

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Quarterly Period Ended March 31, 2022**

or

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period**

from \_\_\_\_\_ to \_\_\_\_\_

**Commission File Number: 0-261**

**ALICO, INC.**

*(Exact name of registrant as specified in its charter)*

**Florida**

*(State or other jurisdiction of  
incorporation or organization)*

**10070 Daniels Interstate Court  
Fort Myers**

*(Address of principal executive offices)*

**Suite 200**

**FL**

**59-0906081**

*(I.R.S. Employer Identification No.)*

**33913**

*(Zip Code)*

**(239) 226-2000**

*(Registrant's telephone number, including area code)*

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	ALCO	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer   
Non-accelerated filer   
Emerging Growth Company

**Accelerated Filer**   
Smaller Reporting Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

There were 7,564,786 shares of common stock outstanding at May 6, 2022.

**ALICO, INC.**  
**FORM 10-Q**  
**For the three and six months ended March 31, 2022 and 2021**  
**Table of Contents**

<a href="#"><u>Part I - FINANCIAL INFORMATION</u></a>	
<a href="#"><u>Item 1. Condensed Consolidated Financial Statements</u></a>	1
<a href="#"><u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></a>	22
<a href="#"><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u></a>	33
<a href="#"><u>Item 4. Controls and Procedures</u></a>	33
<a href="#"><u>Part II - OTHER INFORMATION</u></a>	34
<a href="#"><u>Item 1. Legal Proceedings</u></a>	34
<a href="#"><u>Item 1A. Risk Factors</u></a>	34
<a href="#"><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></a>	34
<a href="#"><u>Item 3. Defaults Upon Senior Securities</u></a>	34
<a href="#"><u>Item 4. Mine Safety Disclosure</u></a>	34
<a href="#"><u>Item 5. Other Information</u></a>	34
<a href="#"><u>Item 6. Exhibits</u></a>	35
<a href="#"><u>Signatures</u></a>	36

---

**PART I**

**Item 1. Condensed Consolidated Financial Statements**

**Index to Condensed Consolidated Financial Statements**

<a href="#">Condensed Consolidated Balance Sheets as of March 31, 2022 (Unaudited) and September 30, 2021</a>	1
<a href="#">Condensed Consolidated Statements of Operations for the three and six months ended March 31, 2022 and 2021 (Unaudited)</a>	2
<a href="#">Condensed Consolidated Statements of Changes in Equity for the three and six months ended March 31, 2022 and 2021 (Unaudited)</a>	3
<a href="#">Condensed Consolidated Statements of Cash Flows for the six months ended March 31, 2022 and 2021 (Unaudited)</a>	4
<a href="#">Notes to Condensed Consolidated Financial Statements (Unaudited)</a>	5

---

**ALICO, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share amounts)

	March 31, 2022	September 30, 2021
	(Unaudited)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 23,516	\$ 886
Accounts receivable, net	12,527	6,105
Inventories	33,183	43,377
Income tax receivable	—	3,233
Assets held for sale	129	160
Prepaid expenses and other current assets	1,227	1,152
<b>Total current assets</b>	<b>70,582</b>	<b>54,913</b>
Restricted cash	2,660	—
Property and equipment, net	373,863	373,231
Goodwill	2,246	2,246
Other non-current assets	3,561	2,827
<b>Total assets</b>	<b>\$ 452,912</b>	<b>\$ 433,217</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 7,377	\$ 7,274
Accrued liabilities	7,986	9,872
Long-term debt, current portion	4,285	4,285
Income tax payable	4,072	—
Other current liabilities	811	875
<b>Total current liabilities</b>	<b>24,531</b>	<b>22,306</b>
Long-term debt:		
Principal amount, net of current portion	119,866	122,009
Less: deferred financing costs, net	(910)	(986)
Long-term debt less current portion and deferred financing costs, net	118,956	121,023
Deferred income tax liabilities, net	37,231	41,977
Other liabilities	638	306
<b>Total liabilities</b>	<b>181,356</b>	<b>185,612</b>
Commitments and Contingencies (Note 12)		
<b>Stockholders' equity:</b>		
Preferred stock, no par value, 1,000,000 shares authorized; none issued	—	—
Common stock, \$1.00 par value, 15,000,000 shares authorized; 8,416,145 shares issued and 7,552,669 and 7,526,004 shares outstanding at March 31, 2022 and September 30, 2021, respectively	8,416	8,416
Additional paid in capital	19,963	19,989
Treasury stock, at cost, 863,476 and 890,141 shares held at March 31, 2022 and September 30, 2021, respectively	(29,027)	(29,853)
Retained earnings	266,938	243,651
<b>Total Alico stockholders' equity</b>	<b>266,290</b>	<b>242,203</b>
Noncontrolling interest	5,266	5,402
<b>Total stockholders' equity</b>	<b>271,556</b>	<b>247,605</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 452,912</b>	<b>\$ 433,217</b>

*See accompanying notes to the condensed consolidated financial statements.*

**ALICO, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**  
(in thousands, except per share amounts)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
<b>Operating revenues:</b>				
Alico Citrus	\$ 49,032	\$ 55,268	\$ 63,780	\$ 68,194
Land Management and Other Operations	609	676	1,198	1,482
Total operating revenues	49,641	55,944	64,978	69,676
<b>Operating expenses:</b>				
Alico Citrus	45,490	45,518	58,876	53,665
Land Management and Other Operations	152	200	292	388
Total operating expenses	45,642	45,718	59,168	54,053
<b>Gross profit</b>	3,999	10,226	5,810	15,623
General and administrative expenses	2,538	2,653	5,122	5,181
Income from operations	1,461	7,573	688	10,442
<b>Other income (expense), net:</b>				
Interest expense	(870)	(1,089)	(1,771)	(2,278)
Gain (loss) on sale of real estate, property and equipment and assets held for sale	26,604	(17)	35,049	3,347
Other income	1	2	10	12
Total other income (expense), net	25,735	(1,104)	33,288	1,081
<b>Income before income taxes</b>	27,196	6,469	33,976	11,523
Income tax provision	6,579	1,579	3,279	2,829
<b>Net income</b>	20,617	4,890	30,697	8,694
Net loss (income) attributable to noncontrolling interests	85	(23)	136	18
<b>Net income attributable to Alico, Inc. common stockholders</b>	<u>\$ 20,702</u>	<u>\$ 4,867</u>	<u>\$ 30,833</u>	<u>\$ 8,712</u>
<b>Per share information attributable to Alico, Inc. common stockholders:</b>				
<b>Earnings per common share:</b>				
Basic	\$ 2.74	\$ 0.65	\$ 4.09	\$ 1.16
Diluted	\$ 2.74	\$ 0.65	\$ 4.08	\$ 1.16
<b>Weighted-average number of common shares outstanding:</b>				
Basic	7,552	7,513	7,543	7,508
Diluted	7,556	7,513	7,548	7,508
<b>Cash dividends declared per common share</b>	\$ 0.50	\$ 0.18	\$ 1.00	\$ 0.36

*See accompanying notes to the condensed consolidated financial statements.*

**ALICO, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)**  
(in thousands)

**For the Three Months Ended March 31, 2022**

	Common stock		Additional Paid In Capital	Treasury Stock	Retained Earnings	Total Alico, Inc. Equity	Non- controlling Interest	Total Equity
	Shares	Amount						
Balance at December 31, 2021	8,416	\$ 8,416	\$ 20,080	\$ (29,399)	\$ 250,012	\$ 249,109	\$ 5,351	\$ 254,460
Net income (loss)	—	—	—	—	20,702	20,702	(85)	20,617
Dividends (\$0.50/share)	—	—	—	—	(3,776)	(3,776)	—	(3,776)
Stock-based compensation:								
Directors	—	—	27	142	—	169	—	169
Executives and Managers	—	—	59	—	—	59	—	59
Employees	—	—	(203)	230	—	27	—	27
<b>Balance at March 31, 2022</b>	<b>8,416</b>	<b>\$ 8,416</b>	<b>\$ 19,963</b>	<b>\$ (29,027)</b>	<b>\$ 266,938</b>	<b>\$ 266,290</b>	<b>\$ 5,266</b>	<b>\$ 271,556</b>

**For the Six Months Ended March 31, 2022**

	Common stock		Additional Paid In Capital	Treasury Stock	Retained Earnings	Total Alico, Inc. Equity	Non- controlling Interest	Total Equity
	Shares	Amount						
Balance at September 30, 2021	8,416	\$ 8,416	\$ 19,989	\$ (29,853)	\$ 243,651	\$ 242,203	\$ 5,402	\$ 247,605
Net income (loss)	—	—	—	—	30,833	30,833	(136)	30,697
Dividends (\$1.00/share)	—	—	—	—	(7,546)	(7,546)	—	(7,546)
Exercise of stock options	—	—	15	155	—	170	—	170
Stock-based compensation:								
Directors	—	—	50	298	—	348	—	348
Executives and Managers	—	—	112	143	—	255	—	255
Employees	—	—	(203)	230	—	27	—	27
<b>Balance at March 31, 2022</b>	<b>8,416</b>	<b>\$ 8,416</b>	<b>\$ 19,963</b>	<b>\$ (29,027)</b>	<b>\$ 266,938</b>	<b>\$ 266,290</b>	<b>\$ 5,266</b>	<b>\$ 271,556</b>

*See accompanying notes to the condensed consolidated financial statements.*

**ALICO, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)**  
(in thousands)

**For the Three Months Ended March 31, 2021**

	Common stock		Additional Paid In Capital	Treasury Stock	Retained Earnings	Total Alico, Inc. Equity	Non- controlling Interest	Total Equity
	Shares	Amount						
Balance at December 31, 2020	8,416	\$ 8,416	\$ 19,634	\$ (30,421)	\$ 221,513	\$ 219,142	\$ 5,400	\$ 224,542
Net income	—	—	—	—	4,867	4,867	23	4,890
Dividends (\$0.18/share)	—	—	—	—	(1,352)	(1,352)	—	(1,352)
Stock-based compensation:								
Directors	—	—	24	198	—	222	—	222
Executives and Managers	—	—	101	—	—	101	—	101
<b>Balance at March 31, 2021</b>	<b>8,416</b>	<b>\$ 8,416</b>	<b>\$ 19,759</b>	<b>\$ (30,223)</b>	<b>\$ 225,028</b>	<b>\$ 222,980</b>	<b>\$ 5,423</b>	<b>\$ 228,403</b>

**For the Six Months Ended March 31, 2021**

	Common stock		Additional Paid In Capital	Treasury Stock	Retained Earnings	Total Alico, Inc. Equity	Non- controlling Interest	Total Equity
	Shares	Amount						
Balance at September 30, 2020	8,416	\$ 8,416	\$ 19,685	\$ (30,779)	\$ 219,019	\$ 216,341	\$ 5,441	\$ 221,782
Net income (loss)	—	—	—	—	8,712	8,712	(18)	8,694
Dividends (\$0.36/share)	—	—	—	—	(2,703)	(2,703)	—	(2,703)
Stock-based compensation:								
Directors	—	—	44	400	—	444	—	444
Executives and Managers	—	—	30	156	—	186	—	186
<b>Balance at March 31, 2021</b>	<b>8,416</b>	<b>\$ 8,416</b>	<b>\$ 19,759</b>	<b>\$ (30,223)</b>	<b>\$ 225,028</b>	<b>\$ 222,980</b>	<b>\$ 5,423</b>	<b>\$ 228,403</b>

*See accompanying notes to the condensed consolidated financial statements.*

**ALICO, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
(in thousands)

	Six Months Ended March 31,	
	2022	2021
<b>Net cash provided by operating activities:</b>		
Net income	\$ 30,697	\$ 8,694
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	7,668	7,617
Debt issue costs expense	85	91
Gain on sale of real estate, property and equipment and assets held for sale	(35,049)	(3,347)
Loss on disposal of long-lived assets	909	1,200
Deferred income tax benefit	(4,746)	—
Stock-based compensation expense	630	630
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(6,422)	(6,662)
Inventories	10,194	10,820
Prepaid expenses	(74)	(259)
Income tax receivable	3,233	781
Other assets	(653)	278
Accounts payable and accrued liabilities	(2,015)	5,623
Income taxes payable	4,072	888
Other liabilities	269	(728)
Net cash provided by operating activities	<u>8,798</u>	<u>25,626</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(10,428)	(10,336)
Acquisition of citrus groves	(136)	(18,230)
Net proceeds from sale of real estate, property and equipment and assets held for sale	36,657	3,442
Change in deposits on purchase of citrus trees	(95)	240
Advances on notes receivables, net	—	271
Other	—	15
Net cash provided by (used in) investing activities	<u>25,998</u>	<u>(24,598)</u>
<b>Cash flows from financing activities:</b>		
Repayments on revolving lines of credit	(46,470)	(45,247)
Borrowings on revolving lines of credit	46,470	42,305
Principal payments on term loans	(2,143)	(5,377)
Exercise of stock options	170	—
Dividends paid	(7,533)	(2,025)
Net cash used in financing activities	<u>(9,506)</u>	<u>(10,344)</u>
<b>Net increase (decrease) in cash and cash equivalents and restricted cash</b>	<b>25,290</b>	<b>(9,316)</b>
Cash and cash equivalents and restricted cash at beginning of the period	<u>886</u>	<u>19,687</u>
<b>Cash and cash equivalents and restricted cash at end of the period</b>	<b>\$ 26,176</b>	<b>\$ 10,371</b>

*See accompanying notes to the condensed consolidated financial statements.*

**ALICO, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 1. Description of Business and Basis of Presentation**

*Description of Business*

Alico, Inc., together with its subsidiaries (collectively, "Alico", the "Company", "we", "us" or "our"), is a Florida agribusiness and land management company owning approximately 75,000 acres of land and approximately 90,000 acres of mineral rights throughout Florida. Alico holds these mineral rights on substantially all its owned acres, with additional mineral rights on other acres. The Company manages its land based upon its primary usage, and reviews its performance based upon two primary classifications: (i) Alico Citrus and (ii) Land Management and Other Operations. Financial results are presented based upon these two business segments.

*Basis of Presentation*

The Company has prepared the accompanying financial statements on a condensed consolidated basis. These accompanying unaudited condensed consolidated interim financial statements, which are referred to herein as the "Financial Statements", have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to Article 10-01 of Regulation S-X of the U.S. Securities and Exchange Commission ("SEC") for interim financial information. These Financial Statements do not include all the disclosures required for complete annual financial statements and, accordingly, certain information, footnotes and disclosures normally included in annual financial statements, prepared in accordance with U.S. GAAP, have been condensed or omitted in accordance with SEC rules and regulations. Accordingly, the Financial Statements should be read in conjunction with the Company's audited Consolidated Financial Statements and Notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2021, as filed with the SEC on December 7, 2021.

The Financial Statements presented in this Quarterly Report on Form 10-Q are unaudited. However, in the opinion of management, such Financial Statements include all adjustments, consisting solely of normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP applicable to interim periods.

Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the current fiscal year ending September 30, 2022.

*Segments*

Operating segments are defined in the criteria established under the Financial Accounting Standards Board - Accounting Standards Codification ("FASB ASC") Topic 280 as components of public entities that engage in business activities from which they may earn revenues and incur expenses for which separate financial information is available and which is evaluated regularly by the Company's chief operating decision maker ("CODM") in deciding how to assess performance and allocate resources. The Company's CODM assesses performance and allocates resources based on two operating segments: (i) Alico Citrus and (ii) Land Management and Other Operations.

*Principles of Consolidation*

The Financial Statements include the accounts of Alico and the accounts of all the subsidiaries in which a controlling interest is held by the Company. Under U.S. GAAP, consolidation is generally required for investments of more than 50% of the outstanding voting stock of an investee, except when control is not held by the majority owner. The Company's subsidiaries include: Alico Land Development, Inc., Alico-Agri, Ltd., Alico Plant World, LLC, Alico Fruit Company, LLC, Alico Citrus Nursery, LLC, Alico Chemical Sales, LLC, 734 Citrus Holdings, LLC and subsidiaries, Alico Skink Mitigation, LLC and Citree Holdings 1, LLC ("Citree"). The Company considers the criteria established under FASB ASC Topic 810,

“Consolidations” in its consolidation process. All significant intercompany balances and transactions have been eliminated in consolidation.

#### *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities as of the date of the accompanying Financial Statements, the disclosure of contingent assets and liabilities in the Financial Statements and the accompanying Notes, and the reported amounts of revenues and expenses and cash flows during the periods presented. Actual results could differ from those estimates. The Company evaluates estimates on an ongoing basis. The estimates are based on current and expected economic conditions, historical experience, the experience and judgment of the Company’s management and various other specific assumptions that the Company believes to be reasonable.

#### *Restricted Cash*

Restricted cash is comprised of certain cash receipts from the sale of property in which the use of funds is restricted.

In March 2022, the Company sold certain sections of the West Ranch, from which a portion of the net cash proceeds amounting to \$2,660,000 is being held by a qualified intermediary for purposes of purchasing a like-kind asset and deferring a portion of the gain on the sale of the ranch land. Such portion of the net cash proceeds is included in restricted cash.

#### *Revenue Recognition*

Revenues are derived from the sale of processed fruit, fresh fruit, other citrus revenue, revenues from grove management services, leasing revenue and other resource revenues. Most of the revenue is generated from the sale of citrus fruit to processing facilities, fresh fruit sales and grove management services.

For fruit sales, the Company recognizes revenue in the amount it expects to be entitled to be paid, determined when control of the products or services is transferred to its customers, which occurs upon delivery of and acceptance of the fruit by the customer and when the Company has a right to payment.

For the sale of fruit, the Company has identified one performance obligation, which is the delivery of fruit to the processing facility of the customer (or harvesting of the citrus in the case of fresh fruit) for each separate variety of fruit identified in the respective contract with the respective customer. The Company initially recognizes revenue in an amount which is estimated based on contractual and market prices, if such market price falls within the range (known as “floor” and “ceiling” prices) identified in the specific respective contracts. Additionally, the Company also has a contractual agreement whereby revenue is determined based on applying a cost-plus structure methodology. As such, since all these contracts contain elements of variable consideration, the Company recognizes this variable consideration by using the expected value method. On a quarterly basis, management reviews the reasonableness of the revenues accrued based on buyers’ and processors’ advances to growers, cash and futures markets and experience in the industry. Adjustments are made throughout the year to these estimates as more current relevant industry information becomes available. Differences between the estimates and the final realization of revenues at the close of the harvesting season can result in either an increase or decrease to reported revenues.

Receivables under contracts, whereby pricing is based on contractual and market prices, are primarily paid at the floor amount and are collected within seven days after the harvest week. Any adjustments to pricing as a result of changes in market prices are collected or paid thirty to sixty days after final market pricing is published. Receivables under those contracts where pricing is based off a cost-plus structure methodology are paid at the final prior year rate. Any adjustments to pricing because of the cost-plus calculation are collected or paid upon finalization of the calculation and agreement by both parties. As of March 31, 2022, and September 30, 2021, the Company had total receivables relating to sales of citrus of approximately \$10,051,000 and \$3,161,000, respectively, recorded in Accounts Receivable, net, in the Condensed Consolidated Balance Sheets.

For grove management services, the Company has identified one performance obligation, which is the management of the third party’s groves. Grove management services include caretaking of the citrus groves, harvesting and hauling of citrus,

management and coordination of citrus sales and other related activities. The Company is reimbursed for expenses incurred in the execution of its management duties and the Company receives a per acre management fee. The Company recognizes operating revenue, including a management fee, and corresponding operating expenses when such services are rendered and consumed.

#### *Disaggregated Revenue*

Revenues disaggregated by significant products and services for the three and six months ended March 31, 2022 and 2021 are as follows:

*(in thousands)*

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
<b>Alico Citrus</b>				
Early and Mid-Season	\$ 17,909	\$ 21,749	\$ 28,287	\$ 31,064
Valencias	25,854	28,014	25,854	28,014
Fresh Fruit	350	176	1,229	585
Grove Management Services	4,416	4,979	7,834	8,071
Other	503	350	576	460
<b>Total</b>	<b>\$ 49,032</b>	<b>\$ 55,268</b>	<b>\$ 63,780</b>	<b>\$ 68,194</b>
<b>Land Management and Other Operations</b>				
Land and Other Leasing	\$ 442	\$ 623	\$ 970	\$ 1,350
Other	167	53	228	132
<b>Total</b>	<b>\$ 609</b>	<b>\$ 676</b>	<b>\$ 1,198</b>	<b>\$ 1,482</b>
<b>Total Revenues</b>	<b>\$ 49,641</b>	<b>\$ 55,944</b>	<b>\$ 64,978</b>	<b>\$ 69,676</b>

#### *Noncontrolling Interest in Consolidated Subsidiary*

The Financial Statements include all assets and liabilities of the less-than-100%-owned subsidiary the Company controls, Citree. Accordingly, the Company has recorded a noncontrolling interest in the equity of such entity. Citree had a net loss of approximately \$174,000 and net income of approximately \$45,000 for the three months ended March 31, 2022 and 2021, respectively, and a net loss of \$278,000 and \$37,000 for the six months ended March 31, 2022 and 2021, of which 51% is attributable to the Company.

#### *Recent Accounting Pronouncements*

In March 2020, the FASB issued *ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides temporary optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships and other transactions affected by reference rate reform. The Company's floating rate notes and variable funding notes bear interest at fluctuating interest rates based on LIBOR. Because LIBOR will cease to exist, the Company will need to renegotiate its loan agreements, but the Company cannot predict what alternative index would be negotiated with its lenders. ASU 2020-04 is currently effective and upon adoption may be applied prospectively to contract modifications made on or before December 31, 2022. The Company is currently assessing the impact of adopting this standard and the impact on its condensed consolidated financial statements.

The Company has reviewed other recently issued accounting standards which have not yet been adopted to determine their potential effect, if any, on the results of operations or financial condition. Based on the review of these other recently issued standards, the Company does not currently believe that any of those accounting pronouncements will have a significant effect on its current or future financial position, results of operations, cash flows or disclosures.

#### *Recently Adopted Accounting Pronouncements*

In January 2017, the FASB issued Accounting Standards Update (“ASU”) 2017-04, “*Intangibles-Goodwill and Other*” (Topic 350), which simplifies the accounting for goodwill impairment. The updated guidance eliminates Step 2 of the impairment test, which requires entities to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit’s carrying amount over its fair value, determined in Step 1. The Company adopted ASU 2017-04 effective October 1, 2020, using the prospective approach, and will apply this standard in future impairment tests. The adoption of this standard did not have a material impact on the Company’s condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, “*Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements*” (“ASU 2018-13”), which aims to improve the overall usefulness of disclosures to financial statement users and reduce unnecessary costs to companies when preparing fair value measurement disclosures. ASU 2018-13 is effective for annual and interim periods in the fiscal years beginning after December 15, 2019. Retrospective adoption was required, except for certain disclosures, which were required to be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. The Company adopted ASU 2018-13 effective October 1, 2020, and the adoption of this standard did not have a material impact on the Company’s condensed consolidated financial statements.

In November 2018, the FASB issued ASU 2018-19, “*Codification Improvements to Topic 326, Financial Instruments-Credit Losses.*” ASU 2018-19 clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Leases (Topic 842). The Company adopted ASU 2018-19 effective October 1, 2020, and the adoption of this standard did not have a material impact on the Company’s condensed consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in the existing guidance for income taxes and making other minor improvements. The Company adopted ASU 2019-12 effective October 1, 2021, and the adoption of this standard did not have a material impact on the Company’s condensed consolidated financial statements.

#### *The COVID-19 Pandemic*

On March 11, 2020, the World Health Organization declared the current novel coronavirus outbreak (“COVID-19”) to be a global pandemic. In response to this declaration and the rapid spread of COVID-19 within the United States, federal, state and local governments throughout the country have imposed varying degrees of restrictions on social and commercial activity to promote social distancing in an effort to slow the spread of the illness. These measures have had a significant adverse impact upon many sectors of the economy, including certain agriculture businesses.

Since the commencement of COVID-19 in March 2020, the Company took steps to allow and encourage greater social distancing for both our employed and our contracted field workers and has worked with its harvesters, haulers and suppliers to minimize close interactions.

To date, the Company has experienced no material adverse impacts from this pandemic.

### Reclassifications

Certain prior year amounts have been reclassified in the accompanying Financial Statements for consistent presentation to the current period. These reclassifications had no impact on net income, equity, cash flows or working capital as previously reported.

### Seasonality

The Company is primarily engaged in the production of fruit for sale to citrus markets, which is of a seasonal nature, and subject to the influence of natural phenomena and wide price fluctuations. Historically, the second and third quarters of Alico's fiscal year produce most of the Company's annual revenue. Working capital requirements are typically greater in the first and fourth quarters of the fiscal year, coinciding with harvesting cycles. Because of the seasonality of the business, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year.

### Note 2. Inventories

Inventories consist of the following at March 31, 2022 and September 30, 2021:

(in thousands)

	March 31, 2022	September 30, 2021
Unharvested fruit crop on the trees	\$ 32,278	\$ 42,117
Other	905	1,260
Total inventories	<u>\$ 33,183</u>	<u>\$ 43,377</u>

The Company records its inventory at the lower of cost or net realizable value. For the six months ended March 31, 2022 and the fiscal year ended September 30, 2021, the Company did not record any adjustments to reduce inventory to net realizable value.

The Company was eligible for Hurricane Irma federal relief programs for block grants that were being administered through the State of Florida. During the fiscal years ended September 30, 2021 and 2020, the Company received approximately \$4,299,000 and \$4,629,000, respectively, under the Florida Citrus Recovery Block Grant ("CRBG") program. The remaining portion of the funds that the Company anticipates receiving under the Florida CRBG program relates to certain crop insurance expenses incurred by the Company and is estimated to be approximately \$2,250,000 in the aggregate. During the three and six months ended March 31, 2022, the Company received approximately \$175,000 and \$1,123,000, respectively. The company anticipates receiving the remaining portion during fiscal year 2023. In the three and six months ended March 31, 2021, the Company received approximately \$163,000 and \$4,299,000, respectively. These federal relief proceeds are included as a reduction to operating expenses in the Condensed Consolidated Statements of Operations.

### Note 3. Assets Held for Sale

In accordance with its strategy to dispose of non-core and under-performing assets, the following assets have been classified as assets held for sale at March 31, 2022 and September 30, 2021:

(in thousands)

	Carrying Value	
	March 31, 2022	September 30, 2021
Ranch	\$ 129	\$ 160
Total assets held for sale	<u>\$ 129</u>	<u>\$ 160</u>

On March 15, 2022, the Company sold approximately 6,286 acres from the Alico ranch to third parties for approximately \$28,288,000 and recognized a gain of approximately \$26,596,000.

On December 3, 2021, the State of Florida purchased, under the Florida Forever program, approximately 1,638 acres of the Alico ranch for approximately \$5,675,000 pursuant to an option agreement entered into between the State of Florida and the Company. The Company recognized a gain of approximately \$5,570,000.

During November 2021, the Company sold approximately 302 acres from the Alico ranch to various third parties for approximately \$1,476,000 and recognized a gain of approximately \$1,404,000.

On June 3, 2021, the Company sold approximately 11,700 acres of the Alico ranch, which were encumbered by an easement, to a third-party for approximately \$12,219,000. The Company recognized a gain of approximately \$11,351,000. In 2013, these acres were enrolled in the Wetlands Reserve Program (“WRP”), which calls for the restoration and maintenance of the property for the duration of the WRP easement. As part of that enrollment in 2013, Alico received approximately \$1,800 per acre.

On April 15, 2021, the State of Florida purchased, under the Florida Forever program, approximately 5,734 acres of the Alico ranch for approximately \$14,445,000 pursuant to an option agreement entered into between the State of Florida and the Company. The Company recognized a gain of approximately \$13,921,000.

On December 18, 2020, the Company sold approximately 600 acres of the East Ranch for approximately \$2,630,000 and recognized a gain of approximately \$2,550,000. Additionally, the Company sold several smaller parcels of the East Ranch during the quarter ended December 31, 2020, which generated a gain of approximately \$814,000.

Additionally, during fiscal year 2021, the Company sold an aggregate of approximately 1,742 acres of the Alico ranch to various third parties for approximately \$8,286,000 and recognized a gain of approximately \$7,697,000. One of these sales transactions, consisting of approximately 97 acres, was sold to an employee of the Company for approximately \$392,000.

#### Note 4. Property and Equipment, Net

Property and equipment, net consists of the following at March 31, 2022 and September 30, 2021:

(in thousands)

	March 31, 2022	September 30, 2021
Citrus trees	\$ 325,923	\$ 320,245
Equipment and other facilities	58,760	57,584
Buildings and improvements	7,374	8,494
Total depreciable properties	392,057	386,323
Less: accumulated depreciation and depletion	(131,827)	(127,046)
Net depreciable properties	260,230	259,277
Land and land improvements	113,633	113,954
Property and equipment, net	<u>\$ 373,863</u>	<u>\$ 373,231</u>

For the six months ended March 31, 2022, and fiscal year ended September 30, 2021, the Company did not record any impairments.

In connection with the State of Florida’s condemnation of a certain portion of Alico’s property in October 2021, the Company received approximately \$1,450,000, all of which was recognized as a gain.

On October 30, 2020, the Company purchased approximately 3,280 gross citrus acres located in Hendry County for a purchase price of approximately \$18,230,000. This acquisition complements the Company’s existing citrus acres as these acres are located adjacent to existing groves in Hendry County. This purchase was part of a like-kind exchange transaction, which allowed the Company to defer taxes relating to the sale of certain sections of the West Ranch.

## Note 5. Long-Term Debt and Lines of Credit

The following table summarizes long-term debt and related deferred financing costs, net of accumulated amortization at March 31, 2022 and September 30, 2021:

	March 31, 2022		September 30, 2021	
	Principal	Deferred Financing Costs, Net	Principal	Deferred Financing Costs, Net
<i>(in thousands)</i>				
<b>Long-term debt, net of current portion:</b>				
Met Fixed-Rate Term Loans	\$ 70,000	\$ 478	\$ 70,000	\$ 524
Met Variable-Rate Term Loans	36,656	221	38,094	241
Met Citree Term Loan	4,138	29	4,263	31
Pru Loans A & B	13,357	182	13,937	190
	124,151	910	126,294	986
Less current portion	4,285	—	4,285	—
Long-term debt	<u>\$ 119,866</u>	<u>\$ 910</u>	<u>\$ 122,009</u>	<u>\$ 986</u>

The following table summarizes lines of credit and related deferred financing costs, net of accumulated amortization at March 31, 2022 and September 30, 2021:

	March 31, 2022		September 30, 2021	
	Principal	Deferred Financing Costs, Net	Principal	Deferred Financing Costs, Net
<i>(in thousands)</i>				
<b>Lines of Credit:</b>				
RLOC	\$ —	\$ 118	\$ —	\$ 126
WCLC	—	—	—	—
Lines of Credit	<u>\$ —</u>	<u>\$ 118</u>	<u>\$ —</u>	<u>\$ 126</u>

Future maturities of long-term debt and lines of credit as of March 31, 2022 are as follows:

	March 31, 2022
<i>(in thousands)</i>	
Due within one year	\$ 4,285
Due between one and two years	4,285
Due between two and three years	4,285
Due between three and four years	4,285
Due between four and five years	4,285
Due beyond five years	102,726
Total future maturities	<u>\$ 124,151</u>

Interest costs expensed and capitalized were as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
Interest expense	\$ 870	\$ 1,089	\$ 1,771	\$ 2,278
Interest capitalized	328	349	631	661
Total	<u>\$ 1,198</u>	<u>\$ 1,438</u>	<u>\$ 2,402</u>	<u>\$ 2,939</u>

## Debt

The Company's credit facilities consist of fixed interest rate term loans originally in the amount of \$125,000,000 ("Met Fixed-Rate Term Loans"), variable interest rate term loans originally in the amount of \$57,500,000 ("Met Variable-Rate Term Loans"), a \$25,000,000 revolving line of credit ("RLOC") with Metropolitan Life Insurance Company and New England Life Insurance Company (collectively "Met"), and a \$70,000,000 working capital line of credit ("WCLC") with Rabo Agrifinance, Inc. ("Rabo").

The term loans and RLOC are secured by real property. The security for the term loans and RLOC consists of approximately 38,200 gross acres of citrus groves and originally included 5,800 gross acres of ranch land. In April 2021, the 5,800 gross acres of ranch land were released as security against the term loans and RLOC and only the 38,200 gross acres of citrus groves remain as security for the term loans and RLOC. The WCLC is collateralized by the Company's current assets and certain other personal property owned by the Company.

Initially, the Met Fixed-Rate Term Loans were subject to quarterly principal payments of \$1,562,500 and bore interest at 4.15% per annum. Effective May 1, 2021, the Company modified its Met Fixed-Rate Term Loans, which, in the aggregate have a balance of \$70,000,000 after the prepayment of \$10,312,500 made in April 2021, to be interest only with a balloon payment to be paid at maturity on November 1, 2029. The interest rate on these Met Fixed-Rate Term Loans, which were bearing interest at 4.15%, was adjusted to 3.85%. As part of this modification, the Company no longer has the prepayment option previously allowed under the arrangement.

The Met Variable-Rate Term Loans are subject to quarterly principal payments of \$718,750 and bear interest at a rate equal to 90-day LIBOR plus 165 basis points (the "LIBOR spread"). The LIBOR spread was subject to adjustment by Met beginning May 1, 2017 and is subject to further adjustment every two years thereafter until maturity. No adjustment was made at May 1, 2019 or at May 1, 2021. Interest on the term loans is payable quarterly. The interest rate on the Met Variable-Rate Term Loans were 1.95% and 1.78% per annum as of March 31, 2022 and September 30, 2021, respectively. The Met Variable-Rate Term Loans mature on November 1, 2029.

On April 29, 2022, the Company made a prepayment on one of its Met Variable-Rate Term Loans in an amount of approximately \$15,625,000 and the loan, with its latest principal payment made on May 2, 2022, was fully satisfied.

The RLOC bears interest at a floating rate equal to 90-day LIBOR plus 165 basis points, payable quarterly. The LIBOR spread was adjusted by Met on May 1, 2017 and is subject to further adjustment every two years thereafter. No adjustment was made at May 1, 2019 or at May 1, 2021. In October 2019, the RLOC agreement was modified to extend the maturity to November 1, 2029. The RLOC is subject to an annual commitment fee of 25 basis points on the unused portion of the line of credit. The RLOC is available for funding general corporate needs. The variable interest rate was 1.95% and 1.78% per annum as of March 31, 2022 and September 30, 2021, respectively. Availability under the RLOC was \$25,000,000 as of March 31, 2022 and September 30, 2021, respectively.

The WCLC is a revolving credit facility and is available for funding working capital and general corporate requirements. The interest rate on the WCLC is based on the one-month LIBOR, plus a spread, which spread is adjusted quarterly, based on the Company's debt service coverage ratio for the preceding quarter and can vary from 175 to 250 basis points. The rate is currently at LIBOR plus 175 basis points. The variable interest rate was 1.98% and 1.83% per annum as of March 31, 2022 and September 30, 2021, respectively. The WCLC agreement was amended on August 25, 2020, and the primary terms of the amendment were an extension of the maturity to November 1, 2023. There were no changes to the commitment amount or interest rate formula. The WCLC agreement provides for Rabo to issue up to \$2,000,000 in letters of credit on the Company's behalf. As of March 31, 2022, there was approximately \$336,000 in outstanding letters of credit, which correspondingly reduced the Company's availability under the line of credit.

The WCLC is subject to a quarterly commitment fee on the daily unused availability under the line computed as the commitment amount less the aggregate of the outstanding loans and outstanding letters of credit. The commitment fee is adjusted quarterly based on Alico's debt service coverage ratio for the preceding quarter and can vary from a minimum of 20 basis points to a maximum of 30 basis points. Commitment fees to date have been charged at 20 basis points.

There was \$0 outstanding on the WCLC at March 31, 2022 and September 30, 2021. Availability under the WCLC was approximately \$69,664,000 as of March 31, 2022 and September 30, 2021.

In 2014, the Company capitalized approximately \$2,834,000 of debt financing costs related to a refinancing and approximately \$339,000 of costs related to the retired debt. Additionally, financing costs of approximately \$23,000 were incurred in the fiscal year ended September 30, 2020 in connection with the letters of credit. All costs are included in deferred financing costs and are being amortized to interest expense over the applicable terms of the obligations. The unamortized balance of deferred financing costs related to the financing above was approximately \$817,000 and approximately \$891,000 at March 31, 2022 and September 30, 2021, respectively.

These credit facilities noted above are subject to various covenants including the following financial covenants: (i) minimum debt service coverage ratio of 1.10 to 1.00; (ii) tangible net worth of at least \$160,000,000 increased annually by 10% of consolidated net income for the preceding years, or approximately \$173,216,000 for the year ended September 30, 2021; (iii) minimum current ratio of 1.50 to 1.00; (iv) debt to total assets ratio not greater than .625 to 1.00, and; (v) solely in the case of the WCLC, a limit on capital expenditures of \$30,000,000 per fiscal year. As of March 31, 2022, the Company was in compliance with all of the financial covenants.

Credit facilities also include a Met Life term loan collateralized by 1,200 gross acres of citrus grove owned by Citree ("Met Citree Loan"). This is a \$5,000,000 credit facility that bears interest at a fixed rate of 5.28% per annum. Principal and interest payments are made on a quarterly basis. At March 31, 2022 and September 30, 2021, there was an outstanding balance of \$4,138,000 and \$4,263,000, respectively. The loan matures in February 2029. The unamortized balance of deferred financing costs related to this loan was approximately \$29,000 and \$31,000 at March 31, 2022 and September 30, 2021, respectively.

#### *Transition from LIBOR*

On July 27, 2017, the United Kingdom's Financial Conduct Authority ("FCA"), which regulates LIBOR, announced that it intends to phase out LIBOR. On November 30, 2020, ICE Benchmark Administration ("IBA"), the administrator of LIBOR, with the support of the United States Federal Reserve and the Financial Conduct Authority of the United Kingdom, announced plans to consult on ceasing publication of LIBOR on December 31, 2021 for only the one week and two-month LIBOR tenors, and on June 30, 2023 for all other LIBOR tenors. On March 5, 2021, the FCA confirmed that all LIBOR settings will either cease to be provided by any administrator or no longer be representative: (a) immediately after December 31, 2021, in the case of the one week and two-month U.S. dollar settings; and (b) immediately after June 30, 2023, in the case of the remaining U.S. dollar settings. The Alternative Reference Rate Committee, a committee convened by the Federal Reserve that includes major market participants, has proposed an alternative rate to replace U.S. Dollar LIBOR: the Secured Overnight Financing Rate (SOFR). The outcome of these reforms is uncertain and any changes in the methods by which LIBOR is determined or regulatory activity related to LIBOR's phaseout could cause LIBOR to perform differently than in the past.

The Company is continuing to evaluate the impact of the transition from LIBOR as an interest rate benchmark to other potential alternative reference rates. Currently, the Company has debt instruments in place that reference one-month and three-month LIBOR-based rates. The transition from LIBOR, as mentioned above is estimated to take place in fiscal 2023 and the Company is currently working with its lenders to transition to an alternative reference rate.

#### *Silver Nip Citrus Debt*

Silver Nip Citrus entered into two initial fixed-rate term loans with Prudential Mortgage Capital Company ("Prudential"), with an original combined balance of \$27,550,000, bearing interest at 5.35% per annum ("Pru Loans A & B"). Principal of \$290,000 is payable quarterly, together with accrued interest. The loans are collateralized by approximately 5,700 acres of citrus groves in Collier, Hardee, Highlands and Polk Counties, Florida and mature on June 1, 2029 and June 1, 2033, respectively.

Silver Nip Citrus entered into two additional fixed-rate term loans with Prudential to finance the acquisition of a 1,500 acre citrus grove on September 4, 2014. Each loan ("Pru Loan E" and "Pru Loan F") was in the original amount of \$5,500,000 with principal of \$55,000 per loan being payable quarterly, together with accrued interest. The loans were collateralized by approximately 1,500 gross acres of citrus groves in Charlotte County, Florida. In November 2019, the Company prepaid Pru

Loan F in full in the amount of \$4,455,000. As a result of this prepayment, the Company's required annual principal payments on its Pru Loans was reduced by \$220,000 per annum. Pru Loan E, which matured September 1, 2021, was satisfied in full. After this payment, the two additional loans have been paid and the Company has no further obligation under either of these loans.

The Pru Loans A & B are subject to a financial covenant whereby the consolidated current ratio requirement is 1.00 to 1.00. Silver Nip Citrus was in compliance with the current ratio covenant as of March 31, 2022.

The unamortized balance of deferred financing costs related to the Silver Nip Citrus debt was approximately \$182,000 and \$190,000 at March 31, 2022 and September 30, 2021, respectively.

#### Note 6. Accrued Liabilities

Accrued liabilities consist of the following at March 31, 2022 and September 30, 2021:

(in thousands)

	March 31, 2022	September 30, 2021
Ad valorem taxes	\$ 692	\$ 2,018
Accrued interest	933	888
Accrued employee wages and benefits	1,315	2,105
Accrued dividends	3,777	3,763
Accrued harvest and haul	537	—
Inventory received but not invoiced	205	—
Accrued insurance	—	618
Professional fees	287	348
Other accrued liabilities	240	132
Total accrued liabilities	<u>\$ 7,986</u>	<u>\$ 9,872</u>

#### Note 7. Income Taxes

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (H.R. 748) (the "CARES Act"). Among the changes to the U.S. federal income tax rules, the CARES Act restored net operating loss carryback rules that were eliminated by the 2017 Tax Cuts and Jobs Act, modified the limit on the deduction for net interest expense, and accelerated the timeframe for refunds of AMT credit carryovers. From a federal tax reporting standpoint, the Company had a federal tax net operating loss ("NOL") in the amount of \$2,390,415 for the fiscal year ended September 30, 2020 and, pursuant to the provisions of the CARES Act, Form 1139 was filed for the NOL carryback during fiscal year ended September 30, 2021, resulting in a refund due of \$580,314.

The Company's Federal and State filings remain subject to examination by tax authorities for tax periods ending after September 30, 2017.

In December 2021, the Company sold 1,638 acres of land to the State of Florida at a price below market value, which resulted in a charitable contribution and related charitable deduction for tax purposes. The charitable contribution generated a tax benefit of approximately \$6,300,000, however, the Company does not anticipate it will be able to realize the entire charitable deduction before it expires in 2027. A valuation allowance of approximately \$1,400,000 was recorded to partially offset the charitable contribution carryover deferred tax asset, resulting in a net benefit of approximately \$4,900,000.

#### Note 8. Earnings Per Common Share

Basic earnings per share for Alico's common stock is calculated by dividing net income attributable to Alico, Inc. common stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per common share is similarly calculated, except that the calculation includes the dilutive effect of the assumed issuance of

common shares issuable under equity-based compensation plans in accordance with the treasury stock method, except where the inclusion of such common shares would have an anti-dilutive impact.

For the three and six months ended March 31, 2022 and 2021, basic and diluted earnings per common share were as follows:

*(in thousands except per share amounts)*

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
Net income attributable to Alico, Inc. common stockholders	\$ 20,702	\$ 4,867	\$ 30,833	\$ 8,712
Weighted average number of common shares outstanding - basic	7,552	7,513	7,543	7,508
Dilutive effect of equity-based awards	4	—	5	—
Weighted average number of common shares outstanding - diluted	7,556	7,513	7,548	7,508
Net income per common share attributable to Alico, Inc. common stockholders:				
Basic	\$ 2.74	\$ 0.65	\$ 4.09	\$ 1.16
Diluted	\$ 2.74	\$ 0.65	\$ 4.08	\$ 1.16

For the three and six months ended March 31, 2022, there were no anti-dilutive equity awards excluded from the calculation of diluted earnings per common share. For the three and six months ended March 31, 2021, the equity awards had no dilutive or anti-dilutive impact on the earnings per common share.

## Note 9. Segment Information

### Segments

Operating segments are defined in the criteria established under the FASB ASC Topic 280 as components of public entities that engage in business activities from which they may earn revenues and incur expenses for which separate financial information is available and which is evaluated regularly by the Company's CODM in deciding how to assess performance and allocate resources. The Company's CODM assesses performance and allocates resources based on two operating segments: Alico Citrus and Land Management and Other Operations.

Total revenues represent sales and services rendered to unaffiliated customers, as reported in the Condensed Consolidated Statements of Operations. Goods produced by the Alico Citrus segment, as well as through the grove management services rendered by the Alico Citrus segment, are sold to wholesalers and processors in the United States who prepare the products for consumption. The Company evaluates the segments' performance based on direct margins (gross profit) from operations before general and administrative expenses, interest expense, other income (expense) and income taxes, not including nonrecurring gains and losses.

Information by operating segment is as follows:

<i>(in thousands)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
<b>Revenues:</b>				
Alico Citrus	\$ 49,032	\$ 55,268	\$ 63,780	\$ 68,194
Land Management and Other Operations	609	676	1,198	1,482
Total revenues	<u>49,641</u>	<u>55,944</u>	<u>64,978</u>	<u>69,676</u>
<b>Operating expenses:</b>				
Alico Citrus	45,490	45,518	58,876	53,665
Land Management and Other Operations	152	200	292	388
Total operating expenses	<u>45,642</u>	<u>45,718</u>	<u>59,168</u>	<u>54,053</u>
<b>Gross profit:</b>				
Alico Citrus	3,542	9,750	4,904	14,529
Land Management and Other Operations	457	476	906	1,094
Total gross profit	<u>\$ 3,999</u>	<u>\$ 10,226</u>	<u>\$ 5,810</u>	<u>\$ 15,623</u>
<b>Depreciation, depletion and amortization:</b>				
Alico Citrus	\$ 3,686	\$ 3,658	\$ 7,367	\$ 7,302
Land Management and Other Operations	30	43	71	81
Other Depreciation, Depletion and Amortization	116	110	230	234
Total depreciation, depletion and amortization	<u>\$ 3,832</u>	<u>\$ 3,811</u>	<u>\$ 7,668</u>	<u>\$ 7,617</u>

*(in thousands)*

	March 31, 2022	September 30, 2021
<b>Assets:</b>		
Alico Citrus	\$ 438,994	\$ 418,633
Land Management and Other Operations	11,941	13,230
Other Corporate Assets	1,977	1,354
Total Assets	<u>\$ 452,912</u>	<u>\$ 433,217</u>

#### Note 10. Leases

The Company determines whether an arrangement is a lease at inception. The Company's leases consist of operating lease arrangements for certain office space and IT facilities, and equipment leases. When these lease arrangements include lease and non-lease components, the Company accounts for lease components and non-lease components (e.g., common area maintenance) separately based on their relative standalone prices.

Any lease arrangements with an initial term of one year or less are not recorded on the Company's Condensed Consolidated Balance Sheets, and it recognizes lease cost for these lease arrangements on a straight-line basis over the lease term. Many lease arrangements provide the options to exercise one or more renewal terms or to terminate the lease arrangement. The Company includes these options when it will be reasonably certain to exercise them in the lease term used to establish the right-of-use assets and lease liabilities. Generally, lease agreements do not include an option to purchase the leased asset, residual value guarantees or material restrictive covenants.

As most of our lease arrangements do not provide an implicit interest rate, the Company applies an incremental borrowing rate based on the information available at the commencement date of the lease arrangement to determine the present value of lease payments.

No lease costs associated with finance leases and sale-leaseback transactions occurred and our lease income associated with lessor and sublease arrangements are not material to our Condensed Consolidated Financial Statements.

Our operating leases cost components are reported in our Condensed Consolidated Statements of Operations as follows:

<i>(in thousands)</i>	<u>Three Months Ended March 31,</u>		<u>Six Months Ended March 31,</u>	
<b>Operating lease components</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Operating leases costs recorded in General and Administrative expenses	\$ 41	\$ 54	\$ 78	\$ 107

The weighted-average remaining lease term and weighted-average discount rate for our operating leases are as follows:

	<u>March 31, 2022</u>
Weighted-average remaining lease term	2.44 years
Weighted-average discount rate	1.80%

#### **Note 11. Stockholders' Equity**

Effective January 27, 2015, the Company's Board of Directors adopted the 2015 Stock Incentive Plan (the "2015 Plan") which provides for up to 1,250,000 common shares available for issuance to provide a long-term incentive plan for officers, employees, directors and/or consultants to directly link incentives to stockholder value. The 2015 Plan was approved by the Company's stockholders in February 2015. The Company's 2015 Plan provides for grants to executives in various forms including restricted shares of the Company's common stock and stock options. Awards are discretionary and are determined by the Compensation Committee of the Board of Directors. Awards vest based upon service conditions. Non-vested restricted shares generally vest over requisite service periods of one to six years from the date of grant.

The Company recognizes stock-based compensation expense for (i) Board of Directors fees (generally paid in treasury stock), and (ii) other awards under the 2015 Plan (paid in restricted stock and stock options). Stock-based compensation expense is recognized in general and administrative expenses in the Condensed Consolidated Statements of Operations.

##### *Stock Compensation - Board of Directors*

The Board of Directors can either elect to receive stock compensation or cash for their fees for services provided. Stock-based compensation expense relating to the Board of Director fees was approximately \$169,000 and \$348,000 for the three and six months ended March 31, 2022, respectively, and \$222,000 and \$444,000 for the three and six months ended March 31, 2021, respectively.

##### *Restricted Stock*

Stock compensation expense related to the Restricted Stock was approximately \$68,000 and \$204,000 for the three and six months ended March 31, 2022, respectively, and approximately \$40,000 and \$65,000 for the three and six months ended March 31, 2021, respectively. There was approximately \$262,000 and \$144,000 of total unrecognized stock compensation costs related to unvested stock compensation for the Restricted Stock grants at March 31, 2022 and September 30, 2021, respectively.

On January 26, 2022, the Company awarded 7,256 restricted shares of the Company's common stock to employees, with more than one year of service, under the 2015 plan at a weighted average fair value of \$35.50 per common share, vesting on January 1, 2023.

On November 5, 2021, the Company awarded 2,224 restricted shares of the Company's common stock to certain executives and senior managers under the 2015 Plan at a weighted average fair value of \$37.13 per common share, vesting on January 1, 2023.

On October 15, 2021, the Company awarded 2,500 restricted shares of the Company's common stock to the President and CEO under the 2015 Plan at a weighted average fair value of \$34.41 per common share, vesting on January 1, 2022.

On November 10, 2020, the Company awarded 5,885 restricted shares of the Company's common stock to certain other executives and senior managers under the 2015 Plan at a weighted average fair value of \$31.20 per common share, vesting on January 1, 2022.

#### *Stock Option Grant*

Stock option grants of 118,000 options to certain officers and managers of the Company (collectively the "2020 Option Grants") were granted on October 11, 2019. The option exercise price was set at \$33.96, the closing price on October 11, 2019. The 2020 Option Grants will vest as follows: (i) 25% of the options will vest if the price of the Company's common stock during a consecutive 20-trading day period exceeds \$35.00; (ii) 25% of the options will vest if the price of the Company's common stock during a consecutive 20-trading day period exceeds \$40.00; (iii) 25% of the options will vest if the price of the Company's common stock during a consecutive 20-trading day period exceeds \$45.00; and (iv) 25% of the options will vest if the price of the Company's common stock during a consecutive 20-trading day period exceeds \$50.00. If the applicable stock price hurdles have not been achieved by (A) the date that is 18 months following the termination of employment, if the employment is terminated due to death or disability, (B) the date that is 12 months following the termination of employment, if the employment is terminated by the Company without cause, by the employee with good reason, or due to the employee's retirement, or (C) the date of the termination of employment for any other reason, then any unvested options will be forfeited. In addition, if the applicable stock price hurdles have not been achieved by December 31, 2022, then any unvested options will be forfeited. The 2020 Option Grants will also become vested to the extent that the applicable stock price hurdles are satisfied in connection with a change in control of the Company. During the six months ended March 31, 2022, the stock did not trade above \$40.00 per share for twenty consecutive days (the \$35.00 per share threshold was met during fiscal year 2020 and thus 25% was previously vested); accordingly, no additional amounts of the 2020 Option Grants were vested as of March 31, 2022.

Stock option grants of 10,000 options to Mr. John Kiernan (the "2019 Option Grants") were granted on October 25, 2018. The option exercise price for these options was set at \$33.34, the closing price on October 25, 2018. The 2019 Option Grants will vest as follows: (i) 3,333 of the options will vest if the price of the Company's common stock during a consecutive 20-trading day period exceeds \$40.00; (ii) 3,333 of the options will vest if the price of the Company's common stock during a consecutive 20-trading day period exceeds \$45.00; and (iii) 3,334 of the options will vest if the price of the Company's common stock during a consecutive 20-trading day period exceeds \$50.00. If the applicable stock price hurdles have not been achieved by (A) the date that is 18 months following Mr. Kiernan's termination of employment, if Mr. Kiernan's employment is terminated due to death or disability, (B) the date that is 12 months following Mr. Kiernan's termination of employment, if Mr. Kiernan's employment is terminated by the Company without cause, by Mr. Kiernan with good reason, or due to Mr. Kiernan's retirement, or (C) the date of the termination of Mr. Kiernan's employment for any other reason, then any unvested options will be forfeited. In addition, if the applicable stock price hurdles were not achieved by December 31, 2021, any unvested options would be forfeited. Since the date of grant, the stock did not trade above \$40.00 per share for twenty consecutive days; therefore, the 2019 Option grants were forfeited as of December 31, 2021.

Stock option grants of 210,000 options to Mr. Remy Trafelet and 90,000 options to Mr. John Kiernan (collectively, the "2018 Option Grants") were granted on September 7, 2018. The option exercise price for these options was set at \$33.60, the closing price on September 7, 2018. The 2018 Option Grants were to vest as follows: (i) 25% of the options will vest if the price of the Company's common stock during a consecutive 20-trading day period exceeds \$35.00; (ii) 25% of the options will vest if the price of the Company's common stock during a consecutive 20-trading day period exceeds \$40.00; (iii) 25% of the options will vest if the price of the Company's common stock during a consecutive 20-trading day period exceeds \$45.00; and (iv) 25% of the options will vest if the price of the Company's common stock during a consecutive 20-trading day period exceeds \$50.00. If the applicable stock price hurdles have not been achieved by (A) the date that is 18 months following the respective Executive's termination of employment, if the respective Executive's employment is terminated due to death or disability, (B) the date that is 12 months following the respective Executive's termination of employment, if the respective Executive's employment is terminated by the Company without cause, by the respective Executive with good reason, or due to the respective Executive's retirement, or (C) the date of the termination of the respective Executive's employment for any other reason, then any unvested options will be forfeited. In addition, if the applicable stock price hurdles have not been achieved by December 31, 2021, any unvested options would be forfeited. The 2018 Option Grants would also have become vested to the

extent that the applicable stock price hurdles were satisfied in connection with a change in control of the Company. With respect to the 2018 Options Grants issued to Mr. John Kiernan, during the six months ended March 31, 2022, the stock did not trade above \$40.00 per share for a consecutive twenty days (the \$35.00 per share threshold was met during fiscal year 2020 and thus 25% was previously vested). As of March 31, 2022, only 25% of the 2018 Options Grants vested for Mr. John Kiernan, 67,500 of the 2018 Options Grants were forfeited as of December 31, 2021. The 2018 Option Grants issued to Mr. Trafelet were forfeited as part of a settlement agreement entered into with the Company on February 11, 2019. Forfeitures of all stock options were recognized as incurred.

Stock compensation expense related to the options of approximately \$18,000 and \$78,000 was recognized for the three and six months ended March 31, 2022, respectively, and approximately \$61,000 and \$121,000 was recognized for the three and six months ended March 31, 2021, respectively. At March 31, 2022 and September 30, 2021, there was approximately \$54,000 and \$134,000, respectively, of total unrecognized stock compensation costs related to unvested share-based compensation for the option grants. The total unrecognized compensation cost is expected to be recognized over a weighted-average period of 0.75 years.

The fair value of the 2020 Option Grant was estimated on the date of grant using a Monte Carlo valuation model that uses the assumptions noted in the following table. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding; the range given below results from different timeframes for the various market conditions being met.

#### 2020 Option Grant

Expected Volatility	26.0%
Expected Term (in years)	3.61
Risk Free Rate	1.60%

The weighted-average grant-date fair value of the 2020 Option Grant was \$3.20. There were no additional stock options granted for the three and six months ended March 31, 2022. On December 15, 2022, a senior executive exercised 5,000 stock options with an exercise price of \$33.96 per share.

The following table illustrates the Company's treasury stock activity for the six months ended March 31, 2022:

*(in thousands, except share amounts)*

	Shares	Cost
Balance as of September 30, 2021	890,141	\$ 29,853
Issued to employees and directors	(26,665)	(826)
Balance as of March 31, 2022	<u>863,476</u>	<u>\$ 29,027</u>

#### Note 12. Commitments and Contingencies

##### *Letters of Credit*

The Company had outstanding standby letters of credit in the total amount of approximately \$336,000 at March 31, 2022 and September 30, 2021, to secure its various contractual obligations.

##### *Legal Proceedings*

From time to time, Alico may be involved in litigation relating to claims arising out of its operations in the normal course of business. There are no current legal proceedings to which the Company is a party or of which any of its property is subject that it believes will have a material adverse effect on its financial position, results of operations or cash flows.

### *Purchase Commitments*

The Company enters into contracts for the purchase of citrus trees during the normal course of its business. As of March 31, 2022, the Company had approximately \$6,578,000 relating to outstanding commitments for these purchases that will be paid upon delivery of the remaining citrus trees.

### **Note 13. Related Party Transactions**

On April 1, 2022, the Company entered into an amended and restated employment agreement with John E. Kiernan (the “Employment Agreement”). At the same time, the Company and Mr. Kiernan entered into an annual performance and long-term bonus agreement (the “Bonus Agreement”). Pursuant to the Employment Agreement, Mr. Kiernan will remain President and Chief Executive Officer of the Company, for a term commencing on April 1, 2022, and ending on September 30, 2024, subject to extension and termination pursuant to the provisions of the Employment Agreement. The Bonus Agreement sets forth the terms under which Mr. Kiernan would be eligible and entitled to short-term and long-term incentive cash and equity bonuses. For further details of this Employment Agreement and the Bonus Agreement, please see the Form 8-K filed by the Company with the SEC on April 5, 2022.

On April 1, 2022, the Company awarded 5,000 restricted shares of the Company’s common stock to Mr. Kiernan in accordance with his Bonus Agreement. Under the Bonus Agreement, 50% of these shares will vest on January 1, 2025 and 50% on January 1, 2026.

On January 1, 2022, Mr. Kiernan, the Company’s President and CEO, entered into a Hunting Lease Agreement and Real Estate Purchase and Sale Option Agreement, with the Company (the “Kiernan Lease Agreement”). Under the Kiernan Lease Agreement, the Company is leasing approximately 93 acres of Company owned, largely unimproved land (the “Land”) to Mr. Kiernan for a three-year term commencing on January 1, 2022, and ending on January 1, 2025, and with a yearly rent of \$1,860. Additionally, under the terms of the Kiernan Lease Agreement, the Company has granted to Mr. Kiernan an option to purchase the Land from the Company, exercisable only during the one-year period January 1, 2022, through January 1, 2023, and at a price of \$480,000 (\$5,161 per acre), which price is based on an independent appraisal obtained by the Company.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and related Notes thereto.

### **Cautionary Statement Regarding Forward-Looking Information**

*We provide forward-looking information in this Quarterly Report on Form 10-Q, particularly in this Management's Discussion and Analysis of Financial Condition and Results of Operations, pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any statements in this Quarterly Report on Form 10-Q that are not historical facts are forward-looking statements. Forward-looking statements include, but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions. These statements are based on our current expectations, estimates and projections about our business based, in part, on assumptions made by our management and can be identified by terms such as "plans," "expect," "may," "anticipate," "intend," "should be," "will be" "is likely to," "believes," and similar expressions referring to future periods. Alico believes the expectations reflected in the forward-looking statements are reasonable but cannot guarantee future results, level of activity, performance or achievements. Actual results may differ materially from those expressed or implied in the forward-looking statements. Therefore, Alico cautions you against relying on any of these forward-looking statements. Factors which may cause future outcomes to differ materially from those foreseen in forward-looking statements include, but are not limited to: changes in laws, regulation and rules, including tax laws and tax rates; climate change; weather conditions that affect production, transportation, storage, demand, import and export of fresh product and their by-products, such as the freeze in the last week of January 2022; increased pressure from diseases including citrus greening and citrus canker, as well as insects and other pests; disruption of water supplies or changes in water allocations; market pricing of citrus; pricing and supply of raw materials and products; market responses to industry volume pressures; pricing and supply of energy; changes in interest rates; availability of refinancing; availability of financing for land development activities and other growth and corporate opportunities; onetime events; acquisitions and divestitures; ability to make strategic acquisitions or divestitures; ability to redeploy proceeds from divestitures; ability to consummate selected land acquisitions; ability to take advantage of tax deferral options; seasonality; labor disruptions; inability to pay debt obligations; inability to engage in certain transactions due to restrictive covenants in debt instruments; government restrictions on land use; changes in agricultural land values; impact of the COVID-19 outbreak and coronavirus pandemic on our agriculture operations, including without limitation demand for product, supply chain, health and availability of our labor force, the labor force of contractors we engage, and the labor force of our competitors; other risks related to the duration and severity of the COVID-19 outbreak and coronavirus pandemic and its impact on Alico's business; the impact of the COVID-19 outbreak and coronavirus pandemic on the U.S. and global economies and financial markets, including without limitation related legislative and regulatory initiatives; access to governmental loans and incentives; any reduction in the public float resulting from repurchases of common stock by Alico; changes in equity awards to employees; whether the Company's dividend policy, including its recent increased dividend amounts, is continued; expressed desire of certain of our stockholders to liquidate their shareholdings by virtue of past market sales of common stock, by sales of common stock or by way of future transactions designed to consummate such expressed desire; political changes and economic crises; ability to implement ESG initiatives; competitive actions by other companies; increased competition from international companies; changes in environmental regulations and their impact on farming practices; the land ownership policies of governments; changes in government farm programs and policies and international reaction to such programs; changes in pricing calculations with our customers; fluctuations in the value of the U.S. dollar; interest rates, inflation and deflation rates; length of terms of contracts with customers; impact of concentration of sales to one customer; and changes in and effects of crop insurance programs, global trade agreements, trade restrictions and tariffs; and soil conditions, harvest yields, prices for commodities, and crop production expenses. These forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors, including those Risks Factors described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021, and our Quarterly Reports on Form 10-Q.*

## ***Business Overview***

### **Business Description**

Alico, Inc., together with its subsidiaries (collectively, “Alico”, the “Company”, “we”, “us” or “our”) generates operating revenues primarily from the sale of its citrus products, providing services to citrus groves owned by third parties, and grazing and hunting leasing. The Company operates as two business segments, and all its operating revenues are generated in the United States. For the three and six months ended March 31, 2022, the Company generated operating revenues of approximately \$49,641,000 and \$64,978,000, respectively, income from operations of approximately \$1,461,000 and \$688,000, respectively, and net income attributable to common stockholders of approximately \$20,702,000 and \$30,833,000, respectively. Net cash provided by operating activities was approximately \$8,798,000 for the six months ended March 31, 2022.

### **Business Segments**

Operating segments are defined in the criteria established under the Financial Accounting Standards Board - Accounting Standards Codification (“FASB ASC”) Topic 280 as components of public entities that engage in business activities from which they may earn revenues and incur expenses for which separate financial information is available and which is evaluated regularly by the Company’s chief operating decision maker (“CODM”) in deciding how to assess performance and allocate resources. The Company’s CODM assesses performance and allocates resources based on its operating segments.

The Company has two segments as follows:

- Alico Citrus includes activities related to planting, owning, cultivating and/or managing citrus groves to produce fruit for sale to fresh and processed citrus markets, including activities related to the purchase and resale of fruit and value-added services, which include contracting for the harvesting, marketing and hauling of citrus; and
- Land Management and Other Operations includes activities related to native plant sales, grazing and hunting leasing, management and/or conservation of unimproved native pastureland and activities related to rock mining royalties and other insignificant lines of business. Also included are activities related to owning and/or leasing improved farmland. Improved farmland is acreage that has been converted, or is permitted to be converted, from native pasture and which may have various improvements including irrigation, drainage and roads.

### ***Critical Accounting Policies and Estimates***

The discussion and analysis of the Company’s financial condition and results of operations is based upon its unaudited condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires it to make certain estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. Alico bases these estimates on historical experience, available current market information and on various other assumptions that management believes are reasonable under the circumstances. Additionally, the Company evaluates the results of these estimates on an on-going basis. Management’s estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

See Note 1. “Description of Business and Basis of Presentation” to the condensed consolidated financial statements in Item 1 of Part I of this Form 10-Q for a detailed description of recent accounting pronouncements. There have been no material changes to the Company’s critical accounting policies and estimates from those reflected in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2021, as filed with the SEC on December 7, 2021.

### ***The COVID-19 Pandemic***

On March 11, 2020, the World Health Organization declared the current novel coronavirus outbreak (“COVID-19”) to be a global pandemic. In response to this declaration and the rapid spread of COVID-19 within the United States, federal, state and local governments throughout the country have imposed varying degrees of restrictions on social and commercial activity to

promote social distancing in an effort to slow the spread of the illness. These measures have had a significant adverse impact upon many sectors of the economy, including certain agriculture businesses.

Since the commencement of COVID-19 in March 2020, the Company took steps to allow and encourage greater social distancing for both our employed and our contracted field workers and has worked with its harvesters, haulers, and suppliers to minimize close interactions.

To date, the Company has experienced no material adverse impacts from this pandemic.

## **Recent Developments**

### *Employment and Bonus Agreement*

On April 1, 2022, the Company entered into an amended and restated employment agreement with John E. Kiernan (the “Employment Agreement”). At the same time, the Company and Mr. Kiernan entered into an annual performance and long-term bonus agreement (the “Bonus Agreement”). Pursuant to the Employment Agreement, Mr. Kiernan will remain President and Chief Executive Officer of the Company, for a term commencing on April 1, 2022, and ending on September 30, 2024, subject to extension and termination pursuant to the provisions of the Employment Agreement. The Bonus Agreement sets forth the terms under which Mr. Kiernan would be eligible and entitled to short-term and long-term incentive cash and equity bonuses. For further details of this Employment and Bonus Agreement, please see the Form 8-K filed by the Company on April 5, 2022.

### *Sale and Purchase of Land*

On March 15, 2022, the Company sold approximately 6,286 acres of Alico ranch to third parties at an average sales price of \$4,500 per acre, realizing approximately \$28,288,000 of gross proceeds.

On December 3, 2021, the State of Florida purchased, under the Florida Forever program, approximately 1,638 acres of the Alico ranch for approximately \$5,675,000 pursuant to an option agreement entered into between the State of Florida and the Company on September 21, 2021. The acres were intentionally sold at a price below market value, which resulted in a charitable contribution and related charitable deduction for tax purposes. As a result of this charitable contribution, the Company generated a tax benefit.

### *Federal Relief Program*

The Company was eligible for Hurricane Irma federal relief programs for block grants that were being administered through the State of Florida. During the fiscal years ended September 30, 2021 and 2020, the Company received approximately \$4,299,000 and \$4,629,000, respectively, under the Florida Citrus Recovery Block Grant (“CRBG”) program. The remaining portion of the funds that the Company anticipates receiving under the Florida CRBG program relates to certain crop insurance expenses incurred by the Company and is estimated to be approximately \$2,250,000 in the aggregate. For the six months ended March 31, 2022, the Company received a portion of this crop insurance expense reimbursement in an amount equal to approximately \$1,123,000 and anticipates receiving the remaining portion in fiscal year 2023. These federal relief proceeds are included as a reduction to operating expenses in the Condensed Consolidated Statements of Operations.

### *Freeze Event*

In the last week of January 2022, certain areas where the Company’s citrus trees are located experienced below freezing conditions that had a material adverse effect on the yield of this season’s Valencia crop. Although the Company’s Valencia harvest will be smaller this season as a result of this freeze event, the Company believes there should not be long-term measurable damage to its citrus trees.

## Condensed Consolidated Results of Operations

The following discussion provides an analysis of Alico's results of operations and should be read in conjunction with the accompanying Condensed Consolidated Statements of Operations for the three and six months ended March 31, 2022 and 2021:

(in thousands)

	Three Months Ended March 31,		Change		Six Months Ended March 31,		Change	
	2022	2021	\$	%	2022	2021	\$	%
<b>Operating revenues:</b>								
Alico Citrus	\$ 49,032	\$ 55,268	\$ (6,236)	(11.3)%	\$ 63,780	\$ 68,194	\$ (4,414)	(6.5)%
Land Management and Other Operations	609	676	(67)	(9.9)%	1,198	1,482	(284)	(19.2)%
Total operating revenues	49,641	55,944	(6,303)	(11.3)%	64,978	69,676	(4,698)	(6.7)%
<b>Gross profit:</b>								
Alico Citrus	3,542	9,750	(6,208)	(63.7)%	4,904	14,529	(9,625)	(66.2)%
Land Management and Other Operations	457	476	(19)	(4.0)%	906	1,094	(188)	(17.2)%
Total gross profit	3,999	10,226	(6,227)	(60.9)%	5,810	15,623	(9,813)	(62.8)%
General and administrative expenses	2,538	2,653	(115)	(4.3)%	5,122	5,181	(59)	(1.1)%
Income from operations	1,461	7,573	(6,112)	(80.7)%	688	10,442	(9,754)	(93.4)%
Total other income (expense), net	25,735	(1,104)	26,839	NM	33,288	1,081	32,207	NM
Income before income taxes	27,196	6,469	20,727	NM	33,976	11,523	22,453	NM
Income tax provision	6,579	1,579	5,000	NM	3,279	2,829	450	15.9%
Net income	20,617	4,890	15,727	NM	30,697	8,694	22,003	NM
Net loss (income) attributable to noncontrolling interests	85	(23)	108	NM	136	18	118	NM
Net income attributable to Alico, Inc. common stockholders	\$ 20,702	\$ 4,867	\$ 15,835	NM	\$ 30,833	\$ 8,712	\$ 22,121	NM

NM = Not meaningful

The following discussion provides an analysis of the Company's operating segments:

**Alico Citrus**

The table below presents key operating measures for the three and six months ended March 31, 2022 and 2021:

(in thousands, except per box and per pound solids data)

	Three Months Ended				Six Months Ended			
	March 31,		Change		March 31,		Change	
	2022	2021	Unit	%	2022	2021	Unit	%
<b>Operating Revenues:</b>								
Early and Mid-Season	\$ 17,909	\$ 21,749	\$ (3,840)	(17.7)%	\$ 28,287	\$ 31,064	\$ (2,777)	(8.9)%
Valencias	25,854	28,014	(2,160)	(7.7)%	25,854	28,014	(2,160)	(7.7)%
Fresh Fruit	350	176	174	98.9%	1,229	585	644	110.1%
Purchase and Resale of Fruit	454	280	174	62.1%	507	337	170	50.4%
Grove Management Services	4,416	4,979	(563)	(11.3)%	7,834	8,071	(237)	(2.9)%
Other	49	70	(21)	(30.0)%	69	123	(54)	(43.9)%
Total	\$ 49,032	\$ 55,268	\$ (6,236)	(11.3)%	\$ 63,780	\$ 68,194	\$ (4,414)	(6.5)%
<b>Boxes Harvested:</b>								
Early and Mid-Season	1,348	1,734	(386)	(22.3)%	2,175	2,519	(344)	(13.7)%
Valencias	1,883	2,043	(160)	(7.8)%	1,883	2,043	(160)	(7.8)%
Total Processed	3,231	3,777	(546)	(14.5)%	4,058	4,562	(504)	(11.0)%
Fresh Fruit	19	11	8	72.7%	88	59	29	49.2%
Total	3,250	3,788	(538)	(14.2)%	4,146	4,621	(475)	(10.3)%
<b>Pound Solids Produced:</b>								
Early and Mid-Season	7,013	9,466	(2,453)	(25.9)%	11,034	13,598	(2,564)	(18.9)%
Valencias	9,781	11,670	(1,889)	(16.2)%	9,781	11,670	(1,889)	(16.2)%
Total	16,794	21,136	(4,342)	(20.5)%	20,815	25,268	(4,453)	(17.6)%
<b>Pound Solids per Box:</b>								
Early and Mid-Season	5.20	5.46	(0.26)	(4.8)%	5.07	5.40	(0.33)	(6.1)%
Valencias	5.19	5.71	(0.52)	(9.1)%	5.19	5.71	(0.52)	(9.1)%
<b>Price per Pound Solids:</b>								
Early and Mid-Season	\$ 2.55	\$ 2.30	\$ 0.25	10.9%	\$ 2.56	\$ 2.28	\$ 0.28	12.3%
Valencias	\$ 2.64	\$ 2.40	\$ 0.24	10.0%	\$ 2.64	\$ 2.40	\$ 0.24	10.0%
<b>Price per Box:</b>								
Fresh Fruit	\$ 18.42	\$ 16.00	\$ 2.42	15.1%	\$ 13.97	\$ 9.92	\$ 4.05	40.8%
<b>Operating Expenses:</b>								
Cost of Sales	\$ 32,031	\$ 31,063	\$ 968	3.1%	\$ 40,887	\$ 38,483	\$ 2,404	6.2%
Harvesting and Hauling	9,248	10,059	(811)	(8.1)%	11,609	12,138	(529)	(4.4)%
Purchase and Resale of Fruit	359	238	121	50.8%	405	288	117	40.6%
Grove Management Services	4,027	4,321	(294)	(6.8)%	7,098	7,055	43	0.6%
Other	(175)	(163)	(12)	7.4%	(1,123)	(4,299)	3,176	(73.9)%
Total	\$ 45,490	\$ 45,518	\$ (28)	(0.1)%	\$ 58,876	\$ 53,665	\$ 5,211	9.7%

The Company sells its Early and Mid-Season and Valencia oranges to processors that convert most of the citrus crop into orange juice. The processors generally buy the citrus crop on a pound solids basis, which is the measure of the soluble solids (sugars and acids) contained in one box of fruit. The Company's fresh fruit is generally sold to packing houses that purchase the citrus on a per box basis. The Company also provides citrus grove caretaking and harvest and haul management services to third parties in which revenues are recorded, including a management fee. Other revenues consist of the purchase and reselling of fruit.

Alico's operating expenses consist primarily of cost of sales, harvesting and hauling costs and grove management service costs. Cost of sales represents the cost of maintaining the citrus groves for the preceding calendar year and does not vary in relation to production. Harvesting and hauling costs represent the costs of bringing citrus product to processors and varies based upon the number of boxes produced. Grove management services costs include those costs associated with citrus grove caretaking and harvest and haul management services provided to third parties. Other expenses include the period costs of third-party grove caretaking and the purchase and reselling of third-party fruit.

The decrease in revenue for the three and six months ended March 31, 2022, compared to the three and six months ended March 31, 2021 was primarily due to a decrease in Early and Mid-Season and Valencia fruit harvested and, to a lesser extent, a decrease in revenue generated from grove management services.

The decrease in Early and Mid-Season and Valencia fruit harvested was primarily driven by a decrease in processed box production and a decrease in pound solids per box. The processed box production for the six months ended March 31, 2022 decreased by 11.0%, as compared to the same period in the prior fiscal year, primarily due to greater fruit drop, attributed to disease and weather conditions. In addition, in late January 2022, the Company's groves, along with many of the other groves in Florida, were impacted by a freeze event. Specifically, the Company's Valencia box production, which was anticipated to perform better than the Early and Mid-Season box production on a year-over-year comparable basis (according to the USDA 2021-22 forecast published prior to the freeze event), was negatively impacted by the freeze event. Because the Company's Early and Mid-Season harvest was substantially complete at the time of the freeze, there was no material impact to the Company's Early and Mid-Season box production. While the Company's Valencia crop was adversely impacted by the freeze event, there does not appear to be long-term measurable damage to the citrus trees.

The decrease in pound solids per box of 7.4% during the six months ended March 31, 2022, as compared to the prior year's six months ended March 31, 2021, was mainly due to the internal quality of the fruit not being as strong as it was in the previous year. In addition, the Company decided to accelerate the harvesting of the Valencia crop in order to maximize the box production, and as a result has been realizing lower pound solids per box.

Partially offsetting the decrease in processed box production and pound solids per box was an increase in the price per pound solid of 11.2% due to continued strong consumption of Not from Concentrate Orange Juice ("NFC"), which has led to continued low inventory levels. While consumption has dropped from its highest levels when the COVID-19 pandemic initially started back in March 2020, consumption, as reported by Nielsen data on April 9, 2022, has increased approximately 7.4% for the twenty-four-week period ended March 26, 2022, as compared to the similar twenty-four-week period prior to the COVID -19 pandemic.

The Company, for the three and six months ended March 31, 2022 compared to the three and six months ended March 31, 2021, recorded a decrease in revenue from grove management services. The decrease is primarily due to the third-party caretaking partner reducing some of the acres for which the Company was providing caretaking management services.

The Company harvest season, to date, has not been impacted by the COVID-19 pandemic.

The USDA, in its April 8, 2022 Citrus Crop Forecast for the 2021-22 harvest season, indicated it expects the overall Florida orange crop will decrease from approximately 52,950,000 boxes for the 2020-21 crop year to approximately 38,200,000 boxes for the 2021-22 crop year, a decrease of approximately 27.9%. With respect to the Early and Mid-Season crop, the USDA forecasted a 19.8% decline. The Company's Early and Mid-Season crop for the season was down 13.7%. Regarding the Valencia crop, the USDA is forecasting a 33.9% decline, with a significant portion of the decline being attributed to the freeze event. The Company is anticipating only a 12-15% decrease for its Valencia crop, as compared to the same period last year. The Company believes this lower rate of decline, as compared to the state forecast, is due to the efficiencies of the Company's comprehensive grove management program, as well as certain precautionary measures the Company took to minimize the impact of the freeze event on its groves and production.

The slight decrease in operating expenses for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021, was due to a reduction in harvesting and hauling expenses attributable to a decrease in Early and Mid-Season and Valencia boxes harvested in the three months ended March 31, 2022, as compared to the same period in the prior year. Additionally, mostly because of the decrease in acreage managed, the Company realized a small decrease in its caretaking expenses for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021. Partially offsetting the decrease was the result of the Company harvesting a greater percentage of boxes, in relation to the estimated total boxes to be harvested for the full season, during the three months ended March 31, 2022, as compared to the same period in the prior year, leading to a larger percentage of costs being allocated to cost of sales in the current quarter.

The increase in operating expenses for the six months ended March 31, 2022, as compared to the six months ended March 31, 2021, primarily relates to the Company receiving less proceeds under the CRBG program during the six months ended March 31, 2022, when compared to the six months ended March 31, 2021. Through the end of fiscal year 2021, the Company had received the anticipated proceeds under the CRBG program, with the exception of funds that were due relating to certain crop insurance expenses incurred by the Company. The total amount to be received for this crop insurance reimbursement is estimated to be approximately \$2,250,000 in the aggregate, of which approximately \$1,123,000 was received in the six months ended March 31, 2022. By comparison, in the six months ended March 31, 2021, the Company received approximately \$4,299,000 in proceeds under the CRBG program. Additionally, as a result of the Company harvesting a greater percentage of boxes, in relation to the estimated total boxes to be harvested for the full season, during the six months ended March 31, 2022, as compared to the same period in the prior year, a larger percentage of costs were allocated to cost of sales in the six months ended March 31, 2022.

The credit amounts shown in "Other" in operating expenses above represents the impact of the federal relief proceeds received under the CRBG program in the three and six months ended March 31, 2022 and 2021.

#### **Land Management and Other Operations**

The table below presents key operating measures for the three and six months ended March 31, 2022 and 2021:

(in thousands)

	Three Months Ended March 31,		Change		Six Months Ended March 31,		Change	
	2022	2021	\$	%	2022	2021	\$	%
<b>Revenue From:</b>								
Land and Other Leasing	\$ 442	\$ 623	\$ (181)	(29.1)%	\$ 970	\$ 1,350	\$ (380)	(28.1)%
Other	167	53	114	NM	228	132	96	72.7%
Total	<u>\$ 609</u>	<u>\$ 676</u>	<u>\$ (67)</u>	(9.9)%	<u>\$ 1,198</u>	<u>\$ 1,482</u>	<u>\$ (284)</u>	(19.2)%
<b>Operating Expenses:</b>								
Land and Other Leasing	\$ 148	\$ 196	\$ (48)	(24.5)%	\$ 288	\$ 380	\$ (92)	(24.2)%
Other	4	4	—	—%	4	8	(4)	(50.0)%
Total	<u>\$ 152</u>	<u>\$ 200</u>	<u>\$ (48)</u>	(24.0)%	<u>\$ 292</u>	<u>\$ 388</u>	<u>\$ (96)</u>	(24.7)%

NM = Not meaningful

Land and other leasing include lease income from leases for grazing rights, hunting leases, a farm lease, a lease to a third party of an aggregate mine, leases of oil extraction rights to third parties, and other miscellaneous income.

The decrease in revenues from Land Management and Other Operations for the three and six months ended March 31, 2022, as compared to the three and six months ended March 31, 2021, is primarily due to a decrease in grazing and hunting lease revenue. The decrease in this revenue is a result of the Company selling certain acres of the Alico ranch, which resulted in the reduction of land covered under grazing and hunting lease contracts. Partially offsetting this decrease was the result of a third-party non-refundable deposit of \$120,000 expiring and being recognized as income during the three and six months ended March 31, 2022.

The decrease in operating expenses from Land Management and Other Operations for the three and six months ended March 31, 2022, compared to the three and six months ended March 31, 2021, is primarily due to the reduction of the ad valorem tax expense due to the Company owning fewer ranch acres as a result of the sale of certain acres of the Alico ranch.

#### ***General and Administrative Expense***

General and administrative expenses for the three months ended March 31, 2022 were approximately \$2,538,000, compared to approximately \$2,653,000 for the three months ended March 31, 2021. The decrease was attributable in large part to (i) reduced payroll expenses of approximately \$130,000 primarily relating to the reduction in administrative personnel made during the fiscal year ended September 30, 2021 and during the six months ended March 31, 2022; (ii) a reduction in consulting expense resulting from the Company incurring approximately \$200,000 in corporate advisory fees in the six months ended March 31, 2021 and (iii) a reduction in Director's fees of approximately \$53,000, relating to a modification of the compensation arrangement for the Board of Directors. Partially offsetting these decreases were increases relating to (i) professional fees of approximately \$99,000, primarily relating to additional costs incurred with regard to real estate activities and human resources matters and (ii) other smaller increases in investor relations-related fees and accrual for paid time off of approximately \$78,000.

General and administrative expenses for the six months ended March 31, 2022 was approximately \$5,122,000, compared to approximately \$5,181,000 for the six months ended March 31, 2021. The slight decrease was attributable in large part to (i) reduced payroll expenses of approximately \$243,000 primarily relating to the reduction in administrative personnel made during the fiscal year ended September 30, 2021 and during the six months ended March 31, 2022; (ii) a reduction in consulting expense resulting from the Company incurring approximately \$200,000 in corporate advisory fees in the six months ended March 31; and (iii) a reduction in Director's fees of approximately \$96,000, relating to a modification of the compensation arrangement for the Board of Directors. Partially offsetting these decreases were increases relating to (i) an increase of approximately \$100,000 relating to a company-sponsored incentive for employees to obtain the COVID 19 vaccine; (ii) a net increase in stock compensation expense of approximately \$97,000 relating to Restricted Stock awarded to certain executives, senior managers and other employees; (iii) consulting expenses of approximately \$120,000 relating the Company's Environmental, Sustainability and Governance ("ESG") implementation strategy and related work; and (iv) an increase in accrual for paid time-off of approximately \$100,000.

#### ***Other Income (expense), net***

Other income (expense), net for the three months ended March 31, 2022 and 2021 was approximately \$25,735,000 and approximately \$(1,104,000), respectively. The shift to other income, net from other expense, net is primarily due to gains on sale of real estate, property and equipment and assets held for sale of approximately \$26,604,000 primarily relating to the sale during the current quarter of approximately 6,286 acres, in the aggregate, from the Alico ranch. By comparison, for the three months ended March 31, 2021, the Company had minimal activity relating to the sale of real estate, property and equipment and assets held for sale. Additionally, a decrease in interest expense of approximately \$219,000 for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021, was the result of the reduction of its long-term debt attributable to making its mandatory principal payments and certain prepayments.

Other income (expense), net for the six months ended March 31, 2022 and 2021 was approximately \$33,288,000 and approximately \$1,081,000, respectively. The increase in other income, net, is primarily due to gains on sale of real estate, property and equipment and assets held for sale of approximately \$35,049,000 relating to the sale during the six months ended March 31, 2022 of approximately 8,226 acres, in the aggregate, from the Alico ranch to several third parties. By comparison, for the six months ended March 31, 2021, the Company recognized gains of approximately \$3,347,000 relating to the sale of real estate, property and equipment and assets held for sale. Additionally, a decrease in interest expense of approximately \$507,000 for the six months ended March 31, 2022, as compared to the six months ended March 31, 2021, was the result of the reduction of its long-term debt attributable to making its mandatory principal payments and certain prepayments.

### Income Taxes

The income tax provision was approximately \$6,579,000 and \$1,579,000 for the three months ended March 31, 2022 and 2021, respectively, and approximately \$3,279,000 and \$2,829,000 for the six months ended March 31, 2022 and 2021, respectively. The increase in the tax provision for the three and six months ended March 31, 2022 primarily resulted from the Company generating greater pre-tax income, compared to the same periods in the prior year, as a result of increased sales of real estate, property and equipment and assets held for sale. Additionally, in the six months ended March 31, 2022, the Company sold 1,638 acres of land to the State of Florida at a price below market value, which resulted in a charitable deduction for tax purposes and thus a resulting tax benefit impacting the income tax provision. Excluding this tax benefit, the Company would have incurred an income tax provision of approximately \$8,157,000 for the six months ended March 31, 2022.

### Seasonality

The Company is primarily engaged in the production of fruit for sale to citrus markets, which is of a seasonal nature, and subject to the influence of natural phenomena and wide price fluctuations. Historically, the second and third quarters of Alico's fiscal year produce most of the Company's annual revenue. Working capital requirements are typically greater in the first and fourth quarters of the fiscal year, coinciding with harvesting cycles. Because of the seasonality of the business, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year.

### Liquidity and Capital Resources

A comparative balance sheet summary is presented in the following table:

(in thousands)

	March 31, 2022	September 30, 2021	Change
Cash and cash equivalents (including restricted cash)	\$ 26,176	\$ 886	\$ 25,290
Total current assets	\$ 70,582	\$ 54,913	\$ 15,669
Total current liabilities	\$ 24,531	\$ 22,306	\$ 2,225
Working capital	\$ 46,051	\$ 32,607	\$ 13,444
Total assets	\$ 452,912	\$ 433,217	\$ 19,695
Principal amount of term loans	\$ 124,151	\$ 126,294	\$ (2,143)
Current ratio	2.88 to 1	2.46 to 1	

### Sources and Uses of Liquidity and Capital

Alico's business has historically generated full fiscal year positive net cash flows from operating activities, although the net cash flow in the first quarter of each fiscal year has been negative because of seasonality and the associated need to expend cash in advance of generating revenues from the harvesting season. Sources of cash primarily include cash flows from operations, sales of under-performing land and other assets, amounts available under the Company's credit facilities, and access to capital markets. Access to additional borrowings under revolving lines of credit is subject to the satisfaction of customary borrowing conditions. As a public company, Alico may have access to other sources of capital. However, access to, and availability of, financing on acceptable terms in the future will be affected by many factors, including (i) financial condition, prospects, and credit rating; (ii) liquidity of the overall capital markets; and (iii) the state of the economy. There can be no assurance that the Company will continue to have access to the capital markets on acceptable terms, or at all.

The principal uses of cash that affect Alico's liquidity position include the following: operating expenses including employee costs, the cost of maintaining the citrus groves, harvesting and hauling of citrus products, capital expenditures, stock repurchases, dividends, debt service costs including interest and principal payments on term loans and other credit facilities and acquisitions.

Management believes that a combination of cash-on-hand, cash generated from operations, asset sales and availability under the Company's lines of credit will provide sufficient liquidity to service the principal and interest payments on its indebtedness and will satisfy working capital requirements and capital expenditures for at least the next twelve months and over the long term.

## Borrowing Facilities and Long-term Debt

Alico has a \$70,000,000 working capital line of credit, of which approximately \$69,664,000 was available for general use as of March 31, 2022, and a \$25,000,000 revolving line of credit, all of which was available for general use as of March 31, 2022 (see Note 5. "Long-Term Debt and Lines of Credit" to the accompanying Condensed Consolidated Financial Statements). Additionally, effective May 1, 2021, the Company converted its Met Fixed-Rate Term Loans into interest bearing only loans with a balloon payment of the balance due at maturity, which is November 1, 2029. Such conversion has increased available cash and may be expected to continue to increase the available cash for the foreseeable future. With the increase in available cash, the Company could utilize the available cash for other possible uses such as paying down indebtedness, citrus grove acquisitions, share repurchases, and additional increased dividends. If the Company chooses to pursue significant growth and other corporate opportunities, such as the transaction whereby it acquired 3,280 citrus grove acres on October 30, 2020 for \$18,230,000, paying down of indebtedness, engaging in share repurchases or paying increased dividends, these actions could have a material adverse impact on its cash balances and may require the Company to finance such activities by drawing down on its lines of credit or by obtaining additional debt or equity financing. There can be no assurance that additional financing will be available to the Company when needed or, if available, that it can be obtained on commercially reasonable terms. Any inability to obtain additional financing could adversely impact Alico's ability to pursue different growth and other corporate opportunities.

The level of debt could have important consequences on Alico's business, including, but not limited to, increasing its vulnerability to general adverse economic and industry conditions, limiting the availability of cash flow to fund future investments, capital expenditures, working capital, business activities and other general corporate requirements, and limiting flexibility in planning for, or reacting to, changes in its business and industry.

Alico's credit facilities are subject to various debt covenants including the following financial covenants: (i) minimum debt service coverage ratio of 1.10 to 1.00; (ii) tangible net worth of at least \$160,000,000 increased annually by 10% of consolidated net income for the preceding years, or approximately \$173,216,000 applicable for the year ended September 30, 2021; (iii) minimum current ratio of 1.50 to 1.00; (iv) debt to total assets ratio not greater than .625 to 1.00; and (v) solely in the case of the WCLC, a limit on capital expenditures of \$30,000,000 per fiscal year. As of March 31, 2022, the Company was in compliance with all of the financial covenants.

## Cash Management Impacts

Cash, cash equivalents, and restricted cash increased from approximately \$886,000 as of September 30, 2021, to approximately \$26,176,000 as of March 31, 2022. The components of these changes are discussed below.

### Net Cash Provided By Operating Activities

The following table details the items contributing to Net Cash Provided By Operating Activities for the six months ended March 31, 2022 and 2021:

<i>(in thousands)</i>	Six Months Ended		
	March 31,		
	2022	2021	Change
Net income	\$ 30,697	\$ 8,694	\$ 22,003
Depreciation, depletion and amortization	7,668	7,617	51
Gain on sale of real estate, property and equipment and assets held for sale	(35,049)	(3,347)	(31,702)
Deferred income tax benefit	(4,746)	—	(4,746)
Loss on disposal of long-lived assets	909	1,200	(291)
Debt issue costs expense	85	91	(6)
Stock-based compensation expense	630	630	—
Change in operating assets and liabilities	8,604	10,741	(2,137)
Net cash provided by operating activities	\$ 8,798	\$ 25,626	\$ (16,828)

The decrease in cash provided by operating activities for the six months ended March 31, 2022, as compared to the same period in the prior year, was primarily attributable to the impact of an increase in gains on sale of real estate, property and equipment and assets held for sale in the six months ended March 31, 2022, relating to the sale of certain sections of the Alico ranch, as compared to gain on sale of real estate, property and equipment and assets held for sale in the six months ended March 31, 2021, and the recognition of a charitable deduction associated with the sale of certain acres to the State of Florida, which resulted in the Company recording a tax benefit for the six-month period. Partially offsetting these increases in cash used in operating activities was an increase in net income for the six months ended March 31, 2022, as compared to the same period in the prior year.

Net Cash Provided By (Used In) Investing Activities

The following table details the items contributing to Net Cash Provided By (Used In) Investing Activities for the six months ended March 31, 2022 and 2021:

<i>(in thousands)</i>	<b>Six Months Ended March 31,</b>		<b>Change</b>
	<b>2022</b>	<b>2021</b>	
Capital expenditures:			
Citrus trees	\$ (7,534)	\$ (9,064)	\$ 1,530
Equipment and other	(2,894)	(1,272)	(1,622)
Total	(10,428)	(10,336)	(92)
Acquisition of citrus groves	(136)	(18,230)	18,094
Net proceeds from sale of real estate, property and equipment and assets held for sale	36,657	3,442	33,215
Change in deposits on purchase of citrus trees	(95)	240	(335)
Advances on notes receivables, net	—	271	(271)
Other	—	15	(15)
Net cash provided by (used in) investing activities	<u>\$ 25,998</u>	<u>\$ (24,598)</u>	<u>\$ 50,596</u>

The shift to cash provided by investing activities for the six months ended March 31, 2022 from cash used in investing activities for the six months ended March 31, 2021, was primarily due to the Company receiving higher proceeds from the sale of real estate, property and equipment and assets held for sale in the six months ended March 31, 2022, when compared to the six months ended March 31, 2021. Additionally, in October 2020, the Company purchased approximately 3,280 gross acres located in Hendry County for a purchase price of approximately \$18,230,000. Only minimal purchases of citrus groves were made in the six months ended March 31, 2022.

Net Cash Used In Financing Activities

The following table details the items contributing to Net Cash Used In Financing Activities for the six months ended March 31, 2022 and 2021:

<i>(in thousands)</i>	<b>Six Months Ended March 31,</b>		<b>Change</b>
	<b>2022</b>	<b>2021</b>	
Repayments on revolving lines of credit	\$ (46,470)	\$ (45,247)	\$ (1,223)
Borrowings on revolving lines of credit	46,470	42,305	4,165
Principal payments on term loans	(2,143)	(5,377)	3,234
Exercise of stock options	170	—	170
Dividends paid	(7,533)	(2,025)	(5,508)
Net cash used in financing activities	<u>\$ (9,506)</u>	<u>\$ (10,344)</u>	<u>\$ 838</u>

The slight decrease in cash used in financing activities in the six months ended March 31, 2022 was primarily due to fewer principal payments being made in the six months ended March 31, 2022, when compared to the six months ended March 31, 2021. This resulted primarily from the Company, in May 2021, converting its Met Fixed-Rate Term Loans into interest-

bearing-only loans with a balloon payment of the balance due at the November 1, 2029 maturity. Additionally, there were greater net payments on the borrowings under the lines of credit in the six months ended March 31, 2021, as compared to the same period in the prior year. Partially offsetting this decrease was the result of the Company, in June 2021, increasing the annual dividend rate to \$2.00 per common share, from \$0.72 per common share.

The Company had \$0 outstanding on its revolving lines of credit as of March 31, 2022 and 2021.

The WCLC line of credit agreement provides for Rabo Agrifinance, Inc. to issue up to \$2,000,000 in letters of credit on the Company's behalf. As of March 31, 2022, there was approximately \$336,000 in outstanding letters of credit, which correspondingly slightly reduced Alico's availability under the WCLC line of credit.

#### Purchase Commitments

The Company enters into contracts for the purchase of citrus trees during the normal course of its business. As of March 31, 2022, the Company had approximately \$6,578,000 relating to outstanding commitments for these purchases, which will be paid upon delivery.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

There have been no material changes during this reporting period in the disclosures set forth in Part II, Item 7A in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021, as filed with the SEC on December 7, 2021.

### **Item 4. Controls and Procedures**

#### *(a) Evaluation of Disclosure Controls and Procedures.*

Our Principal Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") as of the end of the period covered by this report. Based on this evaluation, our Principal Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

#### *(b) Changes in Internal Control over Financial Reporting.*

During the fiscal quarter ended March 31, 2022, there were no changes in our internal controls over financial reporting that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings**

From time to time, Alico may be involved in litigation relating to claims arising out of its operations in the normal course of business. There are no current legal proceedings to which the Company is a party or of which any of its property is subject that it believes will have a material adverse effect on its financial position, results of operations or cash flows.

### **Item 1A. Risk Factors**

There have been no material changes in the risk factors set forth in Part 1, Item 1A, "Risk Factors" in Alico's Annual Report on Form 10-K for the fiscal year ended September 30, 2021, as filed with the SEC on December 7, 2021.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

There were no sales of unregistered equity securities during the period covered by this Quarterly Report on Form 10-Q.

There were no issuer purchases of the Company's equity securities during the period covered by this Quarterly Report on Form 10-Q.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Mine Safety Disclosure**

Not Applicable.

### **Item 5. Other Information**

None.

**Item 6. Exhibits**

Exhibit Number	Exhibit Index
3.1	<a href="#">Restated Certificate of Incorporation, dated February 17, 1972 (incorporated by reference to Exhibit 3.1 of Alico's filing on Form 10-K dated December 11, 2017)</a>
3.2	<a href="#">Certificate of Amendment to Certificate of Incorporation, dated January 14, 1974 (incorporated by reference to Alico's Registration Statement on Form S-8, dated December 21, 2005, Registration No. 333-130575)</a>
3.3	<a href="#">Amendment to Articles of Incorporation, dated January 14, 1987 (incorporated by reference to Alico's Registration Statement on Form S-8, dated December 21, 2005, Registration No. 333-130575)</a>
3.4	<a href="#">Amendment to Articles of Incorporation, dated December 27, 1988 (incorporated by reference to Alico's Registration Statement on Form S-8, dated December 21, 2005, Registration No. 333-130575)</a>
3.5	<a href="#">Second Amended By-Laws of Alico, Inc., amended and restated (incorporated by reference to Exhibit 3.6 of Alico's filing on Form 8-K dated January 15, 2021)</a>
10.1	<a href="#">Twelfth Amendment and Waiver to Credit Agreement by and among Alico, Inc., Alico-Agri, Ltd., Alico Plant World, L.L.C., Alico Fruit Company, LLC, Alico Land Development Inc., Alico Citrus Nursery, LLC, and Rabo Agrifinance LLC (f/k/a Rabo Agrifinance, Inc.) dated November 17, 2021 (incorporated by reference to Exhibit 10.1 of Alico's filing on Form 10-Q dated February 3, 2022)</a>
10.2	<a href="#">Hunting Lease Agreement and Real Estate Purchase and Sale Option Agreement between Alico, Inc., and Mr. Kiernan, dated January 1, 2022 (incorporated by reference to Exhibit 10.2 of Alico's filing on Form 10-Q dated February 3, 2022)</a>
10.3	<a href="#">Employment Agreement and Bonus Agreement between Alico, Inc., and Mr. Kiernan, dated January 1, 2022 (incorporated by reference to Exhibit 10.1 and Exhibit 10.2 of Alico's filing on Form 8-K dated April 5, 2022)</a>
31.1	<a href="#">Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Rule 13a-14(a) certification</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Rule 13a-14(a) certification</a>
32.1	<a href="#">Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350</a>
32.2	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350</a>
101.INS	* Inline XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	* Inline XBRL Taxonomy Extension Schema Document
101.CAL	* Inline XBRL Taxonomy Calculation Linkbase Document
101.DEF	* Inline XBRL Taxonomy Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page for the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, has been formatted in Inline XBRL.
*	In accordance with Rule 406T of Regulation S-T, these XBRL (eXtensible Business Reporting Language) documents are furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.



## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John E. Kiernan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alico, Inc. (Alico),
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Alico as of, and for, the periods presented in this report;
4. Alico's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Alico and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Alico, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of Alico's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in Alico's internal control over financial reporting that occurred during Alico's most recent fiscal quarter ended March 31, 2022, that has materially affected, or is reasonably likely to materially affect, Alico's internal control over financial reporting; and
5. Alico's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Alico's auditors and audit committee of Alico's Board of Directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2022

By: \_\_\_\_\_  
/s/ John E. Kiernan  
John E. Kiernan  
President and Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard Rallo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alico, Inc. (Alico),
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Alico as of, and for, the periods presented in this report;
4. Alico's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Alico and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Alico, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of Alico's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in Alico's internal control over financial reporting that occurred during Alico's most recent fiscal quarter ended March 31, 2022, that has materially affected, or is reasonably likely to materially affect, Alico's internal control over financial reporting; and
5. Alico's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Alico's auditors and audit committee of Alico's Board of Directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2022

By: \_\_\_\_\_ /s/ Richard Rallo

Richard Rallo  
Senior Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Alico, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on May 9, 2022, (the "Form 10-Q"), I, John E. Kiernan, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2022

By: \_\_\_\_\_  
/s/ John E. Kiernan  
John E. Kiernan  
President and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Alico, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2022, as filed with the Securities and Exchange Commission on May 9, 2022, (the "Form 10-Q"), I, Richard Rallo, Senior Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2022

By: \_\_\_\_\_ /s/ Richard Rallo  
Richard Rallo  
Senior Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)