

U.S.-based Calavo Growers (Nasdaq-GS: CVGW) has posted strong results for its third financial quarter, with a big increase in Fresh segment sales driving record revenues.

In addition, the avocado company's gross profit, operating income and adjusted net income all tracked "substantially higher" than last year, it said.

Revenues rose 21% to a record US\$359.3m for the three months ended July 31. Gross profit increased by 10% to US\$35.8m and operating income grew 12% to US\$21.6m. Meanwhile, net income fell from US\$12.4m last year to US\$10.6m.

"As forecast, Calavo posted strong operating results in the third quarter, maintaining the company's trajectory toward a record performance this fiscal year," said chairman, president and CEO Lee E. Cole.

"The Fresh segment continues to power overall results, with sales increasing 38 percent and total gross profit for the segment expanding by 70 percent in the most recent quarter."

He said the company's expertise in the avocado business has enabled it to "successfully navigate a range of different market conditions this year". These include tough conditions this most recent quarter during which strong consumer demand outpaced a lower overall industry supply.

For the Calavo Foods segment, the short supply and sharp price increase for avocados adversely impacted gross profit during the quarter, Cole said.

"However, we did see fruit input costs easing at the end of our third quarter which supports our expectation for improved performance in the coming fourth quarter."

The Renaissance Food Group (RFG) generated higher sales and "turned in sharply improved gross profit performance".

"We are especially encouraged by the improved efficiency of our manufacturing operations, where certain factors that challenged RFG in the first half of the year - namely raw-materials cost, quality and availability - have abated," he said.

## **Fresh segment sales spike**

In Calavo's Fresh segment, third-quarter sales grew 38% to US\$207m year-on-year.

Higher industry prices for avocados, along with a double-digit increase in tomato unit sales,

principally drove top-line growth.

Fresh segment gross profit climbed by more than US\$10 million, or about 70%, to US\$25.3 million.

Segment gross profit and margin expansion principally reflect the underlying strength of Calavo's avocado sourcing, production and sales platform that continues "executing exceptionally well," according to the company.

Total unit volume of the fresh segment - which includes avocados, tomatoes and papayas - totaled 4.7m in the most recent quarter, which compares with 4.9m units in last year's third period.

### **Calavo in "very strong position" for future**

Cole said that Calavo now enters the final quarter "squarely on target to post record revenues and adjusted diluted earnings per share".

"Underscoring my optimism and confidence is the robust performance of our Fresh avocado segment, which continues to execute extremely well," he said.

"Our breadth of resources enables our leadership position in the long-term expansion of the avocado industry. Calavo has demonstrated strength navigating this dynamic market across a range of conditions and, even though total all-source industry volume was lower than we expected in the third quarter, we continue to anticipate an increase in Fresh segment gross profit for the full year exceeding 50 percent."

He said the company enters the final stages of fiscal 2019 "in a very strong position that underscores my confidence for Calavo's potential for the current year and well into the future".

"Our company has in place a very strong, flexible strategic platform - with multiple revenue and profit drivers - capable of performing well across a range of market conditions as Calavo has repeatedly demonstrated," he said.

"With so much to build on, I look forward to the course ahead and reporting our continued progress."