

Agriculture & AgTech
Analysis of Sales/Earnings

Estimates Changed

Limoneira Company | LMNR - \$14.49 - NASDAQ | Buy

Stock Data					
52-Week Low - High	\$11.00 - \$17.90				
Shares Out. (mil)	17.98				
Mkt. Cap.(mil)	\$260.51				
3-Mo. Avg. Vol.	101,262				
12-Mo.Price Target	\$17.00				
Cash (mil)	\$11.0				
Tot. Debt (mil)	\$40.7				
Est. 3Yr. EPS Growth	15%				
Current Dividend (Annl. \$)	\$0.22				
Current Yield	1.90%				

Rev (\$M)					
Yr Oct	—2022—	—2023E—		—2024E—	
		Curr	Prev	Curr	Prev
1Q	39.3A	37.9A	37.9A	-	-
2Q	46.8A	48.1A	48.1A	-	-
3Q	58.9A	52.5A	49.3E	-	-
4Q	39.7A	37.8E	39.3E	-	-
YEAR	184.6A	176.3E	174.6E	192.5E	197.5E

EBITDA					
Yr Oct	—2022—	—2023E—		—2024E—	
		Curr	Prev	Curr	Prev
1Q	(5.6)A	(7.9)A	(7.9)A	-	-
2Q	5.8A	6.2A	6.2A	-	-
3Q	14.2A	2.8A	5.2E	-	-
4Q	(3.8)A	(1.6)E	0.0E	-	-
YEAR	10.6A	(0.5)E	3.5E	15.0E	-

EPS \$					
Yr Oct	—2022—	—2023E—		—2024E—	
		Curr	Prev	Curr	Prev
1Q	(0.33)A	(0.53)A	(0.53)A	-	-
2Q	0.11A	0.21A	0.21A	-	-
3Q	0.41A	0.02A	0.14E	-	-
4Q	(0.32)A	(0.18)E	(0.09)E	-	-
YEAR	(0.13)A	(0.48)E	(0.27)E	0.26E	0.31E

Results are Non-GAAP; for GAAP reporting please see model.

LMNR: 3Q F2023 Update

LMNR's agriculture business continues to face headwinds, but F2024 should see improvement. It has exited underperforming areas and continues to move towards an "asset lighter" strategy, which has de-levered the company and should reduce volatility around operations. Further, Harvest at Limoneira continues to move forward and is on track to generate over \$100mm of cash flow.

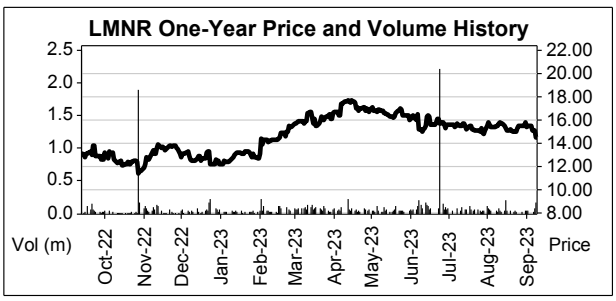
Results. LMNR reported 3Q 2023 revenue of \$52.5mm, adjusted EBITDA of \$2.8mm and adjusted EPS of \$0.02. This compares to ROTH MKMe revenue of \$49.3mm, adjusted EBITDA of \$5.2mm and adjusted EPS of \$0.14.

Agriculture faces headwinds for F2023, but F2024 should improve. Ag faced a tough quarter driven by weather and pest-related issues, which lowered the grade of harvested lemons. In turn, this led to lower fresh utilization and a higher percentage of fruit to the juice market which carries considerably lower margins. Fresh utilization was 60% as compared to 70% a year ago. Overall, LMNR packed 1.4mm cartons at an average price of \$17.92 per carton as compared to 1.5mm cartons at an average price of \$18.39 per carton last year. The bright spot was that LMNR saw an uptick in brokered lemons and other lemon sales, which increased 76% y/y to \$8.8mm. On the avocado front, LMNR sold 2.8mm pounds of fruit at an average price of \$0.99 per pound as compared to 5.7mm pounds at an average price of \$2.21 per pound last year. We expect continued headwinds into 4Q as Desert operations likely see lower harvest as well.

Agriculture – asset light model should improve F2024. We continue to look to F2024 and expect a rebound in agriculture assets driven by an asset-lighter strategy and a rebound in lemon pricing, which has been lifting since August. On the asset-light side, LMNR should benefit from increased brokering and third-party sales (~\$32mm), farm management revenue (~\$12mm), and high-value water rights monetization through following (~\$1.5mm).

Real estate. LMNR previously announced the intention to sell six properties, four of which have already closed for approximately \$130mm in cash proceeds. The other two properties (Windfall Farms and Southern Hemisphere agriculture assets) are expected to close within the next nine months for estimated proceeds of approximately \$50mm. In addition, we continue to watch Harvest at Limoneira development. Affordable housing and housing stock remain at lows and Harvest continues to be positioned to benefit from continued demand and potential build-out. LMNR expects to generate \$115mm of cash flow over the life of the project and has already received \$8mm in F2022. We review real estate sales and Harvest at Limoneira in further detail on page 2 (Exhibits 1 and 2).

Continued on page 2...



Additional Information

Exhibit 1: Harvest at Limoneira Cash Flow Projections

Harvest at Limoneira (\$mm)							
Fiscal Year	2022A	2023	2024	2025	2026	2027	2028
Projected Distributions	8.0	5.0	8.0	17.0	25.0	30.0	22.0

Source: LMNR 3Q F2023 Results Press Release

Exhibit 2: Recent/Pending Real Estate Transactions

Property	Close Date	Proceeds (\$mm)
Harvest at Limoneira	10/26/2022	8.0
Oxnard Lemon	10/31/2022	20.0
Santa Maria	11/30/2022	2.6
Northern Agricultural Properties	1/31/2023	98.4
Total		129.0
Windfall Farms	Next 9 months	TBD
Southern Hemisphere Agricultural Assets	Next 9 months	TBD
Total		50.0

Source: LMNR Investor Day Presentation (June 2023)

Balance sheet and cash flow. Exiting 3Q 2023, LMNR had \$11.0mm in cash and cash equivalents. For the nine months ended July 31, 2023, LMNR net cash provided by investing activities was \$92.4mm compared to net cash used in investing activities of \$5.3mm in the prior year period. Additionally, net cash used in financing activities was \$69.6mm compared to net cash provided by financing activities of \$4.8mm, while net cash used in operating activities was \$12.6mm compared to net cash provided by operating activities of \$10.9mm. The significant cash flow changes were attributable to the sale of its Northern Properties which resulted in total net proceeds of \$98.4mm. Proceeds were used to pay down debt, as LMNR ended 2Q with \$40.7mm in long-term debt compared to \$104.1mm at YE2022.

Exhibit 3: Variance

Variance	3Q23E	3Q23A	Variance	3Q22A	Variance
Agribusiness	48.0	51.1	6.4%	57.6	-11.3%
Rental operations	1.3	1.4	6.9%	1.3	5.7%
Real estate development	0.0	0.0	NA	0.0	NA
Total Revenue	49.3	52.5	6.5%	58.9	-10.9%
Agribusiness	8.2	4.2	-48.2%	16.1	-73.7%
Rental operations	0.2	0.4	95.4%	0.2	83.7%
Real estate development	0.0	0.0	NA	0.0	NA
Profit before SG&A	8.4	3.1	-63.4%	16.1	-80.9%
Gross Margin	17.01%	5.85%	-65.6%	27.31%	-78.6%
Adjusted EPS	\$ 0.14	\$ 0.02	-87.6%	\$ 0.11	-84.6%
Adjusted EBITDA	5.2	2.8	-45.8%	14.2	-79.9%

Source: SEC filings & ROTH MKM estimates

VALUATION

- We maintain our price target of \$17.00, which is based on 21.0x our F2024 estimated EV/EBITDA of \$15.0mm.
- Factors that may impede our price target can include weather, seasonality, crop disease, and changes in regulations domestically or internationally which could reduce the ability to grow, export, or manage crop fields. In addition, LMNR competes with international companies which may have lower operating costs.

RISKS

Weather. LMNR's plantings are vulnerable to unforeseen weather events including windstorms, drought, excessive rain, hail and other situations. LMNR does not have the ability to foresee or prevent many weather-related issues, which can impact results.

Crop disease. Crop diseases can either develop or migrate causing damage to overall fruit production. While LMNR can attempt to reduce the spread of crop disease there is no guarantee that they will be successful.

Competition. LMNR operates on a global basis and new or existing competitors with lower costs of operations may impact profitability and ability to compete.

Seasonality. The agriculture market is highly seasonal from quarter to quarter and in some cases from year to year. Results could be affected by the timing of harvest and end market demand among other items.

Commodity pricing. Citrus fruit is a commodity and as such its prices can swing due to supply-demand relationships. In addition, farm inputs such as fertilizer are subject to commodity pricing volatility. Citrus fruit pricing and farm input costs could negatively impact earnings.

Water. Availability of water is critical to crop production. Access to water may be curtailed due to prolonged drought or changes in allocation.

Litigation risk. LMNR is subject to various litigation risks including spoilage of product in growing, packing or transportation to market. In addition, contamination by outside influences or by chemicals used in production is a potential risk.

Acquisition & integration risk. LMNR may from time to time look to acquire additional ranches and packing facilities domestically and internationally. There is no guarantee LMNR will be able to integrate and manage acquisitions profitably.

COMPANY DESCRIPTION

Limoneira is an agribusiness and real estate development company based in Santa Paula, California. The company is one of California's oldest citrus growers. Limoneira is one of the largest growers of lemons in the United States and also is the largest domestic grower of avocados. The company also grows other crops including oranges and grapes for wine production. Agricultural plantings are located in Ventura, Tulare and San Joaquin counties in California; Yuma, Arizona and most recently Chile. In addition to plantings, Limoneira owns and operates a packing facility for its lemons as well as lemons grown by third parties. The company has several significant real estate development projects in California, which consist of converting farmland into multi-family housing, single-family homes as well as commercial and industrial sites.

Limoneira Company
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October FY (Millions)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	1Q Jan-22	2Q Apr-22	3Q Jul-22	4Q Oct-22	FY 2022	1Q Jan-23	2Q Apr-23	3Q Jul-23	4Q Oct-23	FY 2023	FY 2024	
	(A)	(A)	(A)	(A)	(A)	(A)	(A)	(A)	(A)	(A)	(A)	(A)	(A)	(A)	(A)	(A)	(E)	(E)	(E)	
Revenues by segment																				
Agribusiness & Farm Services Mgmt.	98.5	95.1	106.1	115.9	124.3	166.5	159.9	161.4	38.1	45.4	57.6	38.2	179.3	36.5	46.7	51.1	36.5	170.8	187.0	
Rental operations	4.6	5.1	5.6	5.4	5.0	4.8	4.6	4.6	1.2	1.4	1.3	1.4	5.3	1.4	1.4	1.4	1.3	5.5	5.5	
Total Revenue	103.5	100.3	111.8	121.3	129.4	171.4	164.6	166.0	39.3	46.8	58.9	39.7	184.6	37.9	48.1	52.5	37.8	176.3	192.5	
Profit after segment operating costs																				
Agribusiness	24.2	17.9	22.5	24.7	26.3	14.2	2.1	12.9	(3.2)	7.8	16.1	(2.1)	18.6	(4.7)	8.5	4.2	1.5	9.5	27.2	
Rental operations	1.6	1.7	2.0	1.5	1.0	0.5	0.1	0.3	0.1	0.3	0.2	0.3	0.9	0.1	0.4	0.4	0.2	1.1	1.0	
Real estate development	168.5	(1.2)	(2.0)	(0.4)	(0.1)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Profit before SG&A	24.2	18.4	22.5	25.8	27.1	14.6	2.3	9.1	(3.0)	7.7	16.1	3.2	24.0	35.2	2.1	3.1	1.7	42.1	26.3	
Selling, general and administrative	14.3	13.8	13.3	13.9	16.1	21.2	21.3	19.4	6.6	5.1	5.0	5.1	21.8	9.3	6.0	4.6	5.5	25.4	23.0	
Other	0.0	0.0	0.0	0.0	1.6	(1.1)	(0.0)	0.1	(0.1)	0.3	0.2	(5.0)	(4.5)	(39.7)	6.7	1.5	0.0	(31.5)	0.0	
Operating income	9.9	4.6	9.2	11.9	9.5	(5.5)	(19.0)	(6.3)	(9.6)	2.6	11.1	(1.9)	2.2	25.9	(3.9)	(1.5)	(3.8)	16.7	5.2	
Other income (expense)																				
Interest expense	0.1	(0.1)	(1.4)	(1.8)	(1.1)	(2.1)	(1.7)	(1.2)	0.2	(0.7)	(0.8)	(1.0)	(2.3)	(1.2)	1.1	(0.1)	(0.1)	(0.3)	(0.4)	
Equity in losses of investments	0.3	0.2	0.6	0.0	0.6	3.1	0.3	3.2	0.1	0.3	0.3	0.7	1.3	0.3	0.1	0.2	0.4	0.9	0.8	
Other income, net	0.3	6.4	4.9	0.5	4.5	(2.0)	(6.0)	0.1	0.0	0.1	0.0	(1.1)	(0.9)	(2.6)	0.2	(0.2)	0.0	(2.6)	0.0	
Total other income (expense)	0.7	6.5	4.1	(1.2)	4.0	(1.0)	(7.4)	2.2	0.3	(0.3)	(0.4)	(1.4)	(1.9)	(3.5)	1.3	(0.1)	0.3	(2.0)	0.4	
Earnings Before Income Taxes	10.6	11.1	13.3	10.6	13.5	(6.6)	(26.4)	(4.2)	(9.3)	2.3	10.6	(3.3)	0.3	22.4	(2.5)	(1.6)	(3.5)	14.6	5.6	
Provision for Income Taxes	(3.6)	(4.0)	(5.3)	(4.1)	6.7	1.1	8.5	0.3	2.7	(0.7)	(3.3)	0.6	(0.8)	(6.8)	0.9	0.4	0.5	(5.0)	(1.3)	
Net Income	7.0	7.1	8.1	6.5	20.2	(5.5)	(17.9)	(3.9)	(6.6)	1.6	7.3	(2.8)	(0.5)	15.5	(1.6)	(1.3)	(3.0)	9.6	4.3	
Non controlling interest	0.0	0.0	0.0	0.0	(0.0)	(0.5)	1.5	0.5	0.1	(0.0)	0.1	0.1	0.2	0.1	0.0	0.1	0.0	0.2	0.8	
Preferred dividends	(0.5)	(0.6)	(0.6)	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)	(0.5)	
Net Income to LMNR common stockholders	6.5	6.4	7.4	6.0	19.7	(6.4)	(16.9)	(3.9)	(6.6)	1.4	7.3	(2.8)	(0.7)	15.5	(1.7)	(1.3)	(3.1)	9.3	4.6	
Diluted EPS (GAAP)	0.46	0.46	0.52	0.41	1.32	(0.37)	(0.96)	(0.23)	(0.38)	0.08	0.40	(0.16)	(0.04)	0.84	(0.10)	(0.07)	(0.18)	0.49	0.26	
Adjusted EPS	0.46	0.46	0.52	0.41	0.55	(0.45)	(0.69)	(0.23)	(0.33)	0.11	0.41	(0.32)	(0.13)	(0.53)	0.21	0.02	(0.18)	(0.48)	0.26	
Diluted Shares Outstanding	14.12	14.12	14.17	14.75	15.99	17.58	17.67	17.57	17.45	17.51	18.33	17.54	17.54	18.38	17.60	17.62	17.67	17.67	17.89	
EBITDA Reconciliation																				
Operating Income	9.9	4.6	9.2	11.9	9.5	(5.5)	(19.0)	(6.3)	(9.6)	2.6	11.1	(1.9)	2.2	25.9	(3.9)	(1.5)	(3.8)	16.7	5.2	
Depreciation and Amortization	3.5	3.2	5.3	6.5	7.4	8.6	10.1	9.8	2.5	2.5	2.5	2.4	9.8	2.4	2.0	2.0	1.8	8.3	8.0	
Other	0.6	6.6	5.5	0.7	5.1	0.6	(4.2)	3.7	0.2	0.4	0.4	(0.3)	0.6	(2.3)	0.3	0.1	0.4	(1.6)	1.6	
EBITDA	14.0	14.4	20.1	19.0	22.0	3.7	(13.1)	7.2	(6.9)	5.4	13.9	0.2	12.6	26.1	(1.5)	0.5	(1.6)	23.4	14.8	
Adjusted EBITDA	14.5	14.4	20.1	19.0	23.5	1.9	(6.5)	7.3	(5.6)	5.8	14.2	(3.8)	10.6	(7.9)	6.2	2.8	(1.6)	(0.5)	15.0	
Gross Margin	23.4%	18.3%	20.1%	21.3%	20.9%	8.5%	1.4%	5.5%	-7.5%	16.5%	27.3%	8.0%	13.0%	92.8%	4.5%	5.9%	4.5%	23.9%	13.7%	
EBITDA Margin	13.6%	14.3%	18.0%	15.7%	17.0%	2.2%	-8.0%	4.3%	-17.6%	11.6%	23.6%	0.5%	6.8%	68.8%	-3.2%	1.0%	-4.3%	13.3%	7.7%	
EBIT Margin	10.2%	11.0%	11.9%	8.8%	10.4%	-3.8%	-16.1%	-2.5%	-23.6%	4.9%	18.1%	-8.4%	0.2%	59.0%	-5.3%	-3.1%	-9.4%	8.3%	2.9%	
Net Margin	6.3%	6.4%	6.6%	5.0%	15.2%	-3.8%	-10.3%	-2.4%	-16.9%	3.1%	12.3%	-7.0%	-0.4%	40.9%	-3.6%	-2.5%	-8.3%	5.3%	2.4%	
Tax Rate	33.8%	35.9%	39.5%	38.4%	-49.9%	16.7%	32.1%	6.4%	-28.6%	31.5%	31.1%	-16.9%	235.8%	-30.5%	35.9%	23.2%	-15.0%	34.2%	23.2%	

Source: SEC Filings and ROTH MKM estimates

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Distribution of IB Services Firmwide

Rating	Count	Percent	IB Serv./Past 12 Mos. as of 09/11/23	
			Count	Percent
Buy [B]	348	72.20	215	61.78
Neutral [N]	87	18.05	30	34.48
Sell [S]	3	0.62	1	33.33
Under Review [UR]	42	8.71	9	21.43

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Neutral: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return between negative 10% and 10% over the next 12 months.

Sell: A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

Under Review [UR]: A rating, which at the time it is instituted and or reiterated, indicates the temporary removal of the prior rating, price target and estimates for the security. Prior rating, price target and estimates should no longer be relied upon for UR-rated securities.

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