

For: Calavo Growers, Inc.

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**CALAVO GROWERS, INC. ANNOUNCES RECORD  
FISCAL 2014 SECOND QUARTER RESULTS**

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**Second Quarter Highlights Include:**

- Net Income Increases 205 Percent to \$6.7 Million—a New All-Time High—from \$2.2 Million Last Year
- Diluted EPS Rises to \$0.43 Versus \$0.15 One Year Ago
- Revenues Advance 17.2 Percent to Second-Period Record of \$194.9 Million, Eclipsing \$166.3 Million in Year-Earlier Second Quarter
- Gross Margin Expands 65 Percent to \$19.0 Million from \$11.5 Million Last Year
- RFG Business Segment Revenues Jump to \$55.8 Million, a 34 Percent Increase from \$41.6 Million; Gross Margin Grows 220 Basis Points Year Over Year
- CEO Cole Expects Fresh Avocado Volume Growth to Accelerate Beginning in Late Fiscal 2014 and Continuing into 2015

**Six-Month Highlights Include:**

- Net Income Increases 118 Percent to \$10.7 Million from \$4.9 Million in Last Year's First Half
- Diluted EPS Reaches \$0.68, up from \$0.33 in Comparable Period Last Year
- 19 Percent Growth in Revenues to \$363.1 Million from \$305.8 Million
- Gross Margin Rises 32 percent to \$32.7 Million from \$24.7 Million in the Corresponding Initial Two Quarters of Fiscal 2013

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SANTA PAULA, Calif. (June 2, 2014)—Calavo Growers, Inc. (Nasdaq-GS: CVGW), a global avocado-industry leader and expanding provider of value-added fresh foods, today reported that fiscal 2014 second quarter net income reached a new all-time high for any single period in company history. Operating results were paced by double-digit top-line growth and higher gross margins which climbed nearly 65 percent from last year's second quarter.

Net income for the three months ended April 30, 2014, increased 205 percent to \$6.7 million, equal to \$0.43 per diluted share, from \$2.2 million, or \$0.15 per diluted share, in the second quarter last year. Revenues rose 17.2 percent to \$194.9 million, a new second-quarter record, from \$166.3 million in the corresponding quarter of 2013.

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## Calavo Growers Posts Record Fiscal 2014 Second Quarter Results/2-2-2

Second-quarter gross margin advanced to \$19.0 million, a new single-period historic high and equal to 9.7 percent of revenues, from \$11.5 million, or 6.9 percent of revenues, in the year-earlier like quarter. Operating income jumped 195 percent to \$9.9 million in the most recent quarter from \$3.3 million in the second period of fiscal 2013.

Chairman, President and Chief Executive Officer Lee E. Cole said that “Calavo registered an outstanding performance in the fiscal 2014 second quarter as evidenced by record-breaking metrics. These results are, in large part, attributable to sharp upward gross margin trends in our Fresh products and Renaissance Food Group, LLC (RFG) business segments.”

Cole stated: “Indicative of the company’s core strength, we did an outstanding job managing Mexican fresh-avocado sourcing and sales operations which contributed to the substantial improvement in Fresh segment gross margin versus last year’s second quarter and paced total gross margin gain of about 280 basis points in the most recent period. Furthermore, RFG’s improved gross-margin is reflective of certain economies of scale resulting from strong, consistent sales growth, better labor utilization, and improved raw-material quality and yield. “

“With respect to that aforementioned revenue growth, as a point of note and great pride, Calavo once again enjoyed double-digit top-line growth in all three of its principal business units in the most recent quarter—Fresh, Calavo Foods and RFG—reflective of the complementary engines driving profitability and which serve as cornerstones of the company’s focused strategic agenda,” Cole said.

For the six months ended April 30, 2014, net income more than doubled to \$10.7 million, or \$0.68 per diluted share, a 118 percent increase from \$4.9 million, or \$0.33 per diluted share, in the first half of fiscal 2013. Revenues climbed 18 percent in the most recent six months to \$363.1 million from \$305.8 million in the comparable period last year.

Gross margin climbed 32 percent to \$32.7 million from \$24.7 million in the fiscal 2013 initial two quarters. Gross margin as a percentage of total sales registered 9.0

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## Calavo Growers Posts Record Fiscal 2014 Second Quarter Results/3-3-3

percent for the initial six months of fiscal 2014 versus 8.1 percent in the first half last year. Operating income rose more than two-fold to \$15.3 million from \$7.6 million in the fiscal 2013 first half.

Fresh business segment revenues rose 10 percent in the second quarter to \$124.0 million from \$112.5 million in the corresponding quarter of fiscal 2013. Fresh gross margin advanced 137 percent to \$9.7 million, equal to 7.8 percent of segment sales, from \$4.1 million, or 3.6 percent of segment sales, in the second quarter last year. The year-over-year growth in Fresh business segment gross margin primarily reflects significant improvement in sourcing and selling of Mexico-grown avocados. Total Fresh units in the most recent quarter totaled 5.0 million versus 5.9 million last year. The year-over-year unit decline is principally attributable to the cyclically smaller California avocado supply.

Revenues in the RFG business segment grew 34 percent to reach \$55.8 million in the most recent quarter from \$41.6 million in the corresponding period one year ago. Gross margin in the RFG segment increased 73 percent to \$5.5 million, or 9.8 percent of segment sales, from \$3.2 million, equal to 7.6 percent of segment sales, in the fiscal 2013 second quarter. The 220 basis point improvement in RFG segment gross margin is indicative of the aforementioned benefits afforded by higher sales, better labor utilization, and improved raw-material quality and yield, “allowing Calavo to increasingly realize the profit potential from the outstanding portfolio of value-added, refrigerated fresh products,” according to the company.

Second-quarter revenues in the Calavo Foods business segment increased 24 percent to \$15.1 million from \$12.2 million in the like period one year ago, and were up 17 percent from \$12.9 million in the fiscal 2014 first quarter. Gross margin improved to \$3.8 million, or 25.3 percent of Calavo Foods segment revenues, from \$2.6 million, or 20.2 percent of segment sales in the fiscal 2014 first quarter. This compares with gross margin in last year’s second quarter of \$4.3 million, or 35.3 percent of segment sales. Segment revenue growth was propelled by increasingly strong demand for prepared

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avocados and significantly more pounds delivered to both retail grocery and foodservice customers. Higher costs for avocados utilized in prepared products impacted segment gross margin in the most recent quarter as compared to last year.

Selling, general and administrative (SG&A) expense in the fiscal 2014 second quarter totaled \$9.1 million, equal to 4.7 percent of revenues, which compares with \$8.2 million, or 4.9 percent of revenues, in the corresponding period last year. SG&A as a percentage of gross margin totaled 48.0 percent in the most recent quarter, an improvement of approximately 2,300 basis points from 71.0 percent in the fiscal 2013 second quarter.

### **Outlook**

Cole stated that “the company turns the corner into the second half of 2014 in a favorable position. We have momentum behind our operating performance and all three business segments are executing well against plan.”

The Calavo CEO continued: “As forecast and previously reported, our best-in-class, diversified fresh avocado sourcing capability has stepped up supply from Mexico to offset the small California harvest this year. The limited domestic harvest is constraining industry volume growth at present. We anticipate no change in that regard in the third quarter, but do expect volume growth to accelerate starting in September and October of this year and continuing into fiscal 2015.

“We are pleased by the steady uptick of incremental revenue and profit contribution by RFG since becoming part of the Calavo family of brands. In the initial six months of fiscal 2014, RFG’s revenues exceeded \$111 million. By comparison, RFG’s annual revenues for the 12 months prior to its acquisition by Calavo in June 2011, totaled only about \$105 million, underscoring its rate of top-line growth as part of our company.” Cole said.

He added, “Calavo Foods experienced its largest-ever, year-over-year quarterly sales increase in the most recent quarter as compared to the corresponding period last year—nearly 24 percent. This top-line acceleration highlights the demand for our

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outstanding prepared avocado products in the retail and grocery and foodservice channels. We anticipate continued revenue growth during the second half of this year. However, higher fruit costs are expected to continue impacting segment gross margin in the third quarter before beginning to return to historic levels in the fiscal fourth quarter.

“Finally, we look forward to FreshRealm’s California launch with multiple food merchants this summer. Like all Calavo offerings, FreshRealm is positioned to attract the fast-growing segment of the population that desires more fresh food in their lives. In addition to being able to bring fresher food directly to the public, the offering will supply fresh food to the market using technology and leading-edge product innovation in unprecedented ways.

“Building upon our outstanding year-to-date performance and the vast resources Calavo brings to bear across its various businesses, I’m looking forward with anticipation to completing a very successful fiscal 2014 and posting record earnings per share,” Cole concluded.

### **About Calavo**

Calavo Growers, Inc. is a global avocado-industry leader. The company also procures and markets diversified fresh produce items, ranging from tomatoes to tropical produce. An expanding provider of value-added fresh food, the company’s Calavo Foods business segment manufactures and distributes guacamole, guacamole hummus, salsa and tortilla chips under the respected Calavo brand name. Calavo’s wholly owned subsidiary, Renaissance Food Group, LLC, creates, markets and distributes a portfolio of healthy, high-quality lifestyle products for consumers through fast-growing brands that include Garden Highway and Chef Essentials. Founded in 1924, Calavo serves food distributors, produce wholesalers, supermarket retailers and restaurant chains worldwide.

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**Safe Harbor Statement**

This news release contains statements relating to future events and results of Calavo (including certain projections and business trends) that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Actual results and events may differ from those projected as a result of certain risks and uncertainties. These risks and uncertainties include but are not limited to: increased competition, conducting substantial amounts of business internationally, pricing pressures on agricultural products, adverse weather and growing conditions confronting avocado growers, new governmental regulations, as well as other risks and uncertainties detailed from time to time in the company’s Securities and Exchange Commission filings, including, without limitation, the company’s latest, filed Annual Report on Form 10-K. These forward-looking statements are made only as of the date hereof, and the company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

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

	April 30, 2014	October 31, 2013
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 19,914	\$ 8,019
Accounts receivable, net of allowances of \$2,789 (2014) and \$1,697 (2013)	64,093	55,060
Inventories, net	32,261	28,673
Prepaid expenses and other current assets	13,528	10,757
Advances to suppliers	39	3,213
Income taxes receivable	773	2,013
Deferred income taxes	<u>1,995</u>	<u>1,995</u>
Total current assets	132,603	109,730
Property, plant, and equipment, net	55,568	52,649
Investment in Limoneira Company	39,705	45,531
Investment in unconsolidated entities	1,533	1,420
Goodwill	18,262	18,262
Other assets	<u>11,436</u>	<u>12,347</u>
	<u>\$ 259,107</u>	<u>\$ 239,939</u>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Payable to growers	\$ 19,117	\$ 14,490
Trade accounts payable	15,850	11,699
Accrued expenses	22,568	20,939
Short-term borrowings	41,030	33,990
Dividend payable	-	11,004
Current portion of long-term obligations	<u>5,321</u>	<u>5,258</u>
Total current liabilities	103,886	97,380
Long-term liabilities:		
Long-term obligations, less current portion	5,801	7,792
Deferred income taxes	<u>3,922</u>	<u>6,194</u>
Total long-term liabilities	9,723	13,986
Commitments and contingencies		
Noncontrolling interest, Calavo Salsa Lisa	(104)	121
Total shareholders' equity	<u>145,602</u>	<u>128,452</u>
	<u>\$ 259,107</u>	<u>\$ 239,939</u>

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

	Three months ended		Six months ended	
	April 30,		April 30,	
	2014	2013	2014	2013
Net sales.....	\$ 194,894	\$ 166,336	\$ 363,059	\$ 305,835
Cost of sales.....	<u>175,917</u>	<u>154,800</u>	<u>330,392</u>	<u>281,175</u>
Gross margin.....	18,977	11,536	32,667	24,660
Selling, general and administrative.....	<u>9,111</u>	<u>8,190</u>	<u>17,383</u>	<u>17,011</u>
Operating income.....	9,866	3,346	15,284	7,649
Interest expense.....	(292)	(317)	(548)	(569)
Other income, net.....	<u>270</u>	<u>235</u>	<u>405</u>	<u>373</u>
Income before provision for income taxes.....	9,844	3,264	15,141	7,453
Provision for income taxes.....	<u>3,432</u>	<u>1,071</u>	<u>5,254</u>	<u>2,579</u>
Net income.....	6,412	2,193	9,887	4,874
Add: Net loss attributable to noncontrolling interest	<u>298</u>	<u>20</u>	<u>798</u>	<u>46</u>
Net income attributable to Calavo Growers, Inc. ....	<u>\$ 6,710</u>	<u>\$ 2,213</u>	<u>\$ 10,685</u>	<u>\$ 4,920</u>
Calavo Growers, Inc.'s net income per share:				
Basic.....	<u>\$ 0.43</u>	<u>\$ 0.15</u>	<u>\$ 0.68</u>	<u>\$ 0.33</u>
Diluted.....	<u>\$ 0.43</u>	<u>\$ 0.15</u>	<u>\$ 0.68</u>	<u>\$ 0.33</u>
Number of shares used in per share computation:				
Basic.....	<u>15,755</u>	<u>14,819</u>	<u>15,740</u>	<u>14,827</u>
Diluted.....	<u>15,764</u>	<u>14,839</u>	<u>15,750</u>	<u>14,846</u>

**CALAVO GROWERS, INC.**  
**NET SALES AND GROSS MARGIN BY BUSINESS SEGMENT**

	<b><u>Fresh products</u></b>	<b><u>Calavo Foods</u></b>	<b><u>RFG</u></b>	<b><u>Total</u></b>
<b>Three months ended April 30, 2014</b>				
Net sales	\$123,952	\$15,117	\$55,825	\$ 194,894
Cost of sales	<u>114,269</u>	<u>11,294</u>	<u>50,354</u>	<u>175,917</u>
Gross margin	<u>\$ 9,683</u>	<u>\$ 3,823</u>	<u>\$ 5,471</u>	<u>\$ 18,977</u>
<b>Three months ended April 30, 2013</b>				
Net sales	\$112,488	\$12,204	\$41,644	\$ 166,336
Cost of sales	<u>108,422</u>	<u>7,901</u>	<u>38,477</u>	<u>154,800</u>
Gross margin	<u>\$ 4,066</u>	<u>\$ 4,303</u>	<u>\$ 3,167</u>	<u>\$ 11,536</u>

For the three months ended April 30, 2014 and 2013, inter-segment sales and cost of sales for Fresh products totaling \$8.6 million and \$8.8 million were eliminated. For the three months ended April 30, 2014 and 2013, inter-segment sales and cost of sales for Calavo Foods totaling \$3.9 million and \$3.4 million were eliminated.

	<b><u>Fresh products</u></b>	<b><u>Calavo Foods</u></b>	<b><u>RFG</u></b>	<b><u>Total</u></b>
<b>Six months ended April 30, 2014</b>				
Net sales	\$223,674	\$27,973	\$111,412	\$ 363,059
Cost of sales	<u>207,783</u>	<u>21,558</u>	<u>101,051</u>	<u>330,392</u>
Gross margin	<u>\$ 15,891</u>	<u>\$ 6,415</u>	<u>\$ 10,361</u>	<u>\$ 32,667</u>
<b>Six months ended April 30, 2013</b>				
Net sales	\$197,555	\$24,134	\$84,146	\$ 305,835
Cost of sales	<u>186,720</u>	<u>16,743</u>	<u>77,712</u>	<u>281,175</u>
Gross margin	<u>\$ 10,835</u>	<u>\$ 7,391</u>	<u>\$ 6,434</u>	<u>\$ 24,660</u>

For the six months ended April 30, 2014 and 2013, inter-segment sales and cost of sales for Fresh products totaling \$17.6 million and \$18.5 million were eliminated. For the six months ended April 30, 2014 and 2013, inter-segment sales and cost of sales for Calavo Foods totaling \$7.6 million and \$6.5 million were eliminated.