

# Calavo's 2011 revenue: \$522.5 million

By LEN RICHARDSON

**C**ALAVO Growers Inc., Santa Paula, an avocado-industry leader and an expanding provider of fresh food, reported record revenue for the fiscal 2011 fourth quarter and full year. Despite sustained profitability, net income for the final quarter and fiscal 2011 were lower year over year due to a cyclically smaller supply of fresh avocados, as well as the resulting impact from higher Mexican fruit costs in the company's Calavo Foods business segment.

"With the projected ample fruit supply, we expect that gross margins in the prepared avocado product category will return to, if not surpass, historic levels," says Lee E. Cole, Calavo CEO.

#### Fourth-quarter results

Operating results for the most recent quarter include those of Renaissance Food Group LLC, or RFG, which became part of the company June 1, 2011. RFG's results are included in the company's Calavo Foods business segment. For the three months ended Oct. 31, 2011, fourth-quarter net income totaled \$3.6 million, or 25 cents per diluted share. This compares to net income in the final quarter of 2010 of \$4.8 million, or 32 cents per diluted share. Fourth-quarter revenue advanced 37% to \$147.3 million from \$107.2 million in the final period of fiscal 2010. (RFG sales accounted for \$33.9 million of the revenue increase.) Gross margin narrowed to \$13.4 million, or 9.1% of total revenue, from \$14.3 million, which equals 13.3% of total revenues, in last year's fourth quarter.

#### Fiscal year results

Net income for the fiscal year ended Oct. 31 was \$11.1 million, or 75 cents per diluted share, on a 31% revenue increase to \$522.5 million. This compares to net income of \$17.8 million, or \$1.22 per diluted share, on revenue of \$398.4 million a year ago. Gross margin in the most recent year declined to \$42.9 million, or 8.2% of total revenues, from \$51.5 million, or 12.9% of revenues, in fiscal 2010.

"Calavo confronted stiff operating headwinds throughout fiscal 2011, resulting from a unique set of factors that included

#### Key Points

- Calavo acquisition of Renaissance Food Group drove revenue improvement.
- Revenue hit \$147.3 million with Renaissance Food's \$33.9 million.
- Calavo full-year revenues grew to \$522.5 million, a 31% increase.

a smaller available avocado supply in the marketplace, as well as a freeze that limited availability of fresh tomatoes," says Cole. "The diminished avocado supply had a twofold impact: It sharply increased the cost of fruit used in our prepared avocado products, and hindered the company's fresh avocado volumes, impacting the company's unit-driven business model.

"Despite these challenges, Calavo completed arguably the most transformative year in its history with the accretive and strategic acquisition of RFG, while maintaining our strong leadership position in the growing avocado industry," Cole continued. "Even given the tough yearly financial performance, Calavo continued to build a strong, successful business."

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**LOOKING AHEAD:** In 2012, Calavo expects to benefit across the board from an expanding supply of fresh avocados, sharply improving gross margin in fresh refrigerated guacamole products, a fast-growing RFG subsidiary, and increasing unit volumes in diversified produce.

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