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Limoneira Co. (LMNR)

Business Update Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello and welcome to Limoneira's Ongoing Transition and Northern Properties Sale Call. [Operator Instructions] A question-and- answer session will follow the formal presentation. As a reminder, this conference is being recorded.

It's now my pleasure to introduce your host, John Mills with ICR. Please go ahead, John.

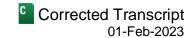
John F. Mills

Managing Partner, ICR

Thank you. Good morning, everyone, and thank you for joining us for Limoneira's conference call to discuss the company's ongoing transition, including the recently announced sale of its Northern Properties. On the call today are Harold Edwards, President and Chief Executive Officer; and Mark Palamountain, Chief Financial Officer.

By now, everyone should have access to the press release, which went out yesterday after market closed. If you've not had a chance to view the release, it's available on the Investor Relations portion of the company's website at limoneira.com. As a reminder, this call is being webcast and a replay will be available on Limoneira's website as well. Before we begin, we'd like to remind everyone that prepared remarks contain forward-looking statements and management may make additional forward-looking statements in response to your questions. Such statements involve a number of known and unknown risk and uncertainties, many of which are outside the company's control and could cause its future results, performance or achievement to differ significantly from the results, performance or achievement expressed or implied by such forward-looking statements. Important factors that could cause or contribute to such differences include risk detailed in the company's 10-Qs and 10-Ks filed with the SEC and those mentioned in the earnings release. Except as required by law, we undertake no obligation

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to update any forward-looking or other statements herein, whether as a result of new information, future events or otherwise.

And with that, it is my pleasure to hand the call over to the company's President and CEO, Mr. Harold Edwards.

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

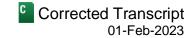
Thanks, John, and good morning, everyone. Last February, we underwent robust and rigorous strategic planning sessions with our Board of Directors. After reviewing our overall business operations and our strong asset base, we concluded that we had a significant amount of capital that had been deployed into land and water investments that had appreciated significantly, but there was a meaningful difference in the current fair market value of these assets compared to the book value as many of them were acquired years ago at a low-cost basis. We also concluded that our vertically integrated model was no longer the most efficient manner to increase our shareholder value and properly service our global customer base.

Based on our planning sessions in April 2022, we formed a strategic plan with a specific roadmap to pivot our business towards an asset-lighter model in order to streamline our operations and sell non-strategic assets, improve the consistency of our earnings, increase EBITDA and dividends per share, reduce debt, right-size the balance sheet, and improve return on invested capital. This plan involved the identification of approximately \$150 million of assets for sale as well as a transition to a more efficient operating plan. We are less than one year out from forming that Strategic Plan and we've made significant progress with nearly all of those identified assets sold. Our balance sheet transformed and the recruitment of close to 1 million new cartons from new grower partners.

I want to focus now on discussing the sale of those assets, in particular yesterday's announced sale of our Northern Properties. Over the past three months, we've sold approximately \$130 million of non-strategic assets with the sale of our Oxnard packing facility in October for \$20 million, the sale of the commercial property in Harvest at Limoneira in October for \$8 million, the sale of our Sevilla property in November for \$2.7 million, and yesterday's announced closing of the sale of our Northern Properties for approximately \$100 million. We will report approximately a \$40-million gain during our first quarter fiscal 2023 and we expect to incur cash tax liabilities of only \$11 million. Proceeds from all three of our previous transactions totaling approximately \$30 million were used to reduce our debt but the Northern Properties sale is the most transformative as we will now have a net debt position of less than \$30 million. It is expected to be accretive on a pro forma EBITDA and earnings basis. It will strengthen the balance sheet and enable us to pursue a range of strategic opportunities to maximize shareholder value.

When we were looking for a buyer of our Northern Properties, it was imperative that we find one that allowed us to keep our supply chain intact. The property consists of 3,537 acres, made up of 2,700 planted acres, 231 acres of plantable ground and 606 acres of open space. As we laid out in yesterday's press release, as part of this transaction, Limoneira and PAI entered into a Farm Management Agreement to provide farming services related to the property for an initial term of one year and entered into a Grower Packing Agreement to provide packing, marketing and selling services for lemons harvested on the property for a minimum five-year period. This piece of the transaction fits squarely with our Strategic Plan to expand our One World of Citrus in an asset-lighter way as we focus on leveraging our leading global packing, marketing and selling services using more grower partner fruit. The economics of using grower partners is extremely attractive with Limoneira receiving \$2 to \$2.50 per carton of margin with no additional capital outlay and it reduces the impact of pricing volatility and rising farming costs on our business and will be additive to EBITDA and earnings per share on a pro forma basis.

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We have become a very attractive partner to third parties and continue to develop best-in-class grower services to bolster our appeal through investments in our technology and supply chain. Our strategic approach to fresh utilization enables our sales and marketing team to successfully market fresh lemons throughout the year with one of the best fresh utilization rates in the market. This past year, we sold over 78% of lemons fresh at competitive prices compared to our largest competitor who is at approximately 50%. This is obviously a very important draw with grower partners.

We are also working to better support our grower partners by reconfiguring our global lemon packing network. This includes reducing certain orange and lemon acreage globally, while still maintaining the packing and marketing of the fruit grown on these locations. Today, roughly 50% of our source volume comes from grower partners and our goal is to have that number closer to 75%. The structure of our deal with PAI is a great example of the direction we are headed; growing the service part of our business as we focus on packing, marketing and selling. And, in return, you will begin to see meaningful improvement to our returns on invested capital with better margins, cash flow and earnings that become a lot more stable and predictable. As for our remaining assets, we have another \$20 million of the \$150 million in assets identified that we plan to monetize over the next 12 to 18 months.

Even after the Northern Properties transaction, we continue to own approximately 11,900 acres with over 21,000 acre feet of owned water rights, usage rights and pumping rights. We are finding great monetization opportunities for our water rights by either selling the wet water on a lease basis or by actually selling the pumping rights or by selling the actual asset for a significant appreciation over what we invested in it.

A near-term water monetization opportunity is the 1,300 acres of farmland we have in Yuma, Arizona, that has associated Class 3 Colorado River water rights. The Department of Interior has instructed the seven states that derive water from the Colorado River to reduce their intake by a third and the cuts will first come from Class 8 water rights, all the way down. These states will be forced to go to those with senior rights like ourselves and pay for their water. They have just started the first fallowing program of which we took advantage with 400 of our 1,300 acres and we expect to receive \$1,400 an acre to divert the water we would have used to farm to now go towards an urban use. Through the monetization of water sales on this property, we have the potential to receive approximately \$100 million upon selling the water rights of which Limoneira would be entitled to 50%. We realize a number of events need to occur before such large appreciations are realized but there are opportunities out there we are currently exploring. And if you look at our overall business, you can see the book value of the land today versus the potential fair market value tomorrow, may lead to an improvement in our EBITDA and earnings. In addition to these assets, we have our Real Estate Development project, Harvest at Limoneira. We announced at the end of December that we increased our cash proceeds projection for this project by 20% to \$150 million and updated our timeline to include both the Harvest development and the Harvest Medical Pavilion across the highway. We received the first \$8 million of proceeds in the fourth quarter of fiscal year 2022 and expect to generate the full \$115 million over seven fiscal years. The project is currently approved to develop 1,500 dwelling units and we are in negotiations with the City of Santa Paula to expand that to up to 2,000 units. We believe we will be able to announce the additional 500 lots this year. Finally, we look forward to transacting on \$5 million of land sales at the Harvest Medical Pavilion in the fourth quarter of 2023.

So what is next for Limoneira now that we have a very strong balance sheet and a clear path to stronger EBITDA cash flow and earnings? Over the next 12 to 18 months, you could expect to see our continued transition to an asset-lighter business model and focus on the best use of our assets to enhance shareholder value. The proceeds from the Northern Properties sale will significantly reduce our overall net debt position and allow us to pursue a range of strategic opportunities that will maximize value for our shareholders. The sale of \$130 million of assets was much sooner than our internal timeline and we expect to monetize the remaining \$20 million of

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identified assets in the next 12 to 18 months. Our board and management team will continue to evaluate how to best leverage our expertise in packing, marketing and distributing citrus and avocados, combined with our valuable portfolio of agricultural lands, real estate properties and water rights in order to enhance long-term shareholder value.

As for the longer-term, we have upcoming Strategic Board of Director planning sessions that will review different areas where we can potentially reinvest that will produce more consistent and more reliable returns. Potential areas of investment could be in our supply chain through investment in the forward distribution, forward warehousing and packing capacity, or expanding our avocado production and potentially adding value to avocados beyond production in packing, marketing and selling as a complement to our One World of Citrus product offerings.

Before we open the call for questions, I would like to also address the current rain we've had in Southern California. We have experienced minimal damage to our trees but we did experience erosion to a few roads which we will have to fix in the coming weeks.

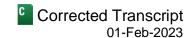
And with that, I'd like to open the call for your questions. Operator?

QUESTION AND ANSWER SECTION

Operator: Thank you. We'll now be conducting a question-and-answer session. [Operator Instructions] Our first question today is coming from Ben Bienvenu from Stephens. Your line is now live. Ben Bienvenu Analyst, Stephens, Inc. Hey. Good morning, everybody. Congratulations. Harold S. Edwards President, Chief Executive Officer & Director, Limoneira Co. Thank you. Good morning. Mark Palamountain Chief Financial Officer, Treasurer & Corporate Secretary, Limoneira Co. Good morning, Ben. Harold S. Edwards President, Chief Executive Officer & Director, Limoneira Co. Thanks, Ben. Ben Bienvenu Analyst, Stephens, Inc. Yeah. I want to ask you noted in the press release that you expect, after this announcement, a pro forma accretion to EBITDA and EPS. Can you detail a little bit more for us kind of the components of how you get to that

outcome?

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Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

Sure. You bet. So if we're looking at our year-on-year budgets, the properties that we sold have traditionally underperformed over the last 10 years and this year we were looking at a down lemon market and a sort of flat orange market. The new line will have – on the revenue side, will be farm management service revenues which will basically replace the revenue that we had at a breakeven basis. It's the cost that's coming against – we'll bill it at our cost and then have a margin on top of that which is between \$750,000 to \$1 million. It's a per-acre basis charge that we've negotiated with PAI. And so that and the reduction will no longer have a harvest expense of over \$1.5 million. We project about \$1.5 million to \$2 million of additional EBITDA on our current budgets over the year. That's how we come up with that.

From the – when we get down below the line, we talk about the interest expense component. And so \$130 million of debt and a rising rate environment, we were borrowing it at LIBOR which is obviously SOFR now, plus \$150 million for a long, long time. And our interest expense was anywhere from about \$3 million to \$3.5 million before our patronage dividend. So we're using about \$2.5 million on a net basis on the interest expense reduction and then between Oxnard Lemon and the sale of the Northern Properties depreciation will go down by about \$1.8 million. So all of that equates to approximately \$0.20 to \$0.22 of EPS. And so both the EBITDA and EPS accretive based on our budget starting at the beginning of the year.

Ben Bienvenu

Analyst, Stephens, Inc.

Okay. Very helpful. I want to ask about this transition to an asset-light model. By that descriptor, it sounds like it should be less capital-intensive. You're going to have quite a bit of cash coming in the door over the next several years. It sounds like you're mostly past the debt paydown phase of this transition. So how should we be thinking about use of capital as we go forward and maybe conversion of EBITDA to free cash as we go forward?

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

So that's a great question and not to be sort of vague about the answer. We are about to have the next round of strategic planning sessions with our Board of Directors but we will be looking at our capitalization and what we'll think about doing with the cash and the cash generation. The company has been in a position where we've been sort of a net free cash flow negative company, investing back into the company for many, many years. So all of a sudden, we're about to find ourselves in a free cash flow-generating position. We're going to look at potentially exploring the idea of a special dividend, of increasing the ongoing dividend rate, potentially purchasing our stock back if the stock doesn't perform to the level that we believe it should. But we'll also be very patient but opportunistic in the use of future capital as we find opportunities in our supply chain to invest, to create more streamlined operations but also opportunities to create value for our shareholders.

So, I know that's kind of vague. But at the same time, we're in this enviable position we believe of being virtually debt-free and now free cash flow-generating. And we want to take advantage now of really putting our foot down on the gas pedal to grow the service part of the business as packers, marketers and sellers and now as farm managers of the business in a much less capital-intensive way.

Mark Palamountain

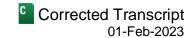
Chief Financial Officer, Treasurer & Corporate Secretary, Limoneira Co.

And one thing I might add is so we're – we mentioned the \$30 million net debt position today and we paid off \$130 million of debt but where typically this seasonality is our heavy working capital trough of the year. So, we're still

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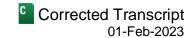
projecting to be at the end of the year with the sale of the medical campus in the fourth quarter, which we've talked about, to be close to net-zero debt.

So as we get into the heavier carton periods out of the winter and the summer demand, we expect June, July probably as the timing to be close to net-zero debt and in that trough. Our business is, as we've grown the outside grower component and we've grown the agency business, we put a lot more capital out in certain periods, so our trend is about \$25 million to \$30 million up and down just in working capital. So – but we're really confident in our position to be at the end of the year and then have a – we have that \$40-million piece that we'll keep. It's fixed at 3.5% and so those rates are in a good place. And we'll have a net cash position, which we'll have an opportunity to figure out where to invest in.

Ben Bienvenu Analyst, Stephens, Inc.	Q
Okay. Great. Thank you, Harold. Thank you, Mark.	
Harold S. Edwards President, Chief Executive Officer & Director, Limoneira Co.	A
Thank you.	
Operator : Thank you. Next question today is coming from Gerry Swee live.	ney from ROTH Capital. Your line is now
Gerard Sweeney Analyst, ROTH Capital Partners LLC	Q
Hey. Good morning, guys. Thanks for taking my call.	
Harold S. Edwards President, Chief Executive Officer & Director, Limoneira Co.	A
Hi, Gerry.	
Mark Palamountain Chief Financial Officer, Treasurer & Corporate Secretary, Limoneira Co.	A
Hi, Gerry.	
Gerard Sweeney Analyst, ROTH Capital Partners LLC	Q
Could you let us know or remind us what the sort of average production over the last couple of years on average? Obviously, every year is a little	•
Harold S. Edwards President, Chief Executive Officer & Director, Limoneira Co.	A
Yeah. So, from a lemon perspective, it was about 750,000 cartons. And plantings. So we believe full-bearing status should be around 1 million to	

which, because of the agreement, will continue to run through our packing house.

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Gerard Sweeney

Analyst, ROTH Capital Partners LLC

Got it. And then what would the – generally, you've sort of – I'm not sure if you have done this yet but given sort of a breakout of how many cartons you think you're going to be producing this year and how does this change Limoneira-produced potential cartons versus third-party?

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

So it will go down by about 750,000 cartons. We've looked at the P&L of lemons over the last three years in all of our districts. And we have a rising cost environment where our cost is now in the \$19 to \$20, and especially in the North where we transport everything down here. And obviously our FOBs last year were below that.

And so that's why we're talking that this is going to be accretive where we pick up the risk-free side of the \$2 and \$2.50 of representing those 750,000 to 1 million cartons. So – and the orange side of the business, which we call the non-core, non-strategic side, has also been – has been somewhat disappointing for us over the last five years and different handlers and production. And so really overall we project this business coming into this year being about breakeven. And now we're going to have the accretiveness of just the services side without the risk.

Gerard Sweeney

Analyst, ROTH Capital Partners LLC

Yeah. Okay. Got it. And then final question. Obviously, China is sort of reopening. I think this goes back to your comment on FOB prices. I'm not sure how much of an impact that potentially may have on just demand out of that area or region. Any thoughts on that for this year?

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

China is definitely absorbing more of the fruit that otherwise would have been imported into the US, so that's been helpful. It's firming up markets. I wouldn't say it's necessarily moving the needle in an overall sort of price per carton basis that we can see. But it's certainly making the market stronger and it's giving sort of more opportunities for our fruit produced here in California or Arizona to find homes here domestically.

Gerard Sweeney

Analyst, ROTH Capital Partners LLC

Got it. And I have one more question. I probably should have asked that before this one, before the China one. What is your total packing capacity here [indiscernible] (00:22:39) to say in the US?

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

So that's kind...

Gerard Sweeney

Analyst, ROTH Capital Partners LLC

[indiscernible] (00:22:43).

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Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

Yeah. That's a great question and it's kind of a loaded question because if you could take 52 weeks a year and you could run the optimal amount through it, that's one answer but that's not kind of how it works so just based on demand and the seasonality of it. So our internal number is 7 million to 7.5 million cartons. So we're about 5 million to 5.5 million cartons on our way to 7 million.

Gerard Sweeney

Analyst, ROTH Capital Partners LLC

Got it. Okay. And that begs another question. Can you – I'm assuming you can I guess – I mean [ph] re-jigger (00:23:21) the packing house during the off-season for other fruit or I mean or is it – it's lemons or nothing or any thoughts on that?

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

Yeah. Well...

Gerard Sweeney

Analyst, ROTH Capital Partners LLC

Maybe... [indiscernible] (00:23:31)

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

Yeah. Well, right now we're operating it 12 months a year and it's very, very efficient and it's – but it has a range of somewhere 150,000 cartons a month up to 700,000 cartons a month. So, the optimal situation would be to run 700,000 cartons a month. Now, we know that's not realistic based on supply chains and fruit availability and whatnot but the goal is to run as many units as we possibly can but also recognizing that we're hauling fruit from a long way away when the season is in the desert or up in the San Joaquin Valley. So, most likely we'll be looking to expand our packing capacity in the future up into the San Joaquin Valley to be closer to the fruit that we serve up there.

Gerard Sweeney

Analyst, ROTH Capital Partners LLC

Got it. Okay. Perfect. I appreciate it. Thanks.

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

All right. Thanks, Gerry.

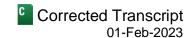
Mark Palamountain

Chief Financial Officer, Treasurer & Corporate Secretary, Limoneira Co.

Thank you.

Operator: Thank you. Next question is coming from Ben Klieve from Lake Street Capital Markets. Your line is now live.

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Ben Klieve

Analyst, Lake Street Capital Markets LLC

Hi. Thanks for taking my questions. First, congratulations on the sale. I know it's been a long time coming. I know there's a lot of work on this. Congratulations on getting to the finish line here.

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

Thanks, Ben.

Ben Klieve

Analyst, Lake Street Capital Markets LLC

I have two questions. First of all, on the non-lemon/avocado farm. Did this property really encompass the entirety of the what I would call non-core agricultural production [Technical Difficulty] (00:25:06). Is there anything left in the non-core crop that you have today?

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

So we still own a vineyard in Paso Robles and we're working sort of diligently behind the scenes on putting a land plan on that vineyard right now and seeking sort of a higher and better use than just a productive vineyard. The vineyard was profitable this last year after years of development and we believe it's sort of in the sweet spot from a development perspective to create more value by putting parcels up for sale that basically could become vineyard estates. So, we're working on that plan right now.

And the other assets that we're also sort of looking to find value in are in South America. We have an opportunity we believe to expand our packing capacity in South America and we want to make sure that that we do that in sort of a capital-efficient way. So, we're looking at a lot of strategic opportunities to monetize assets in Chile to create capital, to invest in packing opportunities that we see there. And just like with this announcement of the Northern Properties, find sort of a transition to more asset-lighter opportunities to grow our Chilean citrus business.

Ben Klieve

Analyst, Lake Street Capital Markets LLC

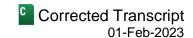
Okay. Got it. Very helpful. Thank you. And then second, following up on your comments about weather conditions this year. Do you think that has an impact [Technical Difficulty] (00:26:53)? But curious if all that water had any [Technical Difficulty] (00:26:59) a few years ago. Are you seeing [Technical Difficulty] (00:27:04) higher in the range than you ordinarily or preferably would or is the sizing so [Technical Difficulty] (00:27:11) to your prior expectations and what you'd be hoping for?

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

Yeah. No, that's a great question. So, at this point, we and everybody else in the industry have had the opportunity to get into the orchards to pick, whereas for many, many, like – I think it was eight weeks in a row in 2019, nobody could get into the orchard. So, we've had big weather rain events but we have been able to get in to pick. So the sizing issue that we ran into in 2019 hasn't affected us yet. So far inventories are sort of at a manageable level. The manifest of sizes and grades are excellent and market demand has been strong. So we're moving the fruit and we don't see any real disruption there.

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And as it relates to the avocados, rain is such a good thing for getting size in avocados. So I ultimately think that the rain is going to be super helpful for getting more pounds produced per acre, not only for us but everybody up here in Ventura County and in California.

Ben Klieve

Analyst, Lake Street Capital Markets LLC

Got it. That's good to hear. Very good. Well, thanks for taking my question. Congratulations again and I'll get back in line.

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

Thank you, Ben.

Operator: Thank you. Next question is coming from Vincent Anderson from Stifel. Your line is now live.

Vincent Anderson

Analyst, Stifel, Nicolaus & Co., Inc.

Yeah. Good morning, guys. I'll be quick. So just briefly, can you describe the nature of the water rights that were associated with those properties and if they transferred?

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

Yeah. So they all transferred, consistent with the ownership of the property. There were several types of water rights associated with those properties. They were riparian rights from canals that are fed by predominantly snowmelt out of the Sierra Nevada mountains as well as groundwater pumping rights. And we always were really proud of those water rights that we had there because if you look at the topography of where the properties are relative to the Sierra Nevada mountains, we were one of the earlier straws in the ground, if you will, based on snowmelt coming out of the Sierra. So that always gave us a lot of confidence that we would access to water and so now PAI will enjoy those water rights.

Vincent Anderson

Analyst, Stifel, Nicolaus & Co., Inc.

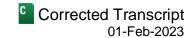
Got it. And then do you have like an initial – have maybe book value for the packing agreement that you set up with PAI, just to give us an idea. And also just in case PAI has kind of similar issues extracting value from these acres, using them to grow lemons, are they allowed under the five-year agreement to grow something else if they want to repurpose some of that acreage?

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

Yeah. So great question. So yes on the latter parts. So it's their land, their property and they've got a bunch of other citrus properties. They have got other nuts and deciduous, so they're pretty diversified up there. So if they wanted to, they could. Some of the acreage is probably up for redevelopment, some of the round citrus, the oranges and specialties. But, in general, I think they're pretty happy with the lemons that we have. Some of the lemon ranches that we sold to them are probably the premier lemon ranches in California due to the topography

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and the area, specific to freezes and also water allocations. So pretty sure that that those – they're probably five, six-year-old lemon acres that will be with them for a long time.

So, and in general, as far as the value of the packing agreement, we think of them as another grower. I mean at the end of the day, we have a five-year agreement but there are off-ramps for both parties if there's not value determined, just like anybody else. So we have to earn our keep every year. We think about it as a grower partner and potentially to expand especially in the farm services side of the business. So when you think of \$2 to \$2.50 a carton, over 1 million cartons is sort of the rough math from the packing contribution.

Vincent Anderson

Analyst, Stifel, Nicolaus & Co., Inc.

Okay. That's super helpful. And then just really quick because it wasn't mentioned in discussion around what to do with all of this cash that you now have. I mean is cold storage investment still – if you were to put some capital to use in your asset-lighter approach, is cold storage still a priority?

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

Yes. That is probably the number one priority. So, as you recall, we sold our Oxnard Lemon cold storage and washing facility. It was actually a packing house but we leased it back for three years to take advantage or continue to operate the wash line and the cold storage there. So – but that's a three-year sort of ticking clock that gives us a runway to expand our capacity in Santa Paula, which will be much more efficient when we do that.

So we're in the backroom right now sort of organizing that project and we look forward to presenting that to the board in the near-term for the beginning of construction that will play out over the next two to three years.

Vincent Anderson

Analyst, Stifel, Nicolaus & Co., Inc.

Okay. Great. And the East Coast markets?

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

Yeah. So we are actually in active discussions right now with other shippers of other products to create a sort of a diversity of produce offerings out of a common facility so that we can run our citrus through that. All of our imports from South America or, let's say, a high-percentage of our imports that come into the United States come in through the ports of Philadelphia and New Jersey on the East Coast. So, having East Coast distribution center will be a very important of our future distribution and growth. So we're in the process of identifying facilities, most likely on a lease basis and with sort of a minimal amount of CapEx required to invest in value-adding equipment like bagging and sorting equipment. And I think you'll see investments made sort of, not in a big way, but sort of a minor CapEx perspective that will give us a footprint and a presence on the East Coast. And you should see that beginning in 2024.

Vincent Anderson

Analyst, Stifel, Nicolaus & Co., Inc.

Perfect. All right. Thanks. Thanks so much.



Business Update Call



Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

Thanks, Vince.

Operator: Thank you. [Operator Instructions] Our next question is coming from Raj Sharma from B. Riley. Your line is now live.

Raj Sharma

Analyst, B. Riley Securities

Hi. Good morning, guys. Congratulations on this deal. I wanted to – so I wanted – I get the positive EBITDA and the EPS contribution from this deal. If you can explain what is the delta in the revenues? How much revenues are you letting go versus how much you are making from the sale?

Mark Palamountain

Chief Financial Officer, Treasurer & Corporate Secretary, Limoneira Co.

So good question and it's actually pretty neutral. So if we look at our budgets for the year and as we talked about these assets in lemons and oranges being on the somewhat underperforming side, close to breakeven, our cost up there is about \$9 million to operate and our revenues were projected to be about almost \$10 million. And so that now will have a new revenue line called Farm Management Services, which will include all the costs. So that \$9-plus million dollars and then that \$750,000 to \$1 million of service fee that's operator-charged. So really, it's going to be net neutral, plus or minus, a few hundred thousand dollars. So it's actually quite positive in that respect.

Raj Sharma

Analyst, B. Riley Securities

Great. Great. And then how is this sale? This is obviously a very significant sale. How does this sort of relate to the other 11,900 acres that you have left? I mean how much of that, what you have, would you target to sell to convert to the current kind of a deal that you just struck? Relative to you just said, you want to convert the One World Citrus to a 75% sort of packing from 50% currently? Can you kind of talk a little bit about that?

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

Yeah. So we mentioned our vineyard in Paso Robles, that's 720 acres and that will monetize over a period of time we believe. And then we're also analyzing and assessing our investments in Chile and in Argentina. And that represents about...

Mark Palamountain

Chief Financial Officer, Treasurer & Corporate Secretary, Limoneira Co.

1,300 acres of that.

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

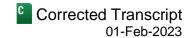
Yes. 1,300 acres. So, call it, 2,000 more acres is what sort of what we're analyzing right now.

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Mark Palamountain

Chief Financial Officer, Treasurer & Corporate Secretary, Limoneira Co.

And if you look at the value, where we are sitting today in Santa Paula and we've got our 3,000 contiguous acres which have been in the company since a little over 130 years now, and the water rights are still completely intact here, at over \$30,000 in acre-foot. And the potential for development down the road is always what we're looking at. You look at our Harvest community which is 500 acres, which is now over \$2 million an acre in development right now. So, Ventura County has long been a place where it's beautiful to be here but there's 30,000 fewer units than the demand requires in housing. And so we're going to think about opportunities in our strategic board's next planning session. We've got a property called Del Mar that's an island out in Ventura that's 212 acres and so there's a plenty of opportunity. And we're just going to take it slow and steady and make sure that our debt is in a manageable position relative to our cash flow and be opportunistic.

Rai Sharma

Analyst, B. Riley Securities

Great. And then just last question for me. What is this \$100 million, I don't know if there was – how much in acrefeet of water rights do you have in the Northern county, which you just sold and any sort of implication for price you got for those water rights?

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

So, it's a great question. And the answer is pretty granular. So – because every piece of property, every ranch had a different dynamic of water rights and an associated benefit from riparian rights in canals and groundwater pumping rights. So I actually don't know that.

Do you know what the total amount of the acre-feet that went with...?

Mark Palamountain

Chief Financial Officer, Treasurer & Corporate Secretary, Limoneira Co.

Yeah. So it was 7,000 acre feet that went with the deal. There was one piece that we can get granular on which is the Pioneer Water Ditch, which was about \$8 million of water.

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

Yeah.

Mark Palamountain

Chief Financial Officer, Treasurer & Corporate Secretary, Limoneira Co.

And that was just one of the ranches, which was 400 acres. So you can sort of back into the map on that. But generally, it was – it's – again, water is valuable, where it's scarce. And that, up in the North, was dictated mostly by the federal canal and pumping restrictions. Whereas down here in Santa Paula, it was adjudicated and it's got specific 30-plus-thousand dollars per acre [ph] right (00:39:31). So, there's different values everywhere. But it wasn't a bit hit to us as it would be a value proposition here. And the question of how do you, say, the value of those acre-feet up there versus here, it's somewhat difficult to quantify I guess in the end.

Harold S. Edwards

President, Chief Executive Officer & Director, Limoneira Co.

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But I would I would say that part of the opportunity we found in the divestiture of these Northern Properties was because of the value that was perceived in the water. And so having high-quality land with ample water rights was very attractive to PAI.

Raj Sharma
Analyst, B. Riley Securities

Got it. Got it. This is very helpful. Thank you. Thank you so much. I'll take it offline.

Harold S. Edwards
President, Chief Executive Officer & Director, Limoneira Co.

Thank you.

Mark Palamountain
Chief Financial Officer, Treasurer & Corporate Secretary, Limoneira Co.

Thank you.

Operator: Thank you. We have reached the end of our question-and-answer session. I would like to turn the floor back over for any further or closing comments.

Harold S. Edwards

President. Chief Executive Officer & Director, Limoneira Co.

Thank you for your questions and interest in Limoneira and we look forward to speaking with you again in March on our first quarter 2023 earnings call. Have a great day.

Operator: Thank you. That does conclude today's teleconference and webcast. You may disconnect your line at this time and have a wonderful day. We thank you for your participation today.

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