

# LIMONEIRA

SINCE 1893



# Cautionary Statement

*The following information and the statements made during this presentation contain forward-looking statements. These forward-looking statements are based on Management's current expectations and beliefs, as well as a number of assumptions concerning future events. Forward-looking statements include information concerning our possible or assumed future results of operations, weather-related phenomena, pricing and supply of raw materials, industry environment, business strategies, financing plans for land development activities, the effects of regulation, and labor disruptions. These statements are subject to known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside Management's control, that could cause actual results to differ materially from the results discussed in the forward-looking statements including those set forth under the heading "Risk Factors" in the Company's filings with the Securities and Exchange Commission (SEC). All forward-looking statements in this presentation speak only as of the date of this presentation. The Company expressly disclaims any obligation or undertaking to update or revise any forward-looking statements. This document may also contain non-GAAP financial information. Management uses this information in its internal analysis of results and believes that this information may be informative to investors in gauging the quality of our financial performance, identifying trends in our results and providing meaningful period-to-period comparisons. For a reconciliation of non-GAAP financial measures presented in this document see the Appendix to this presentation.*

# Unlocking Hidden Value and Expanding Leading Agriculture Position

## ***Limoneira is Asset Rich and Unlocking the Value of 10,000 Acres of Agricultural Lands, Real Estate Development Opportunities and Water Rights in Southern California and Arizona***

### **§ Agricultural Assets Founded in 1893**

- One of the largest growers and marketers of lemons in US
- Largest grower of avocados in US
- Expanding agribusiness globally

### **§ Real Estate Developments**

- Beginning to unlock value of extensive real estate holdings
- Converting agricultural land in three desirable California coastal counties (Ventura, Santa Barbara, and San Luis Obispo) into residential and commercial real estate
- Expect to monetize projects in near future resulting in significant cash flows

# Fiscal Year 2013 Accomplishments

***Executed on long-term goal of monetizing assets in order to reinvest in core agribusiness operations and improve balance sheet***

§ Opportunistically monetize assets:

- Sold 165,000 shares of Calavo Growers stock – net proceeds \$4.8 M
- Sold Santa Maria Eastridge property – net proceeds \$5.7 M

§ Expand agribusiness

- Expanded agricultural land holdings by 30% (2,085 acres)
- Acquired Associated Citrus Packers in Yuma, Arizona - ~ 1,300 acres
- Acquired Lemons 400 Ranch in Porterville, California - ~760 acres
- Acquired Hochi Property - ~25 acres
- Entered into lease with Cadiz, Inc. to develop up to 1,280 acres of lemons

§ Expand rental business

- Began construction of 71 agriculture workforce housing units in Santa Paula, California

§ Financial:

- Generated \$85 M in revenue and \$10 M in Adjusted EBITDA
- Reduced long-term debt by \$27 M compared to year-end FY 2012
  - Used strong cash flow, proceeds from asset transactions as well as \$36 M net proceeds from equity raise in February 2013

# First Quarter FY 2014 Highlights

- § Q1 FY 2014 revenue increased 49% compared to Q1 FY 2013
  - Lemon sales increased 50% compared to Q1 FY 2013
  
- § Operating income improved \$1.9 million versus Q1 FY 2013
  - Higher sales prices from lemons and oranges versus Q1 FY 2013 due to freeze in December 2013
  - Acquisition of Associated Citrus Packers contributed approximately \$2.0 million of operating income in Q1 FY 2014
  
- § Entered into a construction contract that includes design and construction services for the expansion of lemon packing facilities
  - Expected to increase efficiency of packing facilities and double annual lemon packing capacity once completed
  - Project expected to be completed in fiscal year 2015

# Drivers of Growth

Business Segment	1 <u>Agribusiness</u>	2 <u>Real Estate Development</u>	3 <u>Rental Properties</u>	4 <u>Water Rights</u>
Timing of Cash Flows	Near-term	Near-term	Near-term	Medium-term
<p><b><i>Rapidly Expanding Global Agribusiness with Increasing Cash Flow and Proceeds from Sale of Real Estate Development Assets</i></b></p>				

# Significant Asset Base

## Unlocking Hidden Value

<u>As of October 31, 2013</u>	<u>FMV</u>	<u>Net Book Value</u>
§ Agricultural assets <sup>(1)</sup>		
§ Ventura County (4,000 acres)	\$XXXM	\$33.7M
§ Tulare County (3,000 acres)	\$XXXM	\$22.1M
§ Yuma, Arizona (1,300 acres)	\$XXXM	\$22.5M
§ Real estate development assets <sup>(2)</sup>		
§ East Area I – Residential <sup>(3)</sup>	\$XXXM	\$51.5M
§ Other Real Estate	\$XXXM	\$31.9M
§ Rental assets	\$XXXM	\$7.9M
§ Water investments	\$XXXM	\$4.9M
§ Calavo investment <sup>(5)</sup>	\$14.8M	\$14.8M
§ Less associated debt	(\$61.6M)	(\$61.6M)
<b>§ <u>Net Asset Value</u></b>	<b><u>\$XXXM</u></b>	<b><u>\$127.7M</u></b>

Current median/mean range for agricultural land transactions in Ventura County is \$64K to \$80K/acre; Tulare County is \$13K to \$16K/acre<sup>(4)</sup>

Net book value for Limoneira's agricultural land in Ventura County is \$8K/acre; Tulare County is \$7K/acre

See page 17 for details

Net book value for the East Area I project is \$34K per unit or \$51M

(1) Associated Citrus Packers acquired in Yuma AZ September 2013 for \$18.6M (1,300 acres). Ag assets Includes land, buildings and orchards

(2) Excludes agricultural assets

(3) In addition to residential, the Company estimates it will generate positive net cash benefits from commercial and light industrial development in East Area I

(4) Per county assessor records from 2012

(5) Calavo Growers (NASDAQ: CVGW) investment, based on 500,000 shares at \$29.69 share price as of Oct. 31, 2013

# 1 Agribusiness Overview

§ Significant land owned and managed  
~90% is used for agricultural plantings, including:

- 3,900 acres of lemons
- 1,200 acres of avocados
- 1,500 acres of oranges
- 800 acres of specialty and other crops

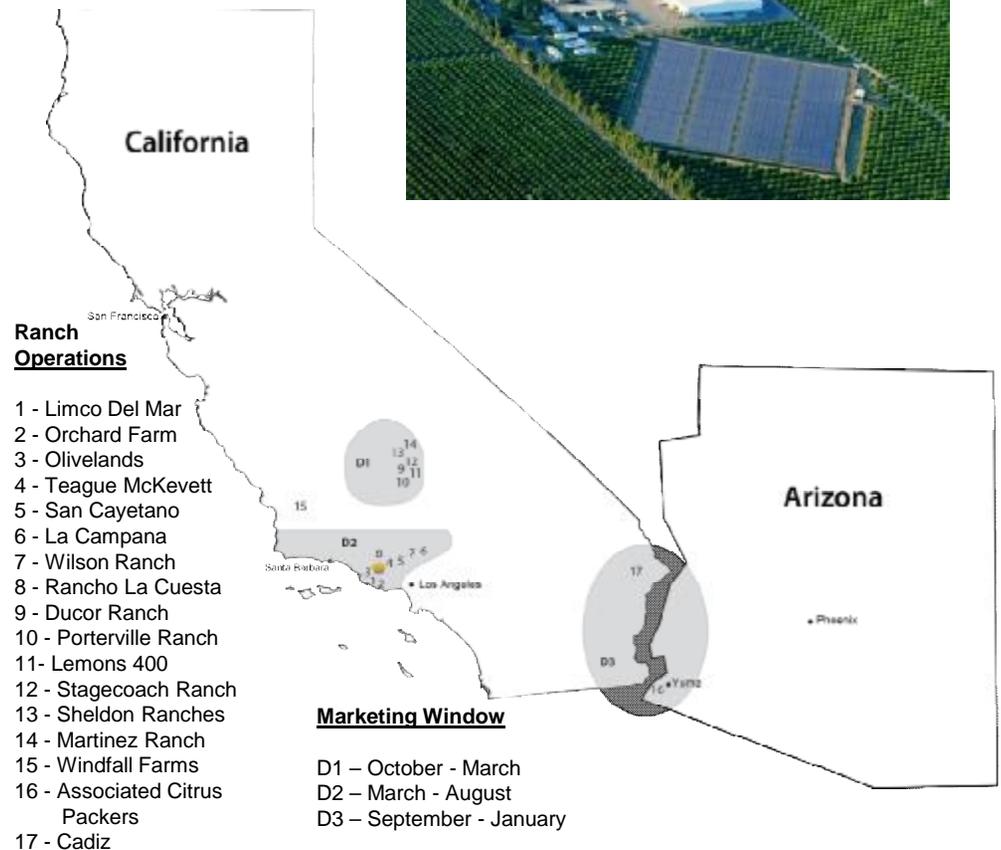
§ High percentage of fresh utilization

§ Significant water rights

§ Well trained and retentive labor force

§ GLOBALGAP Certification

**Map Key**  
 - LIMONEIRA  
 Ranch Headquarters  
**Districts**  
 D1 - San Joaquin Valley  
 D2 - Ventura / Santa Barbara  
 D3 - California / Arizona Desert



# 1 Agribusiness

## Lemons

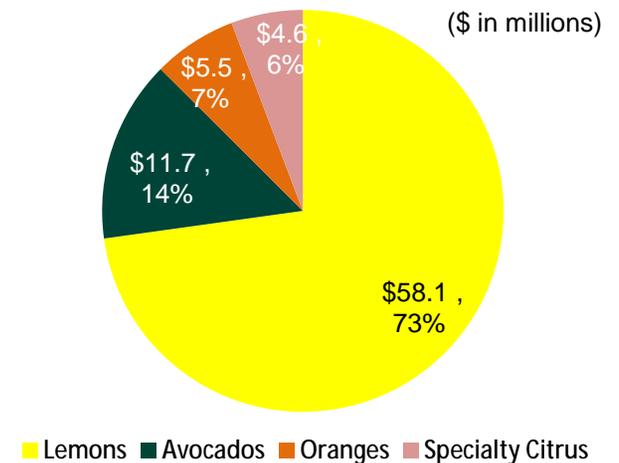
- § Limoneira represents ~5% - 10% of fresh lemon market in US and ~12% of US lemon export market
- § Fresh lemons represent a ~\$400M market in the US and a \$1.9B market globally
- § Above average fresh utilization
  - Limoneira: ~72% vs. Industry average: ~64%<sup>(2)</sup>
- § Seamlessly implemented direct marketing and sales strategy in November 2010
- § Pricing based on global supply/demand<sup>(3)</sup>
  - FY 2013 averaged \$16.61 per carton
  - FY 2012 averaged \$16.42 per carton
- § Emerging markets represent significant opportunity for increased per capita consumption
- § 10 year growth plan from 2 million to 10 million cartons sold

(1) For the fiscal year ended October 31, 2013

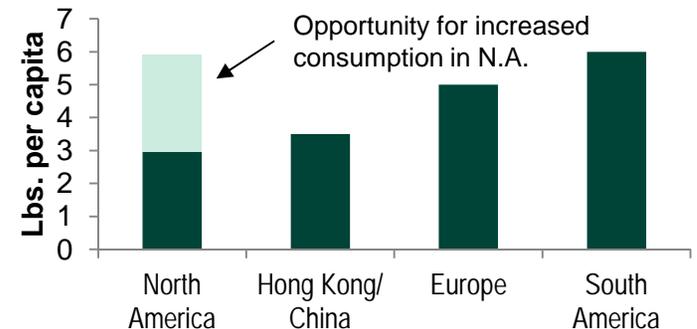
(2) Sources: FAO, USDA, CIRAD

(3) Five year average - \$15.44 to \$18.93 per carton

### Agribusiness Sales by Category<sup>(1)</sup>



### Lemon per Capita Consumption<sup>(2)</sup>



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# 1 Agribusiness

## Avocados

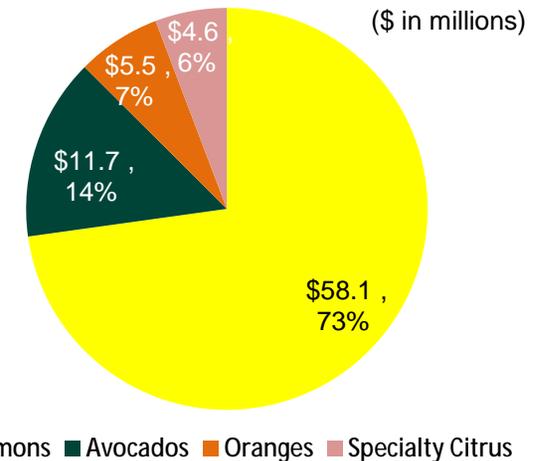
- § US fresh avocado market
  - Consumer Market: \$3.0B
  - Producer Market: \$1.3B
- § Total avocado consumption in the US has increased more than 100% over the past decade
- § Focused on Hass variety due to superior quality
- § Peak production: February through September
- § Selling to Calavo Growers since 2005
- § Production volatility due to alternate bearing nature of avocado production
  - FY 2014 production expected to be lower production year ~6M lbs<sup>(2)</sup>
  - FY 2013<sup>(3)</sup> - 15M lbs at \$0.78 per lb.
  - FY 2012<sup>(3)</sup> – 12M lbs at \$0.79 per lb.

(1) For the fiscal year ended October 31, 2013

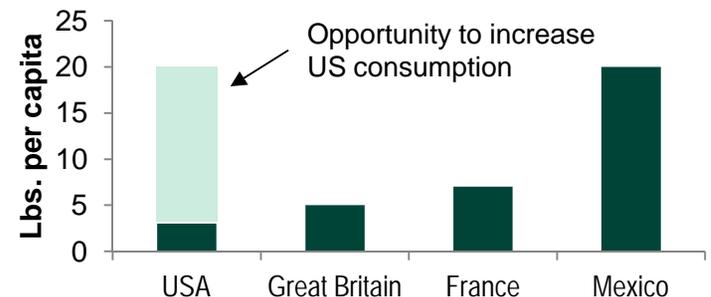
(2) Annual production has ranged from 2.4 million lbs. to 17.7 million lbs. over the past five years

(3) Average prices have ranged from \$0.65 to \$1.60 over past five years

### Agribusiness Sales by Category<sup>(1)</sup>

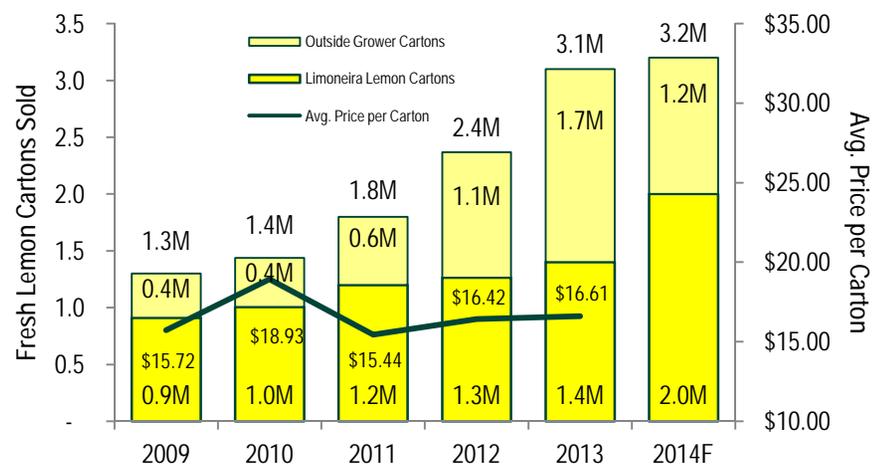


### Avocado per Capita Consumption



# Agribusiness Segment Key Drivers

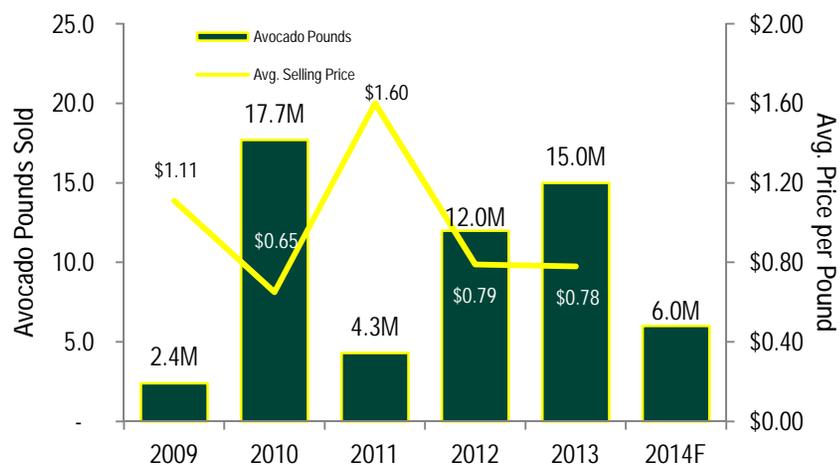
## Lemon Volume and Pricing



## Lemon Revenue and Operating Profit



## Avocado Volume and Pricing



## Avocado Revenue and Operating Profit

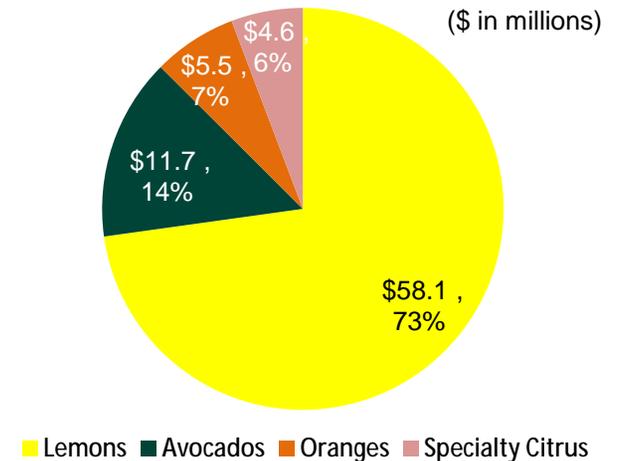


# 1 Agribusiness

## Oranges

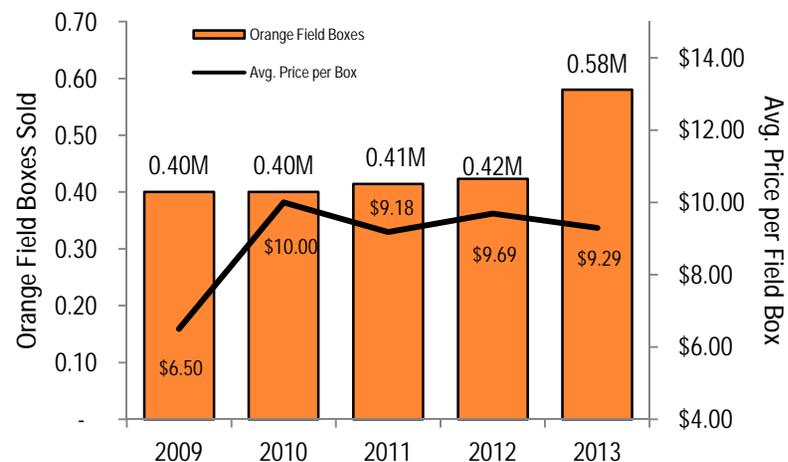
- § US orange market = ~\$2.8B
- § Navel variety
  - 95% of orange acreage
  - Peak production: January through April
- § Valencia variety
  - 5% of orange acreage
  - Peak production: June through September
- § Approximately 600 new acres from Sheldon leases in FY 2013
- § Outside packing houses process and ship
  - 70% retail
  - 30% food services
- § Opportunity to market and sell Limoneira branded oranges directly to our customers and capture advantages being realized with lemons

Agribusiness Sales by Category<sup>(1)</sup>

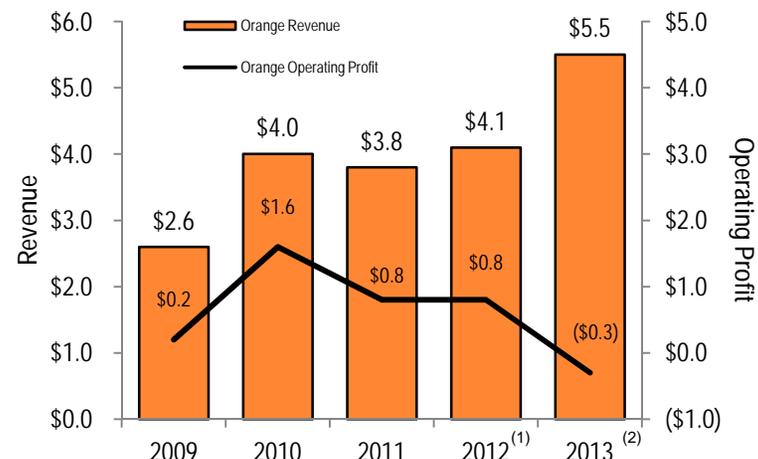


# Agribusiness Segment Key Drivers

## Orange Volume and Pricing



## Orange Revenue and Operating Profit



(1) Includes operating loss of ~\$500,000 on Sheldon Ranch leases

## Specialty Volume and Pricing



## Specialty Revenue and Operating Profit



(1) Includes \$200,000 expense associated with tree removal and orchard redevelopment, \$100,000 operating loss on Sheldon Ranch leases, and \$200,000 of Meyer lemon operating profit reclassified to lemons

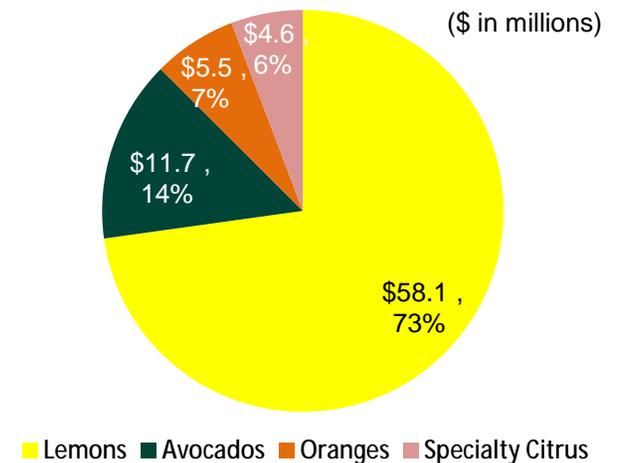
13 (2) Includes approximately \$500,000 in transition year amortization of cultural costs and \$100,000 profit share lease expense related to the Sheldon leases and approximately \$100,000 for Valencia orange tree removal expense

# 1 Agribusiness

## Specialty Citrus & Crops

- § Specialty citrus marketed and sold under the Sunkist brand<sup>(2)</sup>
  - Pummelos, Moro blood oranges, Cara Cara oranges, Satsuma mandarins, Minneola tangelos, and Star Ruby grapefruit
- § Specialty crops<sup>(2)</sup>
  - Pistachios, cherries, olives, peaches
- § Approximately 290 new acres from Sheldon leases

### Agribusiness Sales by Category<sup>(1)</sup>



(1) For the fiscal year ended October 31, 2013

(2) Outside packing houses process and ship

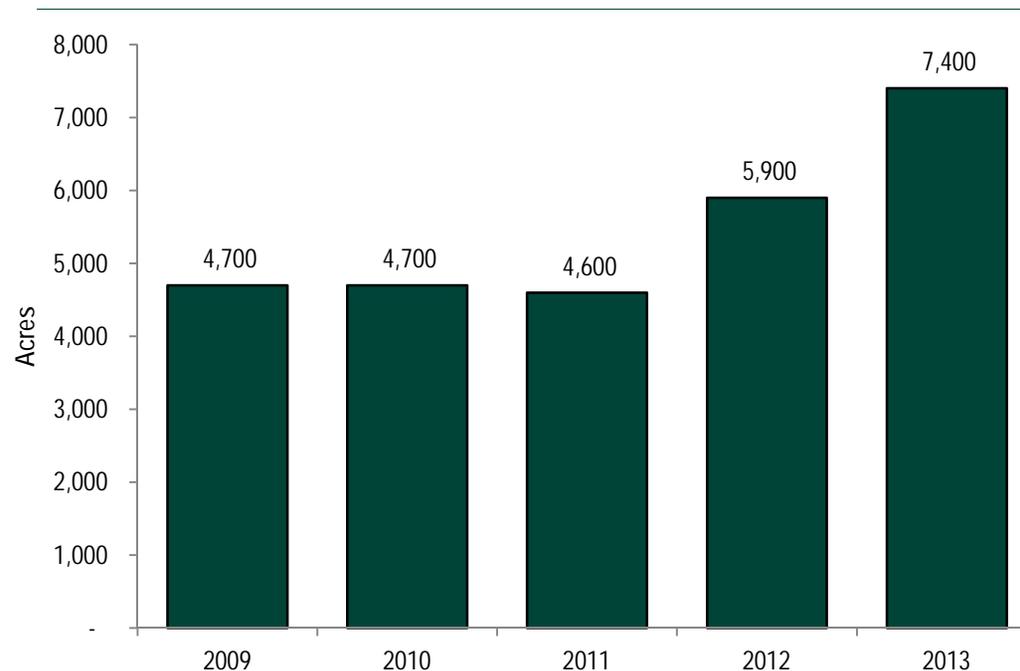
# Agribusiness Land Growth

§ Significant land growth in FY 2012 and FY 2013

- Driven by growth in total lemon acres

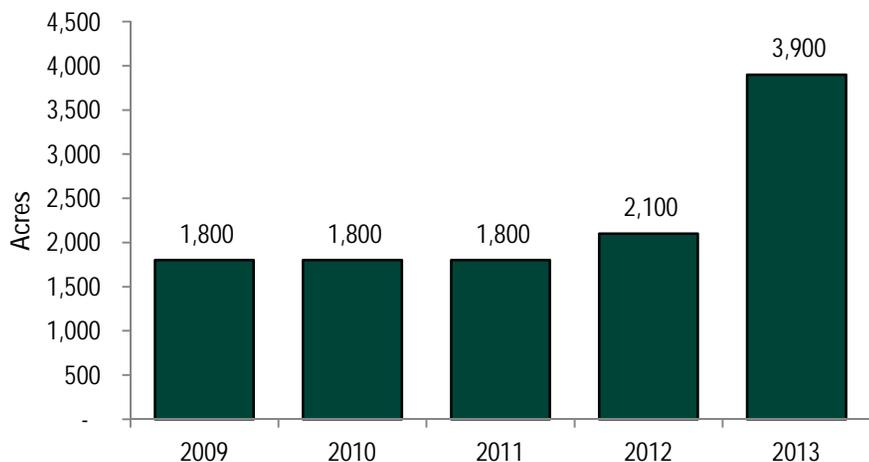
§ Focused on continued agricultural acre growth in coming years

Total Agricultural Acres

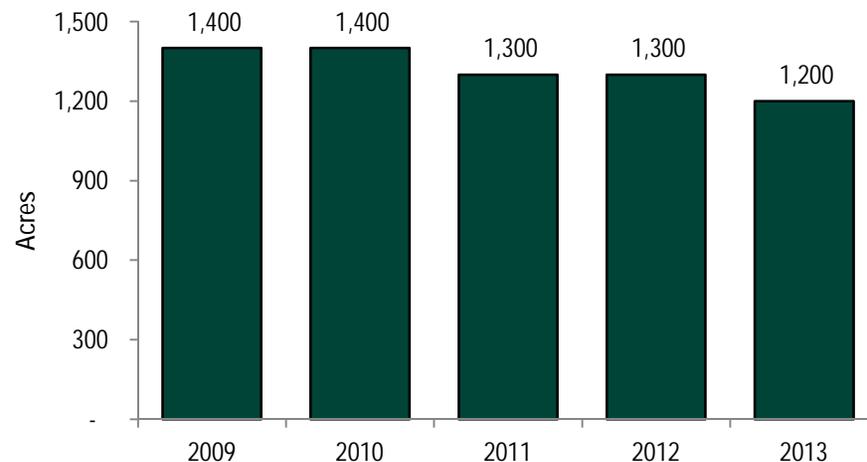


# Agribusiness Land Growth by Crop

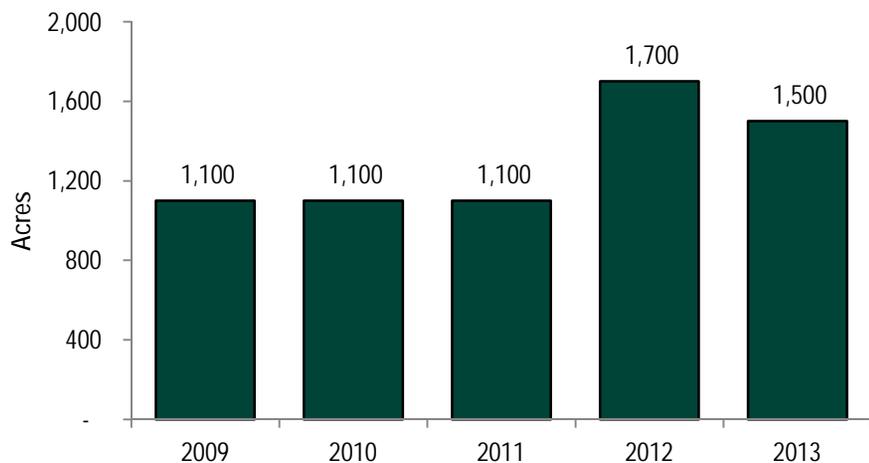
## Lemons



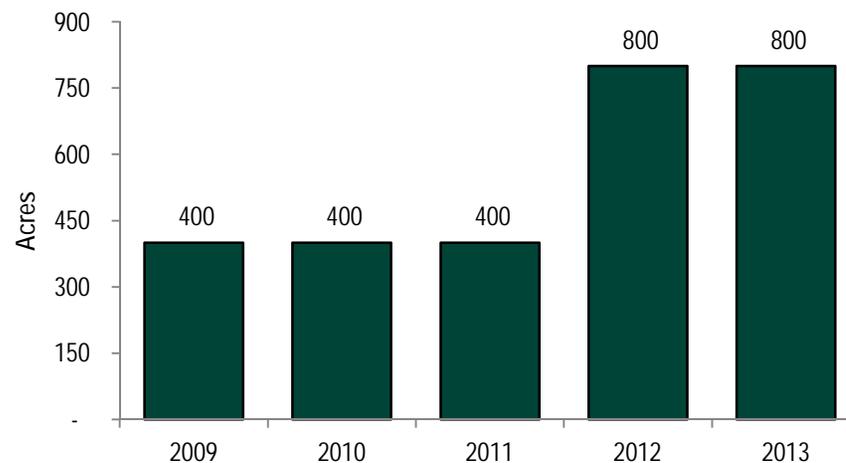
## Avocados



## Oranges



## Specialty



## 2 Real Estate Development Overview

- § Limoneira is one of the largest land owners in Ventura County, CA
  - Ideal location with close proximity to Pacific Coast and 65 miles from Los Angeles
  - Deep roots in community dating back to 1893 and strong track record of successful real estate development
- § Converting agricultural land in desirable California coastal areas into development property
  - Developable land parcels for residential, commercial and industrial use
  - 1,700 housing units in various stages of planning and development
- § Significant time and capital invested since 2004 on current real estate development projects
  - Over \$90 million of capitalized investments
- § Beginning rock remediation to prepare land for East Area 1 project
- § Targeting to break ground on Santa Paula's East Area 1 & 2 and begin selling homes in 2015
  - Expect to monetize real estate development projects in near future resulting in significant cash flows
- § Capitalize on rising land values and expanding population in Southern California

## 2 Real Estate Development Three Primary Projects

PROPERTY	LOCATION	PROFILE	BOOK VALUE <sup>(1)</sup>
East Area I & II	Santa Paula, CA (Ventura County)	550 acres 1,500 residential units, 500,000 sf commercial and 150,000 sf light industrial	\$51.5m
Windfall Farms	Creston, CA (San Luis Obispo County)	720 acres, sub-dividable into 76 10-acre vineyard estate parcels	\$20.6m
Santa Maria	Santa Barbara County	3 parcels - 450 residential units	\$11.3m
Total			\$83.4m

(1) As of October 31, 2013

## 2 Real Estate Development 100+ Year History

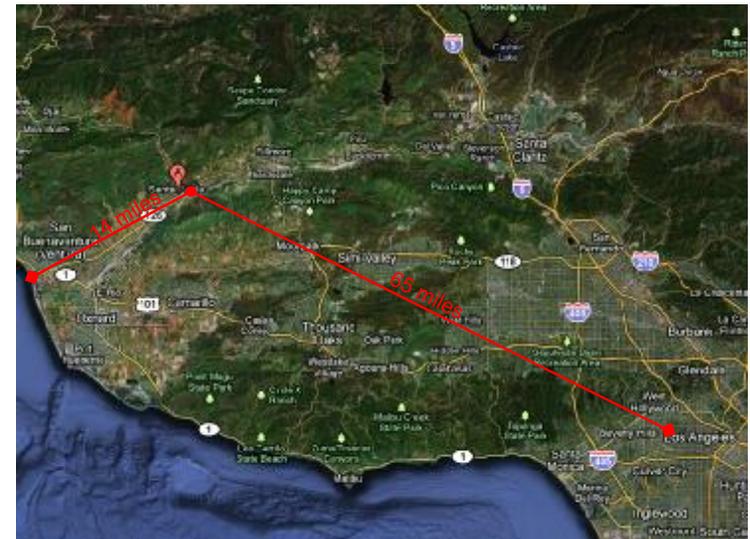
- § The Company has deep roots in the Santa Paula Community dating back to 1893
- § Over the years, the Company has demonstrated a long history of successful development within Santa Paula
- 1880s: McKeveitt
  - 1920s: McKeveitt Heights
  - 1950-70s: Blanchard neighborhoods
  - 1980s: Hillsborough
  - 1990s: Vista Pointe
- § The East Area I & II projects represent a continuation of Limoneira's leadership within the community

### Limoneira Development in Santa Paula



## 2 Real Estate Development Santa Paula East Area I & II

- § Desirable residential location
  - Located in Ventura County
  - 14 miles from Pacific Coast
  - 65 miles from Los Angeles
  - Easy access to several major highways and other transportation hubs
- § Ideal climate
  - Average daytime high: 75 degrees
  - Average annual rainfall: 14 in.
- § Abundant supply of water
- § Santa Paula referred to as the “Citrus Capital of the World”
- § \$51.5 million invested as of October 31, 2013



## 2 Real Estate Development Santa Paula East Area I & II (continued)

- § 550 acres for master planned community of commercial and residential properties
  - 25 acres of land commercially zoned
- § Received local and government approval in 2008 to build:
  - Up to 1,500 residential units
  - 500,000 sq. ft. of commercial space
  - 150,000 sq. ft. of light industrial space
- § Anticipate construction to commence in 2015 pending market conditions
- § Intend to sell developed lots to homebuilders
- § Approximately 5,100 single family detached homes expected to be built in Ventura County in the next 10 years – including East Area I



## 2 Real Estate Development East Area I & II (continued)

### Key Points to Evaluate East Area I Potential Value...

Management estimates as follows:<sup>(1)</sup>

- § Average selling price of ~\$500,000 x 1,500 units = \$750M
- § Finished lot value = ~35% to 45% of sale price (mid-point at 40% = \$300M)
- § Cost to develop finished lots = ~\$150M
- § Undiscounted residential cash benefit = ~\$150M
- § *Plus* Commercial = 500,000 sq. ft
- § *Plus* Light Industrial = 150,000 sq. ft



***Robust Opportunity for Increased Cash Flow for LMNR***

## 2 Real Estate Development Windfall Farms

- § 720 acre property located in Paso Robles, CA
- § Equestrian and vineyard estates
- § Up to 76 lots available
- § Anticipated lot selling price: ~\$500K to \$1M
- § Beginning development of vineyard
  - Planting first 100 acres of 500 acre vineyard (Cabernet Sauvignon) in 2014
- § \$20.6 million invested



## 4 Water Rights

- § Significant water rights, usage rights, and pumping rights to the water in aquifers associated with Limoneira land
  - Approximately 28,000 acre feet of water affiliated with owned LMNR properties
  - Approximately 8,600 acre feet of adjudicated water rights in the Santa Paula basin
  - Approximately 11,700 acre feet of Class 3 Colorado River water rights
  - Tag right for 500 acre feet per year for future water distribution and sales from Cadiz, Inc.
- § Substantial investments made in water companies to support and exceed farming needs<sup>(1)</sup>
- § Adjudicated water rights transaction average: ~\$10K per acre foot<sup>(2)</sup>
- § Currently seeking innovation opportunities for increased water use efficiency and development of new sources of supply



(1) Own shares in the following mutual water companies: Thermal Belt Mutual Water Co., Farmers Irrigation Co., Canyon Irrigation Co., San Cayetano Mutual Water Co., Pioneer Water Company, and the Middle Road Mutual Water Co.

(2) Santa Paula Basin Pumper's Association

# Fiscal Year 2013 Highlights

- § FY 2013 agribusiness revenue increased 30%
  - Lemon sales increased 32% compared to FY 2012
  - Avocado sales increased 22% compared to FY 2012
  - Orange sales increased 34% compared to FY 2012
  - Specialty citrus & other increased 23% compared to FY 2012
- § FY 2013 Adjusted EBITDA increased 43% compared FY 2012
- § Significantly improved balance sheet
  - Long-term debt reduced by \$27 million or 31% in FY 2013
  - February 2013: Completed public offering of 2,070,000 shares of common stock for total gross proceeds of ~ \$38.3 million
- § Completed sale of 165,000 shares of Calavo Growers common stock and East Ridge property; two transactions generated net cash of ~\$10.5 million
- § Acquired Associated Citrus Packers, increasing productive lemon orchards by almost 50%
- § Acquired 760 acres of agricultural property in Tulare County, California
- § Entered long-term lease agreement with Cadiz, Inc to develop up to 1,280 acres of new lemon orchards on Cadiz's agricultural property in San Bernardino County, California
- § East Area 1 & 2 annexed into Santa Paula

# 2014 Outlook

- § Second quarter of FY 2014 expected to benefit from acquisition of Lemons 400
- § Agribusiness
  - Anticipate selling 3.0 million to 3.3 million cartons of lemons; anticipate higher prices due to lower industry production
  - Anticipate selling ~6 million pounds of avocados; anticipate higher prices due to lower industry production
    - FY 2013 was high avocado production year and FY 2014 expected to be lower avocado production year
- § Expects to earn ~\$7.0 m in operating profit in FY 2014, representing approximately 30% increase over FY 2013 operating profit
  - Reflects expected additional lemon revenues due to Associated and Lemons 400 acquisition, offset by lower avocado revenue
- § FY 2014 pre-tax earnings expected to be similar to FY 2013 as \$1.3 million of earnings from asset sales and \$0.7 million in interest rate swap income are not expected to recur in fiscal year 2014.

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