70,656,976	70,740,638	70,641,669
Effect of dilutive stock options	203	57,066	—	121,383
Effect of dilutive RSUs	129,253	65,865	—	21,720
Weighted average shares of common stock outstanding, used in computing diluted earnings per share	70,918,030	70,779,907	70,740,638	70,784,772
Earnings per share				
Basic	$ 0.09	$ 0.26	$ (0.10)	$ 0.10
Diluted	$ 0.09	$ 0.26	$ (0.10)	$ 0.10

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 July 31,		Nine Months Ended July 31,	
	2023	2022	2023	2022
Anti-dilutive stock options	1,897,256	729,660	2,103,633	732,066
Anti-dilutive RSUs	120,214	193,896	571,640	252,883

10. Related Party Transactions

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

	Condensed Consolidated Balance Sheets					
	July 31, 2023				October 31, 2022	
(In millions)	Accounts receivable	Property, plant and equipment, net	Accounts payable & accrued expenses	Finance lease liabilities	Accounts receivable	Accounts payable & accrued expenses
Equity method investees:						
Henry Avocado	$ 0.6	$ —	$ —	$ —	$ —	$ —
Mr. Avocado	4.1	—	—	—	1.5	—
Other:						
Directors/Officers[1]	0.2	15.3	0.9	15.3	0.1	2.5
Employees[2]	—	—	0.2	—	—	0.4

	Condensed Consolidated Statements of Income (Loss)					
(In millions)	Net sales	Cost of sales	Interest expense	Net sales	Cost of sales	Other income
	Three Months Ended July 31, 2023			Three Months Ended July 31, 2022		
Equity method investees:						
Henry Avocado	$ 1.1	$ —	$ —	$ 2.7	$ —	$ —
Mr. Avocado	4.9	—	—	1.2	—	—
Other:						
Directors/Officers[1]	0.3	1.6	0.3	0.2	3.5	—
Employees[2]	—	2.0	—	—	0.6	—
	Nine Months Ended July 31, 2023			Nine Months Ended July 31, 2022		
Equity method investees:						
Henry Avocado	$ 1.1	$ —	$ —	$ 2.7	$ 0.5	$ —
Mr. Avocado	6.7	—	—	1.7	—	—
Moruga[3]	—	—	—	4.1	—	0.4
Copaltas[4]	—	—	—	—	—	0.1
Other:						
Directors/Officers[1)]	0.9	2.7	1.0	0.9	5.8	—
Employees[2]	—	7.3	—	—	4.7	—

(1) 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. In November 2022, Moruga entered into a long-term land lease with a company owned by one of our directors. The rental rate in the lease was comparable to market rates and reflective of an arms-length transaction. The lease was accounted for as a finance lease right-of-use asset and is included in property, plant and equipment, net in the condensed consolidated balance sheets, with amortization and interest expense recognized in cost of sales and interest expense, respectively, in the condensed consolidated statements of income (loss). The portion of lease costs attributable to noncontrolling interest, net of income taxes, was $0.2 million and $0.5 million for the three and nine months ended July 31, 2023, respectively, and included as part of net loss attributable to noncontrolling interest in the condensed consolidated statements of income (loss). During the second quarter of 2023, we purchased 20 hectares of land in Peru from the same company owned by this same director for $0.2 million, which was comparable to market rates and reflective of an arms-length transaction.

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

(3) Effective May 1, 2022, Moruga was prospectively consolidated into the Company's financial statements, at which time transactions between parties were prospectively eliminated in the consolidation of our financial statements. Transactions prior to consolidation are presented the same as in prior periods. The Company provides packing and cooling services for blueberries and leases owned land to Moruga. The Company has also provided loans to Moruga to support growth and expansion projects, bearing interest at 6.5%, due December 31, 2024.

(4) The Company has provided loans to Copaltas to support expansion projects, bearing interest at 6.66%. The loans have been repaid in full as of October 31, 2022.

11. Segment and Revenue Information

We have three operating segments which are also reportable segments. Our reportable segments are presented based on how information is used by our CEO, who is the chief operating decision maker, to measure performance and allocate resources. After the consolidation of Moruga on May 1, 2022 (refer to Note 1 for more information), the information used by the CEO changed to include the results of Moruga, and as such, we determined our reportable segments to be:

- *Marketing and Distribution.* Our Marketing and Distribution reportable segment sources fruit from growers and then distributes the fruit through our global distribution network.

- *International Farming.* International Farming owns and operates orchards from which substantially all fruit produced is sold to our Marketing and Distribution segment. Its farming activities range from cultivating early-stage plantings to harvesting from mature trees, and it also earns service revenues for packing and processing for our Blueberries segment, as well as for third-party producers of other crops during the avocado off-harvest season. Operations are principally located in Peru, with smaller operations emerging in other areas of Latin America.

- *Blueberries.* The Blueberries segment represents the results of Moruga, subsequent to its consolidation on May 1, 2022. Moruga's farming activities include cultivating early-stage blueberry plantings and harvesting mature bushes. Substantially all of blueberries produced are sold to a single distributor under an exclusive marketing agreement.

The CEO evaluates and monitors segment performance primarily through segment sales and segment adjusted EBITDA. Adjusted EBITDA refers to net income (loss), before interest expense, income taxes, depreciation and amortization expense, stock-based compensation expense, other income (expense), and income (loss) from equity method investees, further adjusted by asset impairment and disposals, net of insurance recoveries, farming costs for nonproductive orchards (which represents land lease costs), certain noncash and nonrecurring ERP costs, transaction costs, amortization of inventory adjustments recognized from business combinations, and any special, non-recurring, or one-time items such as remeasurements or impairments, and any portion of these items attributable to the noncontrolling interest, all of which are excluded from the results the CEO reviews uses to assess segment performance and results. We believe that adjusted EBITDA by segment provides useful information for analyzing the underlying business results as well as allowing investors a means to evaluate the financial results of each reportable segment in relation to the Company as a whole. These measures are not in accordance with, nor are they a substitute for or superior to, the comparable GAAP financial measures.

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

(In millions)	Marketing and Distribution	International Farming	Blueberries	Total	Marketing and Distribution	International Farming	Blueberries	Total
	Three Months Ended July 31,							
	2023				2022			
Third party sales	$ 256.6	$ 3.4	$ 1.4	$ 261.4	$ 308.9	$ 4.0	$ 0.3	$ 313.2
Affiliated sales	—	34.8	—	34.8	—	60.6	—	60.6
Total segment sales	256.6	38.2	1.4	296.2	308.9	64.6	0.3	373.8
Intercompany eliminations	—	(34.8)	—	(34.8)	—	(60.6)	—	(60.6)
Total net sales	$ 256.6	$ 3.4	$ 1.4	$ 261.4	$ 308.9	$ 4.0	$ 0.3	$ 313.2
	Nine Months Ended July 31,							
	2023				2022			
Third party sales	$ 653.7	$ 9.4	$ 32.9	$ 696.0	$ 794.9	$ 12.7	$ 0.3	$ 807.9
Affiliated sales	—	40.5	—	40.5	—	62.2	—	62.2
Total segment sales	653.7	49.9	32.9	736.5	794.9	74.9	0.3	870.1
Intercompany eliminations	—	(40.5)	—	(40.5)	—	(62.2)	—	(62.2)
Total net sales	$ 653.7	$ 9.4	$ 32.9	$ 696.0	$ 794.9	$ 12.7	$ 0.3	$ 807.9

Supplemental sales information is as follows.

(In millions)	Three Months Ended July 31, 2023	Three Months Ended July 31, 2022	Nine Months Ended July 31, 2023	Nine Months Ended July 31, 2022
By type				
Avocado	$ 249.2	$ 303.9	$ 626.1	$ 781.5
Blueberry	1.4	0.3	32.9	0.3 (1)
Mango	6.9	3.5	27.2	13.1
Other	3.9	5.5	9.8	13.0
Total net sales	$ 261.4	$ 313.2	$ 696.0	$ 807.9
By customer location				
United States	$ 202.4	$ 264.4	$ 560.3	$ 678.0
Rest of world	59.0	48.8	135.7	129.9
Total net sales	$ 261.4	$ 313.2	$ 696.0	$ 807.9

(1) Blueberry sales are generated entirely by our Blueberries segment and are therefore reported prospectively from May 1, 2022.

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

(In millions)	Three Months Ended July 31, 2023	Three Months Ended July 31, 2022	Nine Months Ended July 31, 2023	Nine Months Ended July 31, 2022
Marketing and Distribution adjusted EBITDA	$ 16.1	$ 15.5	$ 29.3	$ 19.5
International Farming adjusted EBITDA	4.9	16.3	2.0	11.1
Blueberries adjusted EBITDA	0.2	(0.2)	(0.2)	(0.2)
Total reportable segment adjusted EBITDA	21.2	31.6	$ 31.1	$ 30.4
Net income (loss)	6.2	17.9	(9.1)	6.9
Interest expense	3.2	1.5	8.3	3.5
Provision for income taxes	2.3	5.4	2.4	3.7
Depreciation and amortization(1)	7.6	7.1	22.8	17.2
Equity method income	(1.8)	(1.7)	(3.2)	(3.6)
Stock-based compensation	1.2	0.9	3.2	2.6
Asset impairment and disposals, net of insurance recoveries	0.4	0.2	1.2	0.2
Farming costs for nonproductive orchards	0.5	0.3	1.3	1.1
ERP costs(2)	0.6	1.0	1.7	3.8
Transaction costs	—	—	0.3	0.5
Amortization of inventory adjustment recognized from business combination	—	—	0.7	—
Remeasurement gain on business combination with Moruga	—	(2.0)	—	(2.0)
Other expense (income)	1.1	0.9	1.3	(3.6)
Noncontrolling interest(3)	(0.1)	0.1	0.2	0.1
Total adjusted EBITDA	$ 21.2	$ 31.6	$ 31.1	$ 30.4

(1) Includes depreciation and amortization of purchase accounting assets of $0.1 million and $1.8 million for the three and nine months ended July 31, 2023, respectively, and $0.4 million and $0.5 million for the three and nine months ended July 31, 2022, respectively.

(2) Includes recognition of deferred implementation costs for both periods, and for the three and nine months ended July 31, 2022, non-recurring post-implementation process reengineering costs are also included.

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

12. Subsequent Event

On September 6, 2023, the Board of Directors approved a stock repurchase program, which permits the Company to repurchase up to $20 million of shares of the Company’s common stock over the next 36 months. The shares may be repurchased from time to time in open market or privately negotiated transactions in such quantities and at such prices as may be authorized by certain designated officers of the Company. No shares were repurchased following approval through September 11, 2023.

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

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

Overview

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

We have three operating segments which are also reportable segments:

- *Marketing and Distribution.* Our Marketing and Distribution reportable segment sources fruit from growers and then distributes the fruit through our global distribution network.

- *International Farming.* International Farming owns and operates orchards from which substantially all fruit produced is sold to our Marketing and Distribution segment. Its farming activities range from cultivating early-stage plantings to harvesting from mature trees, and it also earns service revenues for packing and processing for our Blueberries segment, as well as for third-party producers of other crops during the avocado off-harvest season. Operations are principally located in Peru, with smaller operations emerging in other areas of Latin America.

- *Blueberries.* The Blueberries segment represents the results of Moruga, subsequent to its consolidation on May 1, 2022. Moruga's farming activities include cultivating early-stage blueberry plantings and harvesting mature bushes. Substantially all of blueberries produced are sold to a single distributor under an exclusive marketing agreement.

Results of Operations

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

Our financial reporting currency is the U.S. dollar. The functional currency of 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,			
	2023		2022		2023		2022	
(In millions, except for percentages)	Dollars	%	Dollars	%	Dollars	%	Dollars	%
Net sales	$ 261.4	100 %	$ 313.2	100 %	$ 696.0	100 %	$ 807.9	100 %
Cost of sales	233.0	89 %	270.6	86 %	640.5	92 %	745.0	92 %
Gross profit	28.4	11 %	42.6	14 %	55.5	8 %	62.9	8 %
Selling, general and administrative expenses	17.4	7 %	20.6	7 %	55.8	8 %	58.0	7 %
Operating income (loss)	11.0	4 %	22.0	7 %	(0.3)	— %	4.9	1 %
Interest expense	(3.2)	(1)%	(1.5)	— %	(8.3)	(1)%	(3.5)	— %
Equity method income	1.8	1 %	1.7	1 %	3.2	— %	3.6	— %
Remeasurement gain on business combination with Moruga	—	— %	2.0	1 %	—	— %	2.0	— %
Other (expense) income, net	(1.1)	— %	(0.9)	— %	(1.3)	— %	3.6	— %
Income (loss) before income taxes	8.5	3 %	23.3	7 %	(6.7)	(1)%	10.6	1 %
Provision for income taxes	2.3	1 %	5.4	2 %	2.4	— %	3.7	— %
Net income (loss)	6.2	2 %	17.9	6 %	(9.1)	(1)%	6.9	1 %
Less: Net loss attributable to noncontrolling interest	(0.4)	— %	(0.5)	— %	(2.3)	— %	(0.5)	— %
Net income (loss) attributable to Mission Produce	$ 6.6	3 %	$ 18.4	6 %	$ (6.8)	(1)%	$ 7.4	1 %

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.

	Three Months Ended July 31,		Nine Months Ended July 31,	
(In millions)	2023	2022	2023	2022
Net sales:				
Marketing and Distribution	$ 256.6	$ 308.9	$ 653.7	$ 794.9
International Farming	3.4	4.0	9.4	12.7
Blueberries	1.4	0.3	32.9	0.3
Total net sales	$ 261.4	$ 313.2	$ 696.0	$ 807.9

Net sales decreased $51.8 million or 17% in the three months ended July 31, 2023 compared to the same period last year, driven by our Marketing and Distribution segment. A 33% decrease in average per-unit avocado sales prices was partially offset by an increase in avocado volume sold of 23%, both of which were driven by higher industry supply out of Mexico during the current quarter as compared to limited supply out of Mexico in the same period last year.

Net sales decreased $111.9 million or 14% in the nine months ended July 31, 2023 compared to the same period last year, primarily attributed to our Marketing and Distribution segment, partially offset by the consolidation of revenue from our Blueberries segment. A 32% decrease in average per-unit avocado sales prices was partially offset by an increase in avocado volume sold of 19%, both of which were driven by higher industry supply out of Mexico in the current year as compared to limited supply out of Mexico in the previous year.

Gross profit

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

Logistics costs include land and sea transportation and expenses related to port facilities and distribution centers. Land transportation costs consist primarily of third-party trucking services to support North American distribution, while sea transportation cost consists primarily of third-party shipping of refrigerated containers from supply markets in South and Central America to demand markets in North America, Europe and Asia. Fuel prices as well as variations in containerboard prices, which affect the cost of boxes and other packaging materials, impact our product cost and our profit margins. Variations in 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 July 31,		Nine Months Ended July 31,	
	2023	**2022**	**2023**	**2022**
Gross profit (in millions)	$ 28.4	$ 42.6	$ 55.5	$ 62.9
Gross profit as a percentage of sales	10.9 %	13.6 %	8.0 %	7.8 %

Gross profit decreased $14.2 million or 33% in the three months ended July 31, 2023 compared to the same period last year to $28.4 million and gross profit percentage decreased 270 basis points to 10.9% of revenue, compared to the same period last year. The decreases were concentrated in our International Farming segment and driven by lower pricing on avocados sold from Company-owned farms. Lower pricing resulted from higher industry supply in the current period relative to the prior period.

Gross profit decreased $7.4 million or 12%, in the nine months ended July 31, 2023 compared to the same period last year to $55.5 million and gross profit percentage increased 20 basis points to 8.0% of revenue in the nine months ended July 31, 2023, primarily due to the same factors impacting the current quarter, partially offset by the impact of higher volume of avocados sold in our Marketing & Distribution segment.

Selling, general and administrative expenses

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
(In millions)	**2023**	**2022**	**2023**	**2022**
Selling, general and administrative expenses	$ 17.4	$ 20.6	$ 55.8	$ 58.0

SG&A expenses decreased $3.2 million or 16% in the three months ended July 31, 2023 compared to the same period last year, primarily due to lower employee-related incentive compensation accruals, lower ERP process reengineering costs and lower professional fees.

SG&A expenses decreased $2.2 million or 4% in the nine months ended July 31, 2023 compared to the same period last year, primarily due to lower ERP costs and lower employee-related incentive compensation as described above. Offsetting these factors was the consolidation of approximately $2.0 million of expenses from the Blueberries segment in the current year, a large portion of which was attributed to amortization of an intangible asset recognized in the business combination.

Interest expense

Interest expense consists primarily of interest on borrowings under working capital facilities that we maintain and interest on other long-term debt used to make capital and equity investments. We also incur interest expense on finance leases, computed using each leases' explicit or implicit borrowing rate.

	Three Months Ended July 31,		Nine Months Ended July 31,	
(In millions)	2023	2022	2023	2022
Interest expense	$ 3.2	$ 1.5	$ 8.3	$ 3.5

Interest expense increased $1.7 million or 113% and $4.8 million or 137% in the three and nine months ended July 31, 2023, respectively, compared to the same periods last year. The increases were primarily related to the effect of rising interest rates on our credit facility, which is subject to variable rates, as well as higher average outstanding debt balances. Additionally, the Blueberries segment incurred interest expense of $0.7 million and $1.6 million in the three and nine months ended July 31, 2023, respectively, related to a long-term finance lease of land as well as short-term bank borrowings.

To reduce interest rate risk on our long-term debt, we have interest rate swaps with a total notional amount of $100 million to hedge changes in the variable rates applicable to our term loan principal. Gains or losses generated from the swaps are recognized in other (expense) income, net in the consolidated financial statements.

Equity method income

Our material equity method investees include Henry Avocado ("HAC"), Mr. Avocado, Copaltas, and up until May 1, 2022, Moruga. On May 1, 2022, Moruga became a variable interest entity and prospectively consolidated into our financial statements.

	Three Months Ended July 31,		Nine Months Ended July 31,	
(In millions)	2023	2022	2023	2022
Equity method income	$ 1.8	$ 1.7	$ 3.2	$ 3.6

Equity method income was nearly flat in the three months ended July 31, 2023 compared to the same period last year, as income from Mr. Avocado was largely offset by lower income at HAC.

Equity method income decreased $0.4 million or 11% in the nine months ended July 31, 2023 compared to the same period last year, as lower income at HAC was partially offset by income at Mr. Avocado. Equity method income was also generated from Moruga in the prior year before its consolidation.

Other expense (income), net

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
(In millions)	2023	2022	2023	2022
Other expense (income), net	$ 1.1	$ 0.9	$ 1.3	$ (3.6)

Other expense increased $0.2 million or 22% in three months ended July 31, 2023 compared to the same period last year, with the majority of the expense being driven by foreign currency transaction losses primarily due to the weakening of the U.S. dollar relative to the Mexican peso during both periods.

Other expense was $1.3 million for the nine months ended July 31, 2023, compared to other income of $3.6 million in the same period last year. Current year expense is primarily attributed to foreign currency transaction losses as described above. In the prior year, gains were generated on interest rate swaps as a result of rising interest rates during the period.

Income taxes

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

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

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2023	2022	2023	2022
Provision for income taxes (in millions)	$ 2.3	$ 5.4	$ 2.4	$ 3.7
Effective tax rate	27.1 %	23.2 %	(35.8)%	34.9 %

The provision for income tax decreased $3.1 million or 57% and $1.3 million or 35% in the three and nine months ended July 31, 2023, compared to the same periods last year, respectively. The decreases were primarily due to lower pretax income. Additionally, we experienced losses in jurisdictions where either a full valuation allowance has been recorded or where loss carryforward is disallowed.

Additionally, the provision for income tax in the nine months ended July 31, 2023 contained a $1.7 million discrete charge related to an uncertain tax position in Mexico.

Segment Results of Operations

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

Adjusted EBITDA refers to net income (loss), before interest expense, income taxes, depreciation and amortization expense, stock-based compensation expense, other income (expense), and income (loss) from equity method investees, further adjusted by asset impairment and disposals, net of insurance recoveries, farming costs for nonproductive orchards (which represents land lease costs), certain noncash and nonrecurring ERP costs, transaction costs, amortization of inventory adjustments recognized from business combinations, and any special, non-recurring, or one-time items such as remeasurements or impairments, and any portion of these items attributable to the noncontrolling interest, all of which are excluded from the results the CEO reviews uses to assess segment performance and results.

Net sales

(In millions)	Marketing and Distribution	International Farming	Blueberries	Total	Marketing and Distribution	International Farming	Blueberries	Total
	Three Months Ended July 31,							
	2023				2022			
Third party sales	$ 256.6	$ 3.4	$ 1.4	$ 261.4	$ 308.9	$ 4.0	$ 0.3	$ 313.2
Affiliated sales	—	34.8	—	34.8	—	60.6	—	60.6
Total segment sales	256.6	38.2	1.4	296.2	308.9	64.6	0.3	373.8
Intercompany eliminations	—	(34.8)	—	(34.8)	—	(60.6)	—	(60.6)
Total net sales	$ 256.6	$ 3.4	$ 1.4	$ 261.4	$ 308.9	$ 4.0	$ 0.3	$ 313.2
	Nine Months Ended July 31,							
	2023				2022			
Third party sales	$ 653.7	$ 9.4	$ 32.9	$ 696.0	$ 794.9	$ 12.7	$ 0.3	$ 807.9
Affiliated sales	—	40.5	—	40.5	—	62.2	—	62.2
Total segment sales	653.7	49.9	32.9	736.5	794.9	74.9	0.3	870.1
Intercompany eliminations	—	(40.5)	—	(40.5)	—	(62.2)	—	(62.2)
Total net sales	$ 653.7	$ 9.4	$ 32.9	$ 696.0	$ 794.9	$ 12.7	$ 0.3	$ 807.9

Adjusted EBITDA

(In millions)	Three Months Ended July 31, 2023	Three Months Ended July 31, 2022	Nine Months Ended July 31, 2023	Nine Months Ended July 31, 2022
Marketing and Distribution adjusted EBITDA	$ 16.1	$ 15.5	$ 29.3	$ 19.5
International Farming adjusted EBITDA	4.9	16.3	2.0	11.1
Blueberries adjusted EBITDA	0.2	(0.2)	(0.2)	(0.2)
Total reportable segment adjusted EBITDA	21.2	31.6	$ 31.1	$ 30.4
Net income (loss)	6.2	17.9	(9.1)	6.9
Interest expense	3.2	1.5	8.3	3.5
Provision for income taxes	2.3	5.4	2.4	3.7
Depreciation and amortization(1)	7.6	7.1	22.8	17.2
Equity method income	(1.8)	(1.7)	(3.2)	(3.6)
Stock-based compensation	1.2	0.9	3.2	2.6
Asset impairment and disposals, net of insurance recoveries	0.4	0.2	1.2	0.2
Farming costs for nonproductive orchards	0.5	0.3	1.3	1.1
ERP costs(2)	0.6	1.0	1.7	3.8
Transaction costs	—	—	0.3	0.5
Amortization of inventory adjustment recognized from business combination	—	—	0.7	—
Remeasurement gain on business combination with Moruga	—	(2.0)	—	(2.0)
Other expense (income)	1.1	0.9	1.3	(3.6)
Noncontrolling interest(3)	(0.1)	0.1	0.2	0.1
Total adjusted EBITDA	$ 21.2	$ 31.6	$ 31.1	$ 30.4

(1) Includes depreciation and amortization of purchase accounting assets of $0.1 million and $1.8 million for the three and nine months ended July 31, 2023, respectively and $0.4 million and $0.5 million for the three and nine months ended July 31, 2022, respectively.

(2) Includes recognition of deferred implementation costs for both periods, and for the three and nine months ended July 31, 2022, non-recurring post-implementation process reengineering costs are also included.

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

Marketing and Distribution

Net sales in our Marketing and Distribution segment decreased $52.3 million or 17% and $141.2 million or 18% in the three and nine months ended July 31, 2023 compared to the same periods last year. The decreases were driven by pricing and volume dynamics described above, which were driven by higher industry supply out of Mexico relative to the same periods last year.

Segment adjusted EBITDA increased $0.6 million or 4% in the three months ended July 31, 2023 compared to the same period last year primarily due to lower SG&A. The impact of lower per-unit gross margin was largely offset by higher avocado volume sold.

Segment adjusted EBITDA increased $9.8 million or 50% in the nine months ended July 31, 2023 compared to the same period last year, primarily due to higher avocado volume sold.

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 and our Blueberries segment. Affiliated sales are concentrated in the second half of the fiscal year in alignment with the Peruvian avocado harvest season, which typically runs from April through August of each year. As a result, adjusted EBITDA for the International Farming segment is generally concentrated in the third and fourth quarters of the fiscal year in alignment with the timing of sales. The Company operates approximately 700 acres of mangos in Peru that are largely in an early stage of production. The timing of the mango harvest is concentrated in the fiscal second quarter and, as a result, mangos have a more pronounced impact on segment financial performance during this timeframe.

Total segment sales in our International Farming segment decreased $26.4 million or 41% and $25.0 million, or 33% in the three and nine months ended July 31, 2023, compared to the same periods last year, respectively. The decreases were primarily due to lower pricing on avocados sold from company-owned farms, brought about by higher industry supply.

Segment adjusted EBITDA decreased by $11.4 million or 70% and decreased $9.1 million or 82% in the three and nine months ended July 31, 2023, compared to the same periods last year, respectively. The decreases were primarily due to lower gross profit resulting from lower pricing.

Blueberries

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

Net sales in our Blueberries segment increased $1.1 million or 367% in the three months ended July 31, 2023 compared to the same period last year, primarily due to an earlier start of the blueberry harvest relative to the prior year.

Segment adjusted EBITDA increased $0.4 million or 200% for the three months ended July 31, 2023 compared to the same period last year primarily due to higher volume harvested.

Net sales in our Blueberries segment were $32.9 million and segment adjusted EBITDA was $(0.2) million for the nine months ended July 31, 2023. Negative segment adjusted EBITDA was primarily due to weak blueberry sales prices within the European and U.S. markets in the first quarter of the year, driven by strong industry supply.

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)	2023	2022
Net (loss) income	$ (9.1)	$ 6.9
Depreciation and amortization	22.8	17.2
Equity method income	(3.2)	(3.6)
Noncash lease expense	4.4	3.9
Stock-based compensation	3.2	2.6
Dividends received from equity method investees	2.7	2.2
Deferred income taxes	(1.2)	(0.7)
Unrealized losses on foreign currency transactions	2.9	—
Remeasurement gain on business combination with Moruga	—	(2.0)
Other	1.4	(2.4)
Changes in working capital	(31.2)	(27.1)
Net cash used in operating activities	$ (7.3)	$ (3.0)

Net cash used in operating activities was $7.3 million for the nine months ended July 31, 2023, a decrease of $4.3 million compared to the same period last year. The change was primarily driven by weaker operating performance within our International Farming segment. Within working capital, unfavorable changes in grower payables and accounts receivable were largely offset by favorable changes in inventory. Changes in grower payables were driven by higher outstanding payable balances to California growers in the prior year due to harvest timing and higher pricing. Unfavorable changes in trade accounts receivable were impacted by sales prices peaking towards the end of the quarter in the current period, including balances outstanding at our new U.K. entity which commenced operations this fiscal year. Changes in inventory were favorably impacted by lower field pricing for third-party fruit purchases and less Company-owned fruit on-hand relative to the prior period end.

Investing activities

	Nine Months Ended July 31,	
(In millions)	2023	2022
Purchases of property, plant and equipment	$ (47.0)	$ (42.0)
Proceeds from sale of property, plant and equipment	0.1	2.9
Investment in equity method investees	(1.4)	(0.4)
Purchase of other investment	(2.3)	—
Cash acquired in consolidation of Moruga	—	4.3
Loan repayments from equity method investees	—	1.0
Other	(0.1)	—
Net cash used in investing activities	$ (50.7)	$ (34.2)

Capital expenditures

In the nine months ended July 31, 2023, capital expenditures were concentrated in pre-production avocado orchard maintenance in Guatemala and Peru and construction costs on our new UK distribution facility. Capital expenditures also included spend related to irrigation installation and early-stage plant cultivation for the Blueberries operation of $11.1 million in the current year, compared to $3.7 million in the prior year.

In the nine months ended July 31, 2022, capital expenditures were concentrated in avocado orchard development, pre-production orchard maintenance, and land improvements in Peru and Guatemala. Capital expenditures in the Blueberries operation were $3.7 million related to early-stage plant cultivation.

Proceeds from the sale of property, plant and equipment in the nine months ended July 31, 2022 were for land that had been originally intended for use as our corporate headquarters.

Equity method investees

From time to time, we may make capital contributions or loans to equity method investees to support capital expansion or working capital needs.

Other investment

In the nine months ended July 31, 2023, we acquired a 5.1% equity interest in shares of common stock of a private entity in South Africa.

Financing activities

	Nine Months Ended July 31,	
(In millions)	**2023**	**2022**
Borrowings on revolving credit facility	$ 145.0	$ 40.0
Payments on revolving credit facility	(115.0)	(40.0)
Proceeds from short-term borrowings	2.8	—
Repayment of short-term borrowings	(2.5)	—
Principal payments on long-term debt obligations	(2.7)	(6.6)
Principal payments on finance lease obligations	(2.4)	(1.0)
Proceeds from loan from noncontrolling interest holder	2.0	—
Taxes paid related to shares withheld from the settlement of equity awards	(0.4)	—
Exercise of stock options	0.1	—
Equity contributions from noncontrolling interest holders	2.2	—
Net cash provided by (used in) financing activities	$ 29.1	$ (7.6)

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. The financing cash flow for fiscal 2022 reflects the modification of principal amounts on our term-loans and increased borrowing capacity on our revolver.

Blueberries

Our Blueberries segment is funded by shareholder loans and contributions and short-term bank borrowings. Principal payments on finance lease obligations increased during 2023 primarily due to a long-term land lease by our Blueberries segment, which for accounting purposes has been classified as a finance lease.

Capital resources

(In millions)		July 31, 2023		October 31, 2022
Cash and cash equivalents	$	23.0	$	52.8
Working capital[1]		129.1		126.4

[1] Includes cash and cash equivalents

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

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

As of July 31, 2023, we were required to comply with the following financial covenants: (a) a quarterly consolidated leverage ratio of not more than 3.5 to 1.00 and (b) a quarterly consolidated fixed charge coverage ratio of not less than 1.25 to 1.00. As of July 31, 2023, our consolidated leverage ratio was 2.97 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.

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 2023, we expect capital expenditures excluding the Moruga Blueberry Project (described below) to be lower than fiscal 2022. Cash paid for capital expenditures for the year ended October 31, 2022 was $61.2 million.

Moruga Blueberry Project

On May 1, 2022, the shareholders of Moruga approved a new capital project to farm approximately 1,500 additional acres of blueberries in the Olmos region of Peru. The project is anticipated to require a total investment of approximately $50 million, which will be funded by cash flow generated by Moruga and supplemented by pro-rata shareholder contributions based on each shareholders' respective ownership interest. The project began in fiscal year 2023 and is expected to be carried out in phases. For fiscal 2023, capital expenditures related to the project are expected to be approximately $13.0 million, depending on timing and other factors.

Leases

We are party to various leases for facilities, land, and equipment, for which our undiscounted cash liabilities were approximately $182.5 million as of July 31, 2023. Of that amount, approximately $60.0 million was related to a long-term land lease agreement in our Blueberries segment.

Long-term Debt

As of July 31, 2023, remaining maturities on our term loans and notes were $168.3 million. See Note 5 to the consolidated financial statements for more information.

Critical accounting estimates

For a discussion of our critical accounting estimates, see "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Operations" in our Annual Report on Form 10-K for the year ended October 31, 2022, filed with the SEC on December 22, 2022. There have been no material changes to the critical accounting estimates disclosed in such Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to “Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the year ended October 31, 2022.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

There were no other changes in our internal control over financial reporting during the quarter ended July 31, 2023 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, 2022:

On April 23, 2020, former Mission Produce, Inc. employees filed a class action lawsuit in the Superior Court of the State of California for the County of Los Angeles against us alleging violation of certain wage and labor laws in California, including failure to pay all overtime wages, minimum wage violations, and meal and rest period violations, among others. Additionally, on June 10, 2020, former Mission Produce, Inc. employees filed a class action lawsuit in the Superior Court of the State of California for the County of Ventura against us alleging similar violations of certain wage and labor laws. The plaintiffs in both cases seek damages primarily consisting of class certification and payment of wages earned and owed, plus other consequential and special damages. While the Company believes that it did not violate any wage or labor laws, it nevertheless decided to settle these class action lawsuits. In May 2021, the plaintiffs in both class action lawsuits and the Company agreed preliminarily to a comprehensive settlement to resolve both class action cases for a total of $0.8 million, which the Company recorded as a loss contingency in selling, general and administrative expenses in the consolidated statements of income during the three months ended April 30, 2021. The parties executed a stipulation of settlement agreement on such terms in November 2021. This preliminary settlement was approved by the applicable courts in October 2022. In the course of preparing to send out notices to the settlement class, issues arose regarding the nature and scope of the settlement, specifically with respect to the universe of participants in the settlement class, which the parties were unable to resolve. Plaintiffs filed a motion to enforce compliance with the settlement agreement and the Company filed a cross motion to reform the stipulation of settlement, or in the alternative, to vacate the order of preliminary approval. A hearing before the court was held on this matter in July 2023. The court granted Plaintiff's motion and directed the parties to proceed with the notice procedures to a class that includes a number of participants that the Company does not feel are appropriate to include. The court did not rule on the fairness of the settlement agreement between the parties and stated that this determination would be made at final approval and that the issues raised in the Company's motion would be considered at that time. The Company requested an appeal of the ruling and a delay of the mailing of notice to settlement class members, but such request was denied. A final approval hearing date has been set for January 30, 2024.

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

Item 1A. Risk Factors

For a discussion of our risk factors, see "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended October 31, 2022, filed with the SEC on December 22, 2022. 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 2022 Form 10-K and in this quarterly report. You should carefully consider the risk factors in the 2022 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

10b-5(1) Trading Plan

Luis A. Gonzales, one of the Company's directors, and his spouse, Rosario Del Pilar Vallejos Hinojosa, have adopted a trading plan that is intended to satisfy the affirmative defense of Rule 10b5-1(c) (the "Sales Plan") to sell an aggregate of 1,651,500 shares they hold indirectly through Beldar Enterprises S.A., and through Corp SA1, Corp SA2, Corp SA3, and Corp SA4, which are abbreviations for four affiliate corporations that are organized under the laws of Panama. The Sales Plan was adopted on July 14, 2023, with sales commencing under the Sales Plan on October 16, 2023. The Sales Plan terminates on the earliest to occur of (a) the close of business on October 16, 2024 ; (b) the date on which the total shares subject to the Sales Plan have been sold; and (c) the date the Sales Plan is terminated in connection with certain extraordinary transactions as specified by the terms of the Sales Plan.

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	
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, 2023 formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Income (Loss), (iii) Condensed Consolidated Statements of Income (Loss) (iv) Condensed Consolidated Statements of Changes in Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.				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 11, 2023.

MISSION PRODUCE, INC.

/s/ Stephen J. Barnard

Stephen J. Barnard
Chief Executive Officer

/s/ Bryan E. Giles

Bryan E. Giles
Chief Financial Officer

Exhibit 31.1

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

Chief Executive Officer and Director

Date: September 11, 2023

Exhibit 31.2

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: September 11, 2023

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, 2023 (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
Chief Executive Officer and Director

Date: September 11, 2023

Exhibit 32.2

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, 2023 (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 11, 2023