

IMG ENTERPRISES ANNUAL REPORT

We believe that through our sustainable connection to the environment we can transform the world exponentially.

IMG
Enterprises



IMG Citrus

Health

Innovation

Growing

Family

Commitment

Cherrylake

Sustainable

Beauty

Vision

Life

Community



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2020 ANNUAL REPORT

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Letter from the CEO

IMG Enterprises, Inc. (IMGE), through its subsidiaries (IMG Citrus, Inc.; Happy Food, LLC; M&V, LLC; and Cherrylake, Inc.), operates 10,568-acres of citrus and ornamental plant production. IMG Citrus operates 8,857-acres of this land to produce fresh grapefruit, oranges, and tangerines. Cherrylake manages 1,710-acres to grow ornamental trees, shrubs, and palms.

On a consolidated level, our revenue reached \$94.6M for FY2020, 22% above FY2019. Cash flow from ongoing operations (EBITDA) came in at \$26.7M in 2019/20 compared to \$13.4M in 2018/19. Although year-end results for FY2020 appear to be strong compared to FY2019, they were significantly below expectations. The increase in EBITDA in 2019/20 is due to three factors:

- 1) We booked an exceptional income of \$11M, which corresponds to an insurance payment received covering the damage caused three years ago to the Cherrylake tree farm inventory by Hurricane Irma. The related losses were booked in FY2018 and FY2019.
- 2) In 2019/20, we generated \$6M EBITDA from our recent \$35M investment in the Happy Food Grove.
- 3) For the first time since its creation five years ago, our citrus import division had a positive EBITDA in 2019/20 for an amount of \$1.3M.

If we do not consider the three factors mentioned above, our core business had a cash flow from ongoing operations (EBITDA) of \$8.4M, a decrease of \$5M compared to 2018/19.

COVID-19 had a widespread impact on our EBITDA in the final four months of FY2020, which we estimate at \$6M. We experienced a significant reduction in farm sales, construction, and maintenance activities due to project delays or cancellations. At the same time, we experienced higher labor costs due to the moratorium on H-2B visas, increased sanitation, and social distancing protocols.

COVID-19 had another negative impact on our cash flow as Continental Properties canceled a May 2020 scheduled closing of a 26-acre property in Ellenton. The objective



was to use the \$7.1M proceeds from this sale to reduce our debt as we were highly leveraged after acquiring the Happy Food Grove.

We estimate the total negative impact of COVID-19 on our cash flow between March 2020 and June 2020 to be above \$13M. Thankfully, we were able to secure PPP loans for Cherrylake and IMG Citrus for \$4.2M, giving the resources needed to carry forward our plans and maintain full employment.

As you will read in this report, following the Happy Food Grove acquisition and the continued expansion of the summer import program, IMG Citrus achieved record-breaking results in 2019/20. Total sales increased 63% over last year to reach \$51.2M and generated an EBITDA of \$8.2M. Cherrylake's four-year streak of record-breaking sales and EBITDA came to an end in 2019/20. Sales went down 6% compared to last year, and EBITDA (excluding extraordinary income) decreased by 31% to \$8.7M.

In 2019/20, our total capital expenditures for all divisions were \$8.7M, compared to \$39.1M in 2018/19. On June 30, 2020, our leverage ratio and EBITDA to Sr. Debt Service ratio were respectively 0.85 and 3.30 compared to 1.20 and 4.08 on June 30, 2019. Our objective is to decrease our leverage ratio to under 0.40.

On a consolidated basis for 2020/21, IMG Enterprises has budgeted total sales at \$104.3M. This 10% increase, compared to the prior year, will mostly stem from our summer citrus import program's growth. For 2020/21, we are budgeting a consolidated EBITDA of \$19.1M, including \$4.5M of extraordinary income coming essentially from the PPP loan's forgiveness. For next year, we budget capital expenditures of \$8.6M. On June 30, 2021, we expect our leverage ratio to be at 0.67 and our EBITDA to Sr. Debt Service ratio to be at 4.51.

For the past eight years, we have used the Employee Net Promoter Score (ENPS) to measure our employees' satisfaction and engagement. A positive ENPS (higher than zero) is generally deemed good, and an ENPS of +50 is considered excellent. In May 2020, the ENPS of Cherrylake was 52% compared to 54% in May 2019. In January 2020, the ENPS of IMG Citrus was 75%, compared to 72% in May 2019.

We use the same methodology to measure our customers' satisfaction. Cherrylake had excellent results with a CNPS score of 72% in May 2020, compared to 80% the prior year. In January 2020, IMG Citrus had a CNPS of 21%, compared to negative 12% the prior year.

In 2020, our workers compensation experience modification rate (EMR) was 0.79 compared to 0.92 the prior year. We successfully maintained our ERM under one for the past six years, which is a great accomplishment for the safety team and all our employees.

The Next Generation of Leaders

I will retire from my role as President and CEO in February 2021, while remaining engaged as the Chairman of the Board. It has been quite a journey over the past 40 years. To build a diversified agribusiness, with operations leading their industries and a team that is driven by purpose and passion, has been incredibly rewarding.

The IMG Enterprises Board has selected that my succession not be held by one person but rather by the triad of the 2nd generation of owners: Melanie Ressler, Timothee Sallin, and Chloe Gentry. It is not their ownership title that matches them to this role, but rather their extensive experience with the operational and strategic knowledge of the Enterprise, along with their passion and alignment towards our vision. They will leverage their financial expertise, risk management, entrepreneurship, farm operations, sales and marketing, labor relations, and organizational development. Together, they bring a critical understanding of our enterprise's strategic, financial, operational, and human dynamics.

This new structure will allow for an increased scope and broader capacity of the CEO role and highlight the strength found in teamwork and collaboration. It will allow moving the organization towards a

collaborative leadership to create winning teams based on collaboration and trust where everyone maximizes their potential to be the best version of themselves. We have been on this journey for many years, and we have slowly and organically evolved towards a more collaborative leadership model.

Everyone in our organization is looking for meaning and contribution in life and work, and we believe that through our sustainable connection to the environment, we will transform the world exponentially. We are a purposeful organization, rooted in our values and dedicated to creating a better world for our colleagues, communities, and future generations. I have no doubt that our new co-CEOs and experienced senior leadership teams have the wisdom, the vision, and the skills to lead IMG Enterprises towards new opportunities and overcome any turmoil.

I express my sincere appreciation to our senior leaders, colleagues, customers, suppliers, creditors, and shareholders, and I am grateful for their continued support and confidence.

Michel Sallin
Chairman and Chief Executive Officer
IMG Enterprises, Inc.



**BOARD OF
DIRECTORS**

Michel Sallin
Chairman of the Board

Veronique Sallin

Chloe Gentry

Chuck Allison

Melanie Ressler

Timothee Sallin

Todd Gentry



IMG
Enterprises

Vision Statement

We are a sustainable, diversified, family-owned enterprise, rooted in the land and agriculture, which contributes to the health and well being of people and the environment.

Our products, services, and culture connect people (employees, customers, and the community) with Nature for a healthy, happy, and sustainable life.

We are entrepreneurs and believe in vertical integration, branding, certification programs, continuous improvement, and disruptive innovation.

We have a risk management strategy. We do not take any risk we cannot afford or which threatens our sustainability. We build multiple options for our assets and have a plan to monetize dormant assets and assets non-essential to our core business.

We operate according to the principles of lean and flow.

We are organized along with the principles of self-management, autonomy, collaboration, and entrepreneurship.

We provide opportunities for our employees to achieve their professional and personal goals and have fun doing it. We create a workplace culture that inspires people to grow.

We value our agriculture workers and equip them with resources, tools, and skills to improve their quality of life. We set an example for other agricultural employers.

We pursue innovation, science, and technology in horticulture and agricultural production methods. We focus on plant health, environmentally friendly practices, reducing chemical and water use.



Our Core Values

We communicate openly and honestly

We believe in teamwork and respect for the people

We are passionate about what we do

We always propose a solution

We embrace change, learning, and innovation

We foster beauty, cleanliness, and safety of our environment

We encourage entrepreneurial decision making



Organizational Development

Chloe Gentry
Director of Marketing &
Organizational Development

Leading A Journey Of Growth

The operational businesses within IMG Enterprises continue to grow substantially. At IMG Citrus, total sales reached \$51.2M in FY2020, representing a 63% increase over the prior year's \$31.4M. At Cherrylake, the OSCE gross margin (GM) grew by 33%. The Construction Group had its best year yet in sales (\$14.6M), and the Maintenance Group is pushing through its infancy stage with growth in GM and EBIT.

This operational growth of the past year was led by our team of 522 full-time employees throughout IMG Enterprises (up 4% from FY2020), with an employee base of 478 at year-end. Our portfolio of employees is diverse: 114 within IMG Citrus, 364 within Cherrylake, 70 Seasonal, 117 H-2, 89 Salaried, 389 Hourly, 215 Ag-Exempt, and 174 Non-Ag Exempt. Their diversity, skill, and passion are critical to our success, and we are proud that our teams and people are recognized as leaders in their industries and communities.

We are a purposeful community. Our employees are fulfilled, happy, and growing. Together we thrive. This is our vision for the IMG Enterprises family of employees.

More than a vision, it is a work-in-progress that has and continues to include a **holistic approach** to Organizational Development. We are **intellectually** exploring concepts of Frederic Laloux's Teal Organization, defining our "WHY", measuring our Employee Net Promoter Score (ENPS), and moving toward Baldrige strategic planning maps with measurable outcomes for both short-term and long-term targets. We function **emotionally** by encouraging each team member to reflect on their own purpose and Colleague Letter Of Understanding (CLOU), explore Enneagram personality



types, and provide coaching around Non-Violent Communication. We operate **behaviorally** through our Family Fiesta tradition, our State of the Company event, our Appreciation Walls, our profit share bonus accessible to all employees, and our focus on cross-functional teams for both projects and Operational Leadership.

We view Organizational Development as a journey. From a vision, we take small steps to encourage the organization to adopt the mindset, heart, and actions that will bring us to our goals. Our vision is to create an organization that is both reliable and adaptable, while simultaneously inspiring others. Our commitment to reliability includes predictable returns to shareholders, fulfilling customer expectations, adhering to regulations, and providing stable employment and a stable work environment. Our quest for adaptability necessitates responsiveness to changes in the market and business demands in order to capitalize on new technology, the emergence of new competitors, or sudden shifts in market conditions. We hope to contribute with products, services, and a culture that together create authentic, purposeful, and inspiring experiences.

Above: Hope, Arturo, Jennifer, and Caren at our Annual Employee Service Awards.



Looking forward, as we continue the journey, our priority in OD is to promote a culture that is focused on teams for problem-solving and building organizational structures that have peer-to-peer relationships. We must continue to encourage people to come together to share their perspectives and solve problems collectively as a cross-functional team, believing the best ideas come from collaboration. Yet as the problems shift or resolve, the teams must be agile in order to identify when to dissolve or invite different members to the table. All while referring to the strategic goals of the organization in order to identify the most pertinent problems to tackle and solve.

The ability to have agile, cross-functional teams requires fluidity and flexibility in how people view their roles. Our goal is to move away from individual titles defining their occupational relationship and allow for individual interests and unique skill sets to lead the formation of these work teams. Our vision is to create a flatter organizational structure and remove hierarchical titles that refer to command and control behaviors such as “Director” or “Supervisor”. Rather, we will work toward nomenclature that refers to team members, leaders, and heads of particular fields or departments to emphasize collaboration. We will continue to encourage each team member to define their role within the organization based on their purpose, their domains of expertise, and their areas of accountability.

Above: Sydney, Brian, and Jason at the Happy Food Grove.

"We view Organizational Development as a journey. From a vision, we take small steps to encourage the organization to adopt the mindset, heart, and actions that will bring us to our goals. Our vision is to create an organization that is both reliable and adaptable, while simultaneously inspiring others."

This way of work also requires creating strong Objectives and Key Results (OKRs) for each team member. Our objective is to develop personalized dashboards with balanced metrics that can inform each team member on their progress toward their goals. Combined with a continuous performance management system that incorporates peer reviews, we can move away from top-down evaluations to a system that provides employees an opportunity for real-time feedback, mentorship from multiple levels, and concise, actionable opportunities for growth and improvement.

We will continue providing opportunities for learning and personal development. We will hire on cultural-alignment and foster competencies that promote being highly collaborative yet self-sufficient and resilient. Communication and conflict resolution skills, experience in goal setting and time management, and confidence with giving and receiving feedback will be vital and needed on our journey.

We recognize that the continued growth of the operations and development of the organization relies heavily on our capital of human resources and our ability to maintain agility despite a large employee base. At the same time, we must maintain a sense of community while honoring our diversity. Our actions and intentions in OD will continue to be focused on the growth of both our employees and our operations. Growth requires continuous learning and change. Our vision for OD is one that seeks to equip the organization and its members with the tools (mindset, heart, and actions) for self-management, autonomy, collaboration, and entrepreneurship. Then we will thrive together. ◆

H-2 Labor Update

The organization continues to rely on the H-2A and H-2B workforce immigration programs to fill peak-load needs.

At Cherrylake, the program is stable with all 80 of our FY2020 H-2A workforce being re-hires from previous years. This fiscal year marked the first season our H-2A workforce was housed in our newly built on-campus housing facility. Our on-campus facility allows us to provide a higher quality of life to our team members, while also giving us more operational efficiency as we no longer have to provide transportation to a hotel or provide three meals a day. Work schedules are now more flexible and do not have to match across all departments. Lunch can also be eaten in the field.

Within Cherrylake's Construction and Maintenance Groups, our April 1, 2020 H-2B job order for 31 team members was suspended due to President Trump's executive order to halt temporary work visas in the midst of the COVID-19 unemployment uncertainty. Despite this setback, we were able to hire domestic workers for our Maintenance Group to fill the gap, and we are hoping to retain some of these additional workers year-round.

At IMG Citrus, FY2020 was our first year using the H-2B program, providing much-needed capacity for our increased volumes related to the acquisition of the Happy Food Grove. Our job order consisted of 20 packers from 10/28/2019 - 02/28/2020. We also filed for a continuance of 11 workers through March 13, 2020. Although the H-2B workforce had less job experience and a substantially lower carton per hour productivity metric compared to our domestic staff, the H-2B program allowed us to be fully staffed in the packinghouse and run at full capacity, gaining general efficiencies. Our labor cost per carton decreased to \$1.35 from \$1.79 in FY2019. Because the portfolio of the fruit we pack is now largely grown by IMG Citrus, next year we will continue the program under the H-2A framework. We are hopeful that the same workers will return so we can capitalize on the training and experience they have gained this past season.

In FY2021, we will add an H-2A program designed to meet our harvesting needs at the Happy Food Grove. This pilot year will consist of 24 H-2A workers (one harvesting crew). In FY2021, we have a budgeted CAPEX of \$600K to build phase 1 of a 96 person capacity housing facility at the Happy Food Grove location. Through the addition of this H-2A program, we intend to integrate our harvesting activities into our grove operations, rather than outsourcing it to a third party.

Right: *The new H-2A housing facility on Cherrylake's campus has the capacity to have up to 96 workers.*



2020 CEO Award Recipients

Our CEO Award Recipients are celebrated during our annual State of the Company event. Prior to the State of the Company, we invite both Cherrylake and IMG Citrus employees to praise and recognize their co-workers who they feel embody our company values in an exceptional way through a nomination process. We are thankful to have employees that bring our values to life.

We communicate openly and honestly



Denise Milano
Shared Services

We believe in teamwork and respect for people



Richard Beck
Cherrylake

We are passionate about what we do



Luis Juliao
Cherrylake

We always propose a solution



Lee Bouldin
IMG Citrus

We embrace change, learning, and innovation



Marvin Carlton
Cherrylake

We foster beauty, cleanliness, and safety of our environment



James McCormick
Cherrylake

We encourage entrepreneurial decision making



Julissa Escobar
IMG Citrus

2020 Project of the Year

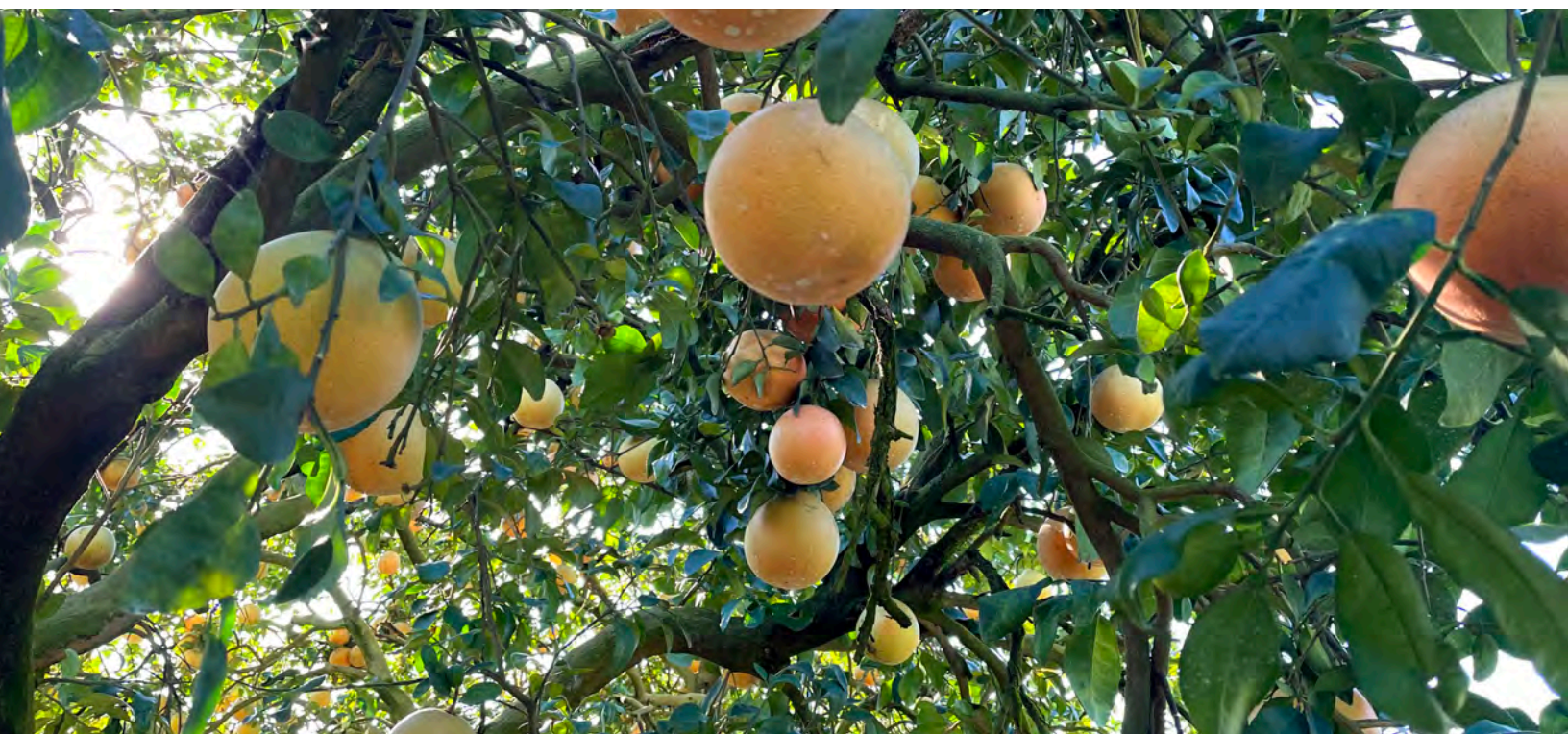
The Project of the Year for Cherrylake and IMG Citrus are also celebrated during our annual State of the Company event. Important criteria considered in the selection process include impact to the bottom line, sustainability, benefit to the community/industry/employees, cross functional teamwork, and innovation.

Intelligent Sprayer Project at Cherrylake

The Plant Health Team at Cherrylake created a cost-sharing program with the St. Johns River Water Management District to purchase the Intelligent Sprayer, which increases spray precision and accuracy. Its innovative operating system detects unique crop architecture, making calculated decisions based on the height, width, spacing, and density of each tree or plant. This means spray is no longer wasted on tree trunks and empty spaces in a row. We have been more consistent with our pest management than ever before, saving on average 47% of chemical use per application, and we're able to spray a crop at record speed.

Happy Food Grove Acquisition at IMG Citrus

The 4,000-acre Happy Food Grove, acquired in 2019, made IMG Citrus the largest fresh grapefruit grower in the state of Florida. IMG Citrus now grows 25% of Florida's red grapefruit and 50% of Florida's white grapefruit. In the 2019-2020 Florida season, 53% of the company's total cartons harvested came from the Happy Food Grove, helping to build their year-round program. Since the acquisition, IMG Citrus has planted approximately 50K trees on the property. Additionally, the Happy Food Grove Reservoir helps to irrigate the trees, while also providing wildlife a home. Overall, the Happy Food Grove lead IMG Citrus to their best year yet.





Technology Update

Jim Lieffort

Director of Landscape Maintenance

At the beginning of the calendar year 2020, the organization faced a new collection of challenges with the onset of the coronavirus pandemic and its subsequent implications. Paralleling countless businesses throughout the country, our office and administrative employees were confronted with the adjustment of settling into a new work environment and structure. Because of the hard work and foresight of the Leadership Team, the IT Team, and the collaborative effort of all company employees, many potential dilemmas were averted. All accounting and inventory management systems have evolved over a number of successive iterations, permitting access through the cloud on virtually any device. This greatly facilitated the movement of staff from their typical office environments into new, flexible workspaces in their homes or elsewhere. Overall, the past several months of operations have run efficiently and productively considering the unpredictable circumstances.

FY2020 has seen a number of improvements in the area of automated data transfer. At Cherrylake, many processes were streamlined and automated. Before the end of 2019, the publicization of all

price and product specification information on the Cherrylake website involved the manual process of tediously uploading tables to the host web server. In April 2020, we experienced our first attempt at making our primary item price list upload a fully automatic update from the ERP, and we have been improving this process ever since.

We are currently designing a data collection toolkit for Central Inventory to streamline their issuing process, ensuring a more robust data collection protocol. Our plan is for employees to identify themselves at the CI (Central Inventory) service desk with their employee badge, timecard, or other RFID device, where they will then be issued materials from the warehouse by a CI representative. This process would be similar to a checkout clerk operating a register at a retail outlet. A prototype for this kiosk has been built, and it is currently undergoing testing and peer review.

At IMG Citrus, new tools were introduced to help automate the reporting of packing materials exchanged with network distributors. These tools have saved both the shipping department and sales



clerical employees time and effort in their daily routines.

In cooperation with the Cherrylake production team, one of the initiatives of the IT department over the past 3 years has been to provide better data collection and reporting tools in the field. In FY2020, we completed the final implementation of our homegrown Task on Time (TOT) shifting application in the field. This system allows shifting team leaders the ability to easily view the upcoming shifting schedule and assign work orders to their crews. It then presents this information so the workflow is more easily recognizable and executable by field staff. At this time last year, the TOT shifting application was still a prototype. Today, over 2,000 work orders have been executed utilizing this tool.

Similar to previous years, our ERP at Cherrylake saw another major upgrade, bringing new functionality, security, and bug fixes. Previously, project

management and the core accounting activities for the Construction Team were performed in two distinct systems which are only partially integrated. For the past few years, we aimed to consolidate our project management and accounting systems within one ERP framework, Acumatica, to provide the Cherrylake teams with one fully integrated accounting package. Several new reports have been authored, which support this transition, including a new project billing and project cost analysis. At this point, the IT team identified the path for this transition, and the Construction team identified a date in early September to begin entering all new projects in this consolidated system. A number of other reporting tools have been created over the past year, facilitating areas of sales profitability analysis, cost of goods, and operational performance.

We have great aspirations for data collection at the packinghouse in FY2021. The beginning of the domestic season in FY2020 saw the introduction of

Above: Alex analyzing images photographed by our MAF Globalscan 7.

new sizing equipment at the packinghouse. We have only just begun to leverage the full potential of these systems as a data collection mechanism. The ability to analyze data relating to fruit harvested both by individual run and categorically over time has an enormity of implications. It provides insights for the fine tuning of grower management processes in the field while facilitating the organization of the packinghouse output by the Sales team.

Our goal is to introduce a new layer of resolution into the output of each grove by block. We can then create a convention for capturing a broadened scope of defect articles, as well as quality and grade information for fresh citrus. Our initiative is to then generate a series of new reports for grove operations, the packinghouse, and the Sales team based on the data collected by the sizing equipment, the MAF Global Scan 7.

If we are able to provide a simple way for the forklift operators to track and tag bins of fruit as they arrive at the packinghouse's receiving yard, and then link the information we already have coded in our E-Ticketing system, it would theoretically enable the information to flow seamlessly through to the sizing equipment in P1. Introducing an RFID bin labeling system into this receiving function has many implications for streamlining the flow of information while providing additional traceability and data integrity. We are currently in the process of investigating a new set of tools to help automate this process. ◆



Above: The Construction team moved to Acumatica for all of our project management and accounting software needs so that everything would be in one place. Pictured above is Project Manager Luis and Construction Administrator Leigh.

Financial Highlights

IMG Enterprises, Inc. and M&V, LLC

For the 12 months ending June 30th (in 000's except ratios)

Consolidated Income & Cash Flow Statement

	Forecast	Actual	Actual
	2021	2020	2019
Consolidated Net Sales	104,264	94,615	77,389
Consolidated Gross Margin	28,633	28,615	25,919
Consolidated EBITDA	19,066	26,715	13,422
Consolidated EBIT	13,538	21,796	9,957
Extraordinary Items (included in EBITDA)	4,531	10,957	167
Net Income	11,231	19,426	8,241
Total Capital Expenditures	8,656	8,707	39,072

Consolidated Financials @ Book Value

	Forecast	Actual	Actual
	2021	2020	2019
Total Assets	146,579	144,644	132,894
Senior Debt	47,903	54,551	60,117
Total Liabilities	58,606	66,324	72,431
Book Value Equity	87,973	78,320	60,463

Consolidated Selected Ratios @ Book Value

		Forecast	Actual	Actual
		2021	2020	2019
Leverage Ratio	Max. 1.45	0.67	0.85	1.20
EBITDA to Senior Debt Service	Min. 1.25	4.51	3.30	4.08

2020 Net
Sales Actual

\$95M

2020 EBITDA
Actual

\$27M

2020 Total
Assets

\$145M



Consolidated Balance Sheet @ Book Value

As of June 30th (000's of dollars)

	Forecast 2021	Actual 2020	Actual 2019
CURRENT ASSETS			
Cash & Cash Equivalent	1,723	2,255	734
Deposits/Prepays	410	689	702
Accounts Receivable	11,999	11,230	9,777
Inventory @ Cost	36,257	36,717	30,727
Other Receivables - Related Party	6,102	6,802	7,794
TOTAL CURRENT ASSETS	56,491	57,693	49,734
PROPERTY, PLANT & EQUIPMENT			
Net Book Value of Depreciable Assets	6,963	6,963	7,352
Real Estate & Improvements @ Book Value	83,125	79,988	75,808
TOTAL PP&E @ BOOK VALUE	90,088	86,951	83,160
TOTAL ASSETS	146,579	144,644	132,894
LIABILITIES			
Accounts Payable & Accrued Expenses	10,703	11,773	12,314
Long Term Debt to US Banks	36,932	47,014	44,458
Line of Credit with US Banks	10,971	7,537	15,659
TOTAL LIABILITIES	58,606	66,324	72,431
EQUITY @ BOOK VALUE	87,973	78,320	60,463
TOTAL LIABILITIES & EQUITY	146,579	144,644	132,894

2021 Net
Sales Forecast

\$104M

2021 EBITDA
Forecast

\$19M

2021 Total
Assets Forecast

\$147M

Consolidated Income Statement

	Forecast	Actual	Actual
	2021	2020	2019
TOTAL NET SALES	104,264	94,615	77,389
COST OF GOODS SOLD	75,631	66,000	51,470
TOTAL GROSS MARGIN	28,633	28,615	25,919
Selling, General & Admin.	19,626	17,776	16,129
Other Income/(Loss)	373	822	434
Extraordinary Items	4,158	10,135	(267)
EBIT	13,538	21,796	9,957
Add: Depreciation	5,528	4,919	3,465
EBITDA	19,066	26,715	13,422
Depreciation	(5,528)	(4,919)	(3,465)
Interest (Expense) Income	(2,307)	(2,370)	(1,716)
EBT	11,231	19,426	8,241
Net Income	11,231	19,426	8,241

Consolidated Cash Flow Statement

	Forecast	Actual	Actual
	2021	2020	2019
EBITDA	19,066	26,715	13,422
Accounts Receivable	(736)	(1,672)	2,578
Inventories	460	(5,990)	(7,924)
Accounts Payable / Other	(833)	(492)	7,569
Total Working Capital Change	(1,109)	(8,154)	2,223
Capital Expenditures	(8,656)	(8,707)	(39,072)
Gain (Loss) on Sales / Other	-	(106)	283
Investing Activities	(8,656)	(8,813)	(38,789)
Net Operating Cash Flow	9,301	9,748	(23,144)
Loan to Shareholders / Euro	(878)	(577)	125
Gain / Loss Sales / Other	-	285	2,126
PPP Loan	(4,158)	4,158	-
Long Term Debt (Borrow / (Repay))	(5,925)	(1,602)	21,847
Credit Line	3,434	(8,122)	1,332
Interest Paid	(2,307)	(2,369)	(1,716)
Total Corporate Activities	(9,834)	(8,227)	23,714
Net Change in Cash	(533)	1,521	570



IMG
Enterprises



Real Estate Development

Timothee Sallin
Cherrylake President

The most significant real estate event in FY2020 was the cancellation of our contract for the sale of 27.68-acres to Continental Properties just one month before the scheduled closing date in May 2020. The global pandemic led Continental Properties to put the project on hold indefinitely, walking away from their security deposits and over a year's worth of effort in permitting and planning of the project. This was a disappointing setback but understandable considering the circumstances. We are preparing to re-list this property, and we have had several preliminary discussions with other potential apartment developers interested in the property.

The City of Groveland is in the process of updating its comprehensive plan. The city is doing away with the community mix-use development (CMD) future land use designation (FLU) that had been the FLU for the Cherrylake property since our comprehensive plan amendment in 2010. In order to preserve our entitlements and keep our property consistent with the new proposed comprehensive plan, the city has suggested that we update our FLU to a blend of Hamlet and Village future land uses. These new designations will substantially increase our entitlements for residential and commercial development as the allowable densities are higher than the previous CMD designation. The new comprehensive plan has not yet been finalized and should be formally adopted by the state in 2021.

In February 2020, we received our mitigation bank permit from the South West Florida Water Management District (SWFWMD) for



Above: Florida Sandhill Cranes on our Groveland property. The Florida sandhill crane is protected by the U.S. Migratory Bird Treaty Act and as a State-designated threatened species.





Cherrylake Wilderness Preserve. This permit awards us 598 UMAM wetland mitigation credits. It is also the highest ratio of credits to land acreage awarded in the state of Florida for any mitigation bank project to date. Prior to commencing restoration activities, we still need to receive our US Army Corps of Engineers (USACE) permit. We anticipate receiving this permit in 2021. Several interested parties have contacted us expressing interest in investing in our project. There remains a considerable amount of uncertainty regarding the outlook for this project pending the resolution of the permit modification and consent order on the neighboring Big Cypress Mitigation Bank (BCMB). We anticipate that the outlook will become clear in 2021 as we complete our permitting process and more information becomes available on the future of BCMB.

In July 2020, IMGGE closed on the purchase of the Carli Property on Hunt Island Road. This property has a total of 44-acres including 14-acres of dry land adjacent to the Cherrylake main property in Groveland. The property is within the City of Groveland limits and includes lake frontage on Cherry Lake and Hunt Lake. The property is zoned for agriculture. This addition to our Groveland holdings will provide a buffer between the farm and neighboring development, while also providing long term value to the holdings by adding additional lake frontage access to both the Clermont chain of lakes and the Lake Lucy chain of lakes. ◆

Future Land Use

Cherrylake

CURRENT FUTURE LAND USE

Current	Acres	U/A	Units	FAR	NonRes
Agriculture	6.12	0	0		
Conservation	47.02	0	0		
Mixed-Use	938.16	4	3,565	0.25	1,014,937
Water	121.81	0	0		
TOTAL			3,565		1,014,937

*Assumes 10%
Non-Residential

PROPOSED FUTURE LAND USE

FLU	Acres	U/A	Units	FAR	NonRes
Agriculture	6.12	0	0		
Conservation	47.02	0	0		
Hamlet	291.67	2	554	0.25	332,297
Village	646.49	6	3,685	0.25	682,640
Water	121.81	0	0		
TOTAL			4,239		1,014,937

*Assumes 10%
Non-Residential









Additional Capacity

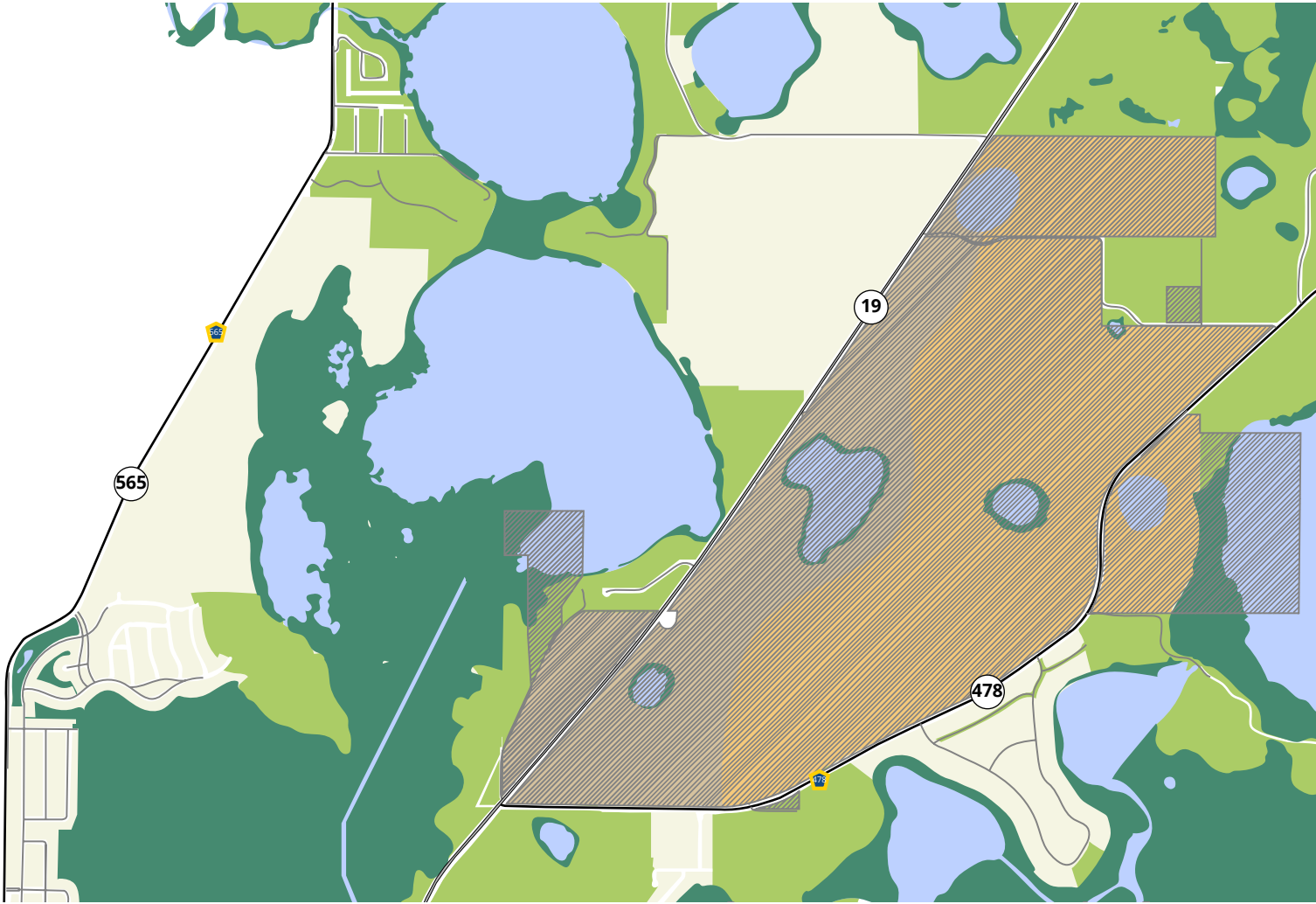
Residential	674	19%
Com/Office	0	0%

LEGEND

 *Cherrylake*

FUTURE LAND USE

- | | |
|---|---|
|  <i>Agriculture</i> |  <i>Hamlet</i> |
|  <i>Buffer; Conservation</i> |  <i>Town</i> |
|  <i>Employment</i> |  <i>Village</i> |
|  <i>Established</i> |  <i>Water</i> |



Real Estate Schedule by Operating Entity

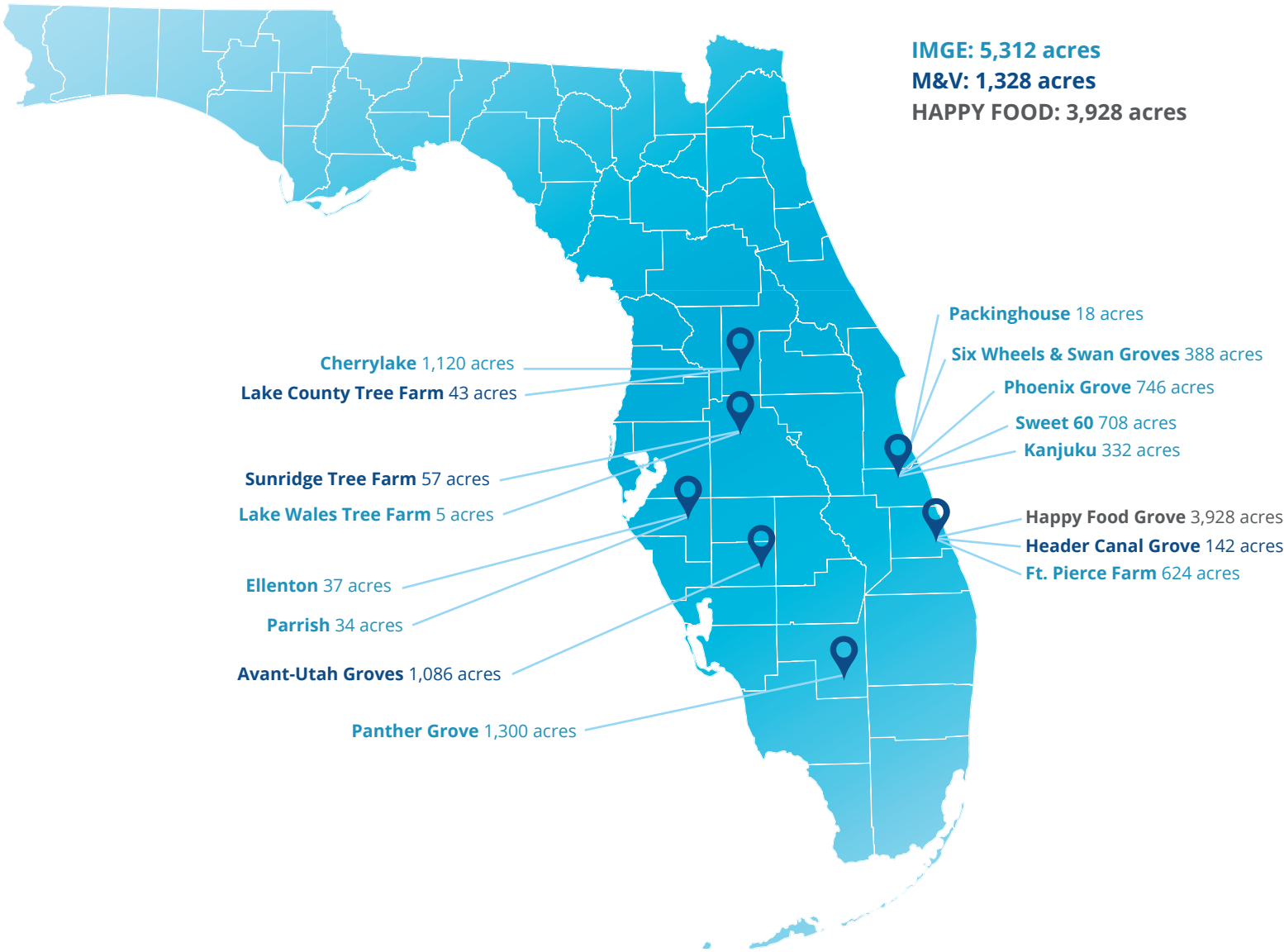
Land & Improvement for IMG Entperprises, Inc., M&V, LLC, and Happy Food, LLC @ Book & Appraised Value

For the 12 months ending June 30, 2020

Landowner		Acres	Book Value	Per Acre Book Value	Market Value	Appraisal Date	Per Acre Market Value
TREE FARM OPERATING ASSETS							
IMGE	Groveland	1,009	17,163,431	17,010	20,012,275	Sep-15	19,834
IMGE	Ft. Pierce Farm	489	1,107,005	2,264	2,358,798	Jul-15	4,824
IMGE	Lake Wales (Free & Clear)	5	24,991	4,998	54,386	Apr-10	10,877
IMGE	Tiara Condo (Free & Clear)	-	290,638	-	310,000	Apr-10	-
M&V	Sunridge Tree Farm (Free & Clear)	57	504,240	8,846	620,000	Apr-10	10,877
M&V	Lake Co. Tree Farm Land (Free & Clear)	40	718,082	17,952	475,000	Apr-10	11,875
M&V	Lake Co. Tree Farm House (Free & Clear)	3	161,399	53,800	190,000	Apr-10	63,333
TREE FARM TOTAL		1,603	19,969,786	12,458	24,020,459		14,985
IMG CITRUS OPERATING ASSETS							
IMGE	Panther Grove	1,300	2,905,723	2,235	6,400,000	Aug-15	4,923
IMGE	Kanjuku Grove	332	2,818,686	8,490	2,500,000	Jul-15	7,530
IMGE	Six Wheels Grove	306	857,094	2,801	2,600,000	Jul-15	8,497
IMGE	Swann Grove	82	628,732	7,667	500,000	Jul-15	6,098
IMGE	Groveland Grove	75	620,867	8,278	1,487,725	Sep-15	19,836
IMGE	Packinghouse	17	5,960,288	350,605	6,000,000	Oct-14	352,941
IMGE	3200 46th St, Vero Beach (Free & Clear)	0.33	136,470	413,547	139,073	Oct-19	421,433
IMGE	4875 29th St, Vero Beach (Free & Clear)	0.11	112,869	1,026,081	115,023	Oct-19	1,045,664
IMGE	4896 29th St, Vero Beach (Free & Clear)	0.11	109,942	999,476	112,039	Oct-19	1,018,536
IMGE	Ft. Pierce Farm	135	1,824,220	13,513	1,824,220	New Planting	13,513
IMGE	Beckley/Neville Grove (Free & Clear)	80	969,557	12,119	418,626	May-16	5,233
IMGE	J2 Grove (Free & Clear)	160	1,317,160	8,232	1,180,060	July-17	7,375
IMGE	J4 Grove (Free & Clear)	164	1,807,712	11,023	984,510	July-17	6,003
IMGE	J5 Grove (Free & Clear)	200	1,394,567	6,973	1,515,727	July-17	7,579
IMGE	J6 Grove (Free & Clear)	38	239,885	6,313	259,378	July-17	6,826
IMGE	McDonell Grove (Free & Clear)	66	929,140	14,078	313,720	July-18	4,753
IMGE	Mitigation Costs	-	185,828		185,828	-	-
M&V	Avant/Utah Grove (Free & Clear)	1,086	2,938,352	2,706	8,600,000	Apr-10	7,919
M&V	Phoenix Grove (Free & Clear)	746	2,610,389	3,499	2,650,000	Mar-1	3,552
M&V	Header Canal Grove (Free & Clear)	142	1,084,002	7,634	1,353,176	Mar-1	9,529
HPFD	Happy Food Groves	3,928	29,752,612	7,574	31,250,000	Apr-19	7,956
IMG CITRUS TOTAL		8,858	59,204,098	6,684	70,389,105		7,947
LAND DEVELOPMENT							
IMGE	Parrish Land	34	130,153	3,828	340,000	Dec-10	10,000
IMGE	Ellenton	37	287,206	7,762	9,050,478	Apr-10	244,608
IMGE	Lake Lucie Frontage	31	294,414	9,497	294,414	Oct-16	9,497
IMGE	North Cherrylake Groves	5	102,434	20,487	102,434	Feb-19	20,487
LAND DEVELOPMENT TOTAL		107	814,207	7,609	9,787,326		91,470
TOTAL IMG & M&V		10,568	79,988,090	7,569	104,196,890		9,860
IMGE	IMGE Subtotal	5,312	44,829,403	8,440	61,708,714	Dec-10	11,618
IMGE	M&V Subtotal	1,328	5,406,075	4,071	11,238,176	Apr-10	8,462
IMGE	HPFD Subtotal	3,928	29,752,612	7,574	31,250,000	Dec-10	7,956
TOTAL		10,568	79,988,090	7,569	104,196,890	Apr-10	9,860
IMGE	Total Free & Clear	2,895	16,163,604	5,584	29,078,044		10,046
IMGE	Total Encumbered	7,673	63,824,487	8,318	75,118,847		9,790

Real Estate Locations

10,568 Acres of Land Under Management



LEADERSHIP TEAM

Brian Randolph
Director of Grove Production

Scott Kerr
Grove Operations Liaison

Sydney Allison
Director of Sales

Todd Haffield
Director of Packing Operations





Message from the CFO

Melanie Ressler
Chief Financial Officer

IMG Citrus achieved record-breaking results in FY2020, following the acquisition of the Happy Food Grove and the continued expansion of the summer import program. Total sales reached \$51.2M, representing a 63% increase over the prior year's \$31.4M. The company realized EBITDA of \$8.2M, representing over 4 times the previous year's \$1.9M. FY2020 EBIT came in at \$4.6M. The year was characterized by significant increases in volumes for all divisions of the company, which resulted in the citrus company's "Best Year Yet".

The integration of the Happy Food Grove provided the company with substantially increased volumes of Florida fruit. The grove exceeded harvest expectations by 12%, yielding 672K field boxes, and an additional 621K cartons of fruit to pack and market. In total, IMG Citrus packed and marketed 1.2M cartons, a 75% increase over prior-year volume. The fruit quality was excellent and provided consistent availability for IMG Citrus customers. Increased volumes in the packinghouse allowed for efficiency gains in operations. The onboarding of this new property resulted in an additional \$6M of contribution to overheads.

Fruit returns were slightly lower than the previous year, with an average of \$13.00 per field box for IMG Citrus grown fruit. Downward pressure was primarily felt on the orange varieties due to relatively depressed juice market conditions. Fresh grapefruit returns remained consistent with the prior year at \$14.85 per field box (fb). The company harvested a total of 1.1M



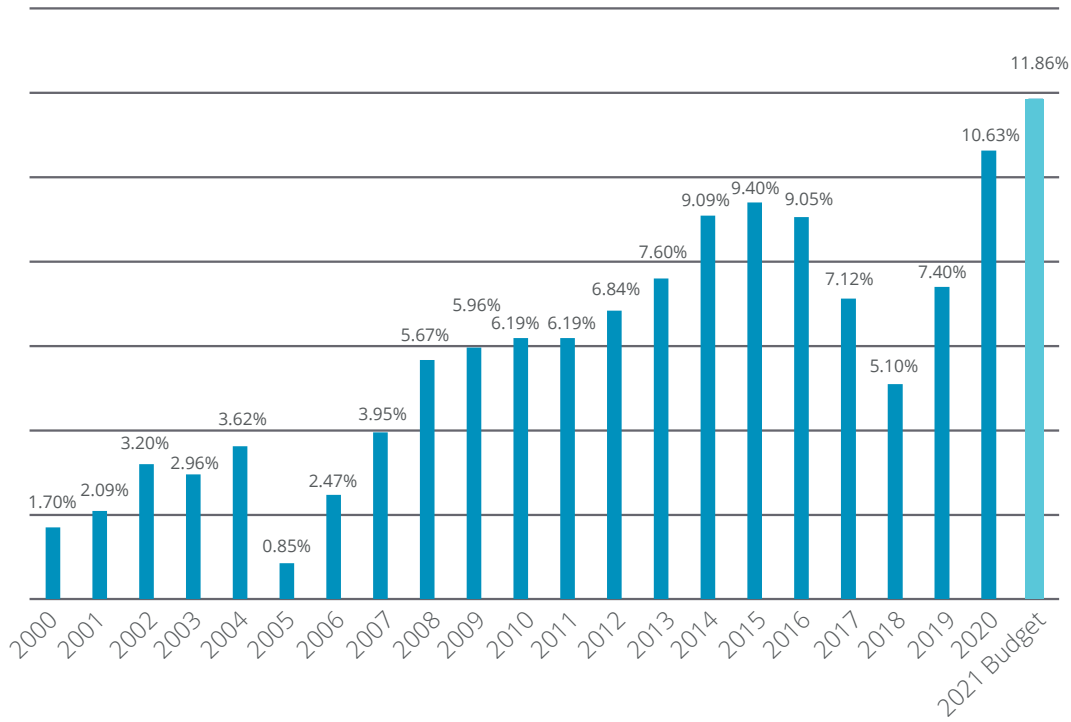
boxes of company grown fruit with an average production per acre of 218 fb, compared to 164 fb the prior year. The increase is attributable to the strong performance of the Happy Food Grove.

The Florida citrus industry marketed nearly 11M cartons worldwide in 2020, representing a 23% increase over the prior year. IMG Citrus' market share of Florida citrus increased from 7% to 11%. IMG Citrus achieved market shares of 21% for grapefruit, 5% for oranges, and 4% for tangerines. The disproportionate market share between varieties identifies a strong opportunity for IMG Citrus to grow its presence in both orange and tangerine markets.

Industrywide, all markets and categories increased with the exception of Japan, which saw a 6% decrease in total volume. The Japanese market has become increasingly challenging due to complex logistics, indirect distribution channels, increased supply from other origins, and a shift in the timing of supply vs demand. As the Japanese market has traditionally been the primary market for white grapefruit, it remains an important market for IMG Citrus due to the volume of white grapefruit being grown by the company. To diversify the market risk, IMG Citrus launched an initiative to develop white grapefruit on the US market. By positioning white grapefruit as the “original grapefruit” for sophisticated consumers, who also appreciate superior taste, IMG Citrus secured consistent

Above: Taking a peek at our J3 trees, which are officially unbagged and showing off a healthy, full leaf expansion.

IMG CITRUS MARKET SHARE OF FLORIDA CITRUS



FLORIDA CITRUS INDUSTRY PRODUCTION (in Field Boxes)



programs with high-end retailers such as Whole Foods, Wegmans, and Market Basket. As we look to FY2021, the company will continue to develop new markets for white grapefruit. Expanding its efforts to the European market, where we see an opportunity to introduce this heirloom grapefruit to quality-oriented wholesale markets such as Rungis in Paris. On the US market, IMG Citrus continues to focus its marketing strategy on supplying the Southeast distribution centers of major retailers, leveraging its leadership position on Florida grapefruit to become retailers' preferred year-round citrus solution.

The summer import program nearly doubled again in FY2020. This program, which began only 6 years ago, has grown to represent 682K cartons marketed, contributing \$18M of sales and \$2.7M of additional margin. Building on successful programs of the previous year, retailers look to IMG Citrus to supply additional distribution centers with program sales set to achieve 1M cartons in FY2021. To meet this anticipated increased demand, the company doubled its packing capacity by adding two Giro bagging machines. In order to minimize the dependence on third party storage facilities, excellence in logistics management and just in time inventory management will be a focus for the team. IMG Citrus continues to strengthen its relationship with South American growers who can consistently supply the program needs.

"The [Happy Food Grove] exceeded harvest expectations by 12%, yielding 672K field boxes, and an additional 621K cartons of fruit to pack and market. In total, IMG Citrus packed and marketed 1.2M cartons, nearly double the prior-year volume."

IMG Citrus continues to invest heavily in the redevelopment and rejuvenation of its citrus acreage. FY2020 efforts were focused primarily on the development of available land in the Happy Food Grove, as well as a concurrent reset program of existing blocks. The company planted 216-acres of solid blocks in FY2020. In order to diversify the varietal mix, plantings are focused on juice orange and mandarin varieties. In addition, the company invested in optic grading technology in the packinghouse, allowing increased accuracy of fruit sorting. A total of \$3.5M of capital was deployed in FY2020 between the packinghouse and grove redevelopment. In FY2021, the company is budgeting capital expenditures of \$6M. The capital will be used for additional grove redevelopment (\$2.5M) as well as the building of two CUPS (Citrus Under Protective Screen) structures at the Cherrylake farm location (\$900K). In FY2021, the company will be starting an H-2A program in order to self-perform the harvesting of the fruit. In conjunction with this initiative, the company will be building an employee housing facility at the Happy Food Grove (\$600K). The company will continue to invest in the improvement of irrigation and drainage systems (\$500K), packing and grove equipment (\$1.4M), and the overhaul of the packinghouse de-greening rooms (\$100K). ◆

Right: *Brian and Michel slice open some fresh grapefruit in the Happy Food Grove.*

IMG CITRUS AND M&V, LLC ASSETS: *The IMG Citrus Leadership Team operates the citrus assets of the parent, IMG Enterprises, Inc. and its subsidiary Happy Food LLC, as well as the citrus assets of the related company M&V, LLC. In lieu of a lease on Agricultural properties, IMG Enterprises, Inc. charges the operating company, IMG Citrus, the depreciation and interest related to the assets used in operations. In the case of M&V, LLC, IMG Citrus manages the citrus properties under a Caretaking and Marketing Agreement whereas IMG Citrus has the exclusive right to pack and market the fruit from the M&V, LLC groves. Although IMG Enterprises, Inc. and M&V, LLC are two independent and distinct companies, the companies are managed by the same team and have some common, although substantially different, ownership. As a result, IMG Enterprises, Inc. has adopted Financial Accounting Standards Board (FASB) Interpretation No. 46R "Consolidation of Variable Interest Entities," which requires the Company to consolidate M&V, LLC as a variable interest entity for GAAP reporting. The companies maintain independent tax filing. For the purpose of this Annual Report, the citrus results shall be presented and analyzed on the basis of the consolidation of IMG Citrus and M&V, LLC.*





Sales & Marketing

Sydney Allison
Director of Sales

A Great Year for Florida Citrus

The 2019-2020 Florida season was most defined by our new grove purchase in FY2019, the Happy Food Grove, which substantially increased volumes from 679,314 cartons in 2018-2019 to 1,189,305 cartons (nearly 75 percent). In addition to the new purchase, we also benefited from great growing conditions and fantastic tasting fruit which helped drive our sales. These volumes gave us the opportunity to build onto numerous programs in FY2020, bringing back old customers lost through the decreasing volumes over the years. With significant volumes, we were able to prioritize large retail programs domestically including Walmart, Aldi, Publix, Whole Foods, Winn Dixie, and others, along with export

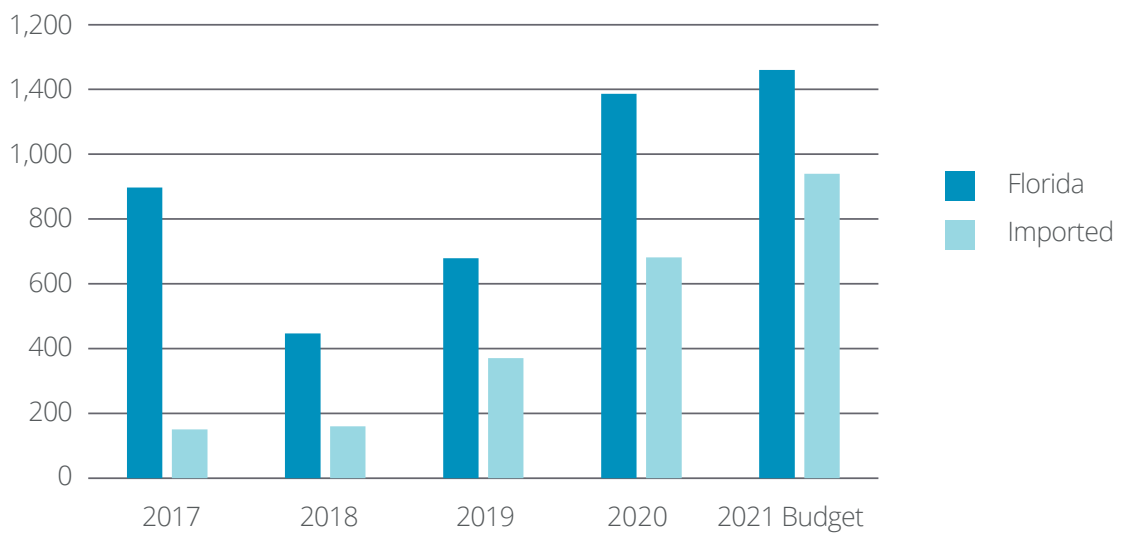
programs including SystemU (France), Colruyt (Belgium), and Japan, where we also saw our MRL (Maximum Residue Level) concerns lifted after one year of additional testing. These additional volumes made IMG Citrus the largest grower of fresh grapefruit in the state of Florida and a leading supplier for retailers. This not only benefited us for the Florida season, but it has also allowed us to become valuable year-round for imports as well.

The end of the 2019-2020 season was interceded by COVID-19. COVID-19 substantially hurt the foodservice industry as the country shut down, but this had an extremely strong impact on retailers, ultimately causing a 40-60% increase in citrus

"These additional volumes made IMG Citrus the largest grower of fresh grapefruit in the state of Florida and a leading supplier for retailers. This not only benefited us for the Florida season, but it has also allowed us to become valuable year-round for imports as well."



NUMBER OF CARTONS SOLD (IN 000'S)



Above: Sharing our fresh Florida grapefruit with visitors from Japan.

demand for all varieties as consumers sought after strong sources of Vitamin C. This high demand ended our Florida season for grapefruit and juice oranges with a smooth transition into summer imports.

Summer Imports

At the end of the summer import season in October of 2019, exporters in Chile, Peru, and Mexico, were overly positive regarding the results, transparency, and partnerships with IMG Citrus. On the other side, the retailers were also very pleased with the execution of programs. This gave us momentum to pursue additional programs for 2020 knowing we had the support and confidence of our partner growers. The summer import season began with a large increase in volumes and programs, and we successfully improved processes and workflow to help maintain the best service for our customers.

The 2019 season was the first season we experienced a stretch in our capacity reaching levels outside of our cooler space. In May of 2020, we installed an additional bagging machine which doubled our bagging capacity. While this brought opportunity for more bag business, it also took up storage space and brought more challenges. We partnered with a warehouse in Miami to store the overflow fruit before we transfer to IMG Citrus for bagging and distribution. This extra step takes additional focus, time, and organization.

As we look forward, we are trying to balance growing, while simultaneously providing quality of service to our customers with our current capacity of cooler and packing machines. We were able to grow our

team within the sales department to provide strong support in administration and logistics and define processes to improve our operations. This has been a huge success in being able to take our growth to the next level. Beyond our spatial capacity, the Southeast market is an endless opportunity for IMG Citrus and the citrus industry to thrive.

White Grapefruit

The purchase of the Happy Food grove in FY2019 gave IMG Citrus a 50% market share of Florida's packed white grapefruit. Traditionally, the Florida industry exported white grapefruit directly from Florida to its primary market in Japan, where it maintains consistently high popularity. In FY2020, we challenged ourselves to "reintroduce" White Grapefruit to the domestic market in order to bring diversification and excitement around a delicious product. We saw great success as we grew white grapefruit shipments from 12,397 in FY2019 to 45,231 in FY2020 on the domestic market. We were able to promote, as a reintroduction of the original grapefruit, to retailers including Publix, Kroger, Whole Foods, Market Basket, Wegmans and others!

In February, we had our first introduction at the Southeast Produce Council's (SEPC) Southern Exposure, which was an important aspect of our relationship strategy with retailers. We focused on promoting our summer imports, Southeast distribution, and white grapefruit. Notably, our Happy Food white grapefruit took the stage as we offered taste testing at our booth and exhibited it in SEPC's Bright Ideas Fresh Arrivals Showcase. It was a huge success as many buyers around the Southeast



Above: Our Happy Food white grapefruit D-Pack promotes Florida's original grapefruit as a sweet and tasty heirloom variety.



had the opportunity to experience the delicious taste of Florida's white grapefruit.

A Produce Star Retires

After 40 years with the company, Veronique Sallin, IMG Citrus co-founder and Vice President, announced her retirement, which officially began at the end of the 2019-2020 Florida season. Because of her passion for the enjoyment Florida grapefruit delivers to consumers, and her devotion to the opportunities the overseas markets brought to growers, Veronique helped the industry achieve record exports to Europe, approaching 10 million cartons annually at its peak. She was the first in Florida citrus to create a new sales channel of selling directly to retailers in Europe, bypassing importers and, most importantly, allowing a fresher, higher quality Florida fruit to meet the consumer on the market, while also providing enhanced food traceability.

Veronique transitioned both IMG Citrus and Cherrylake toward Organizational Development. As the Director of Organizational Development, she focused on defining the company's culture. She implemented the use of innovative personality tests such as the Enneagram and Caliper during the hiring process.

Over the past several years, I was mentored by Veronique, and I am honored and grateful to have had this incredible opportunity to work alongside her. She has defined and molded my early years and left an unforgettable legacy to follow. It is a bittersweet transition, but I am thankful for my new role as Director of Sales for IMG Citrus, and I am looking forward to the future of IMG Citrus and Florida citrus. ◆

Above: Sydney and Veronique at the Happy Food Grove.

Left: Michel compares the varying sizes of grapefruit.

Right: Our new GIRO header bags for lemons and oranges promote juicing, a continuing trend among consumers.



Grove Update

Brian Randolph
Director of Grove Production

Research Breakthrough

While there is still no cure for trees infected with citrus greening, our industry remains optimistic with both growers and researchers searching for the silver bullet. A recent discovery by a University of California, Riverside (UCR) geneticist, currently labeled “the cure” to citrus greening, has gained the attention of citrus growers. UCR has identified and isolated a gene from a greening tolerant Australian finger lime. This particular gene causes an immunity to the greening bacteria. UCR has extracted the gene accordingly, creating a natural antibiotic that kills the greening bacteria. This molecule is very stable when used outdoors, easy to manufacture, and most importantly, is safe for humans to use.

Happy Food Grove

Since the purchase of the Happy Food Grove in 2019, the focus has been on capital improvements to the irrigation and drainage infrastructure, planting resets, and redeveloping the land for higher density plantings. By replacing manual irrigation filtration with newer automatic flushing filters, we have eliminated staff hours to clean filter screens, as well as reduced jet plugging. Additionally, we see an annual water savings of approximately 3% (1.4M gallons out of 43.2M gallons) from the reduction of flush water being dumped back to the canal by the auto filters. We have been making improvements to the drainage infrastructure by cleaning drainage ditches and repairing flashboard risers. This allows for a better flow of water to pumps and isolation of water only to where it is needed. Within the past year, we have planted over 38K resets within existing mature groves, comprising of 48% red grapefruit and 52% dark red grapefruit. We continue to protect each tree with a psyllid proof net that prevents the psyllid from feeding, thus preventing the transmission of the greening bacteria. YTD, we have redeveloped 51.1 acres into high-density plantings.



Redevelopment of the original infrastructure consists of leveling the fields and creating 40ft beds, along with converting the irrigation system to handle the flow of the new tree densities. On average, this is a capital cost of approximately \$3.3K per acre.

This past season, the Happy Food Grove proved there is a reason for optimism in our industry. Our original crop projection for the 2019-2020 season was 601,002 field boxes, which included all varieties. We ended this season with harvesting 672,184 total field boxes, a 12% increase compared to our projection and a 21% increase over the 2018-2019 crop season.

FY2020/2021 Redevelopment And Reset Initiative

We will continue our commitment to our resetting program within mature groves if block(s) maintain positive per acre contribution to overhead. Over the next 12 months, we plan to reset approximately 50K more trees with the greatest emphasis at the Happy Food Grove. Our major focus will be white grapefruit and flame grapefruit. During the next 12 months, we plan to redevelop and plant over 68K trees (253-acres). We will continue to plant based on our high-density modeling of 272 trees per acre. We will introduce the Orri mandarin into our fruit

Above: *Tree bags provide trees with a fighting chance the first 2-3 years of life, reduce pesticides, and keep the environment sterile.*

portfolio. This mandarin variety is seedless and easy-to-peel, while also exhibiting very good tolerance to the greening bacteria. Furthermore, it can be harvested beginning in early December. Currently, the Orri is the best variety Florida has to compete with the California Cutie. Other varieties included in upcoming plantings are Oll8, Valencia, Starr Grapefruit, and Ruby Red Grapefruit.

FY2020/2021 Capital Projects

IMG Citrus maintains its commitment to invest capital in projects, maximizing growth opportunities. Along with our commitment to redevelop nonprofitable acreage, we will be investing approximately \$1.5M into phase 1 of our H-2A migrant housing facility and phase 1 of our Citrus Under Protective Screen (CUPS) structure.

Utilizing H-2A labor will allow us to achieve our goal to have our own dedicated harvesting crews to pick from the Happy Food Grove and provide housing on-site for them. The first phase of our housing facility will be ready for the 2020-2021 harvesting season.

In 2021, we will build and plant our first CUPS structure. The CUPS project is a 13-acre planting which is grown under a screen house designed to exclude the citrus psyllid, and therefore keep out HLB. By eliminating greening, we can once again see normal growth, higher yields, and premium quality fruit.

With FY2020 our best year yet thanks to the acquisition of the Happy Food Grove, we are looking forward to IMG Citrus' future growth in the industry during FY2021. Our innovative strategies and thought processes keep us a citrus leader in Florida, as we continue to overcome pests, disease, natural disasters, and countless other obstacles. ◆



"During the next 12 months, we plan to redevelop and plant over 68K trees (253 acres). We will continue to plant based on our high-density modeling of 272 trees per acre."

Above: *Citrus flowers are "perfect", having both sexes on the same blossom so that self-pollination takes place regardless of pollinators. Yet IMG Citrus still encourages honey bees in the grove, as seen with this swarm spotted in the Happy Food Grove in early December.*



Packinghouse Operational Efficiency

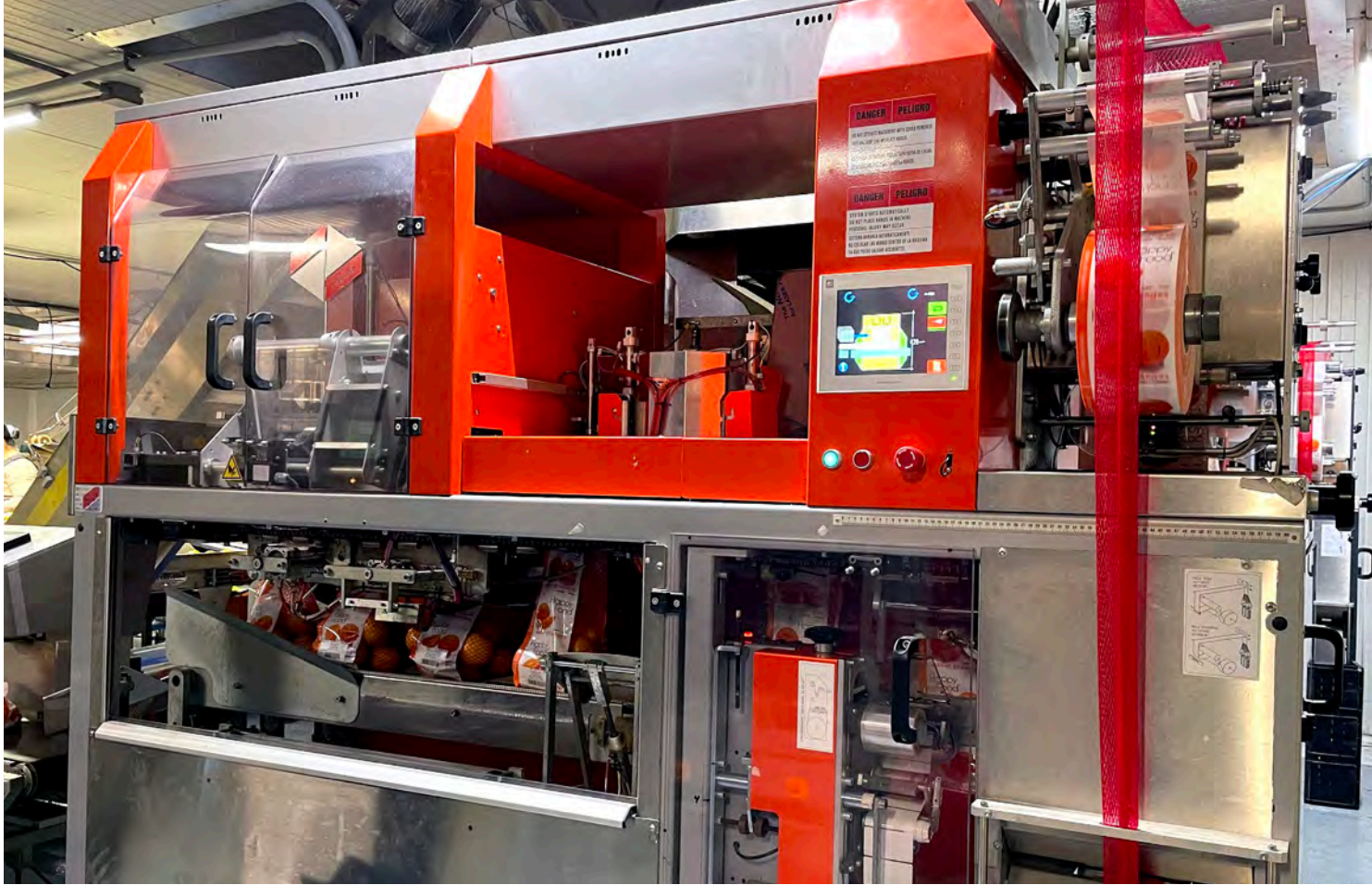
Todd Haffield

Director of Packing Operations

In FY2020, with an ever-growing volume of citrus marketed because of our acquisition of the Happy Food Grove in FY2019, we focused on innovation with a number of technological updates in the packinghouse. We also added a number of new packers to our team, helping us to serve the high demand for citrus due to the COVID-19 pandemic. While we faced some new challenges in the packinghouse during this unprecedented time, our previous food safety practices and precautions prepared us well for the unexpected.

With the increase in volumes of citrus marketed due to the Happy Food Grove, the pre-sorter technology we were using had become outdated. We required a significantly quicker process to maintain the increased volumes and higher image resolution capabilities to save cost. By replacing the pre-sorter with the Globalscan 7, we significantly enhanced our ability to deliver value to customers and growers through precision sorting. Moreover, the pre-sorter's stainless steel construction provides superior durability. It also enhances the efficiency of the line by removing 100% of unmarketable fruit before the balance of the line is occupied. By removing unmarketable fruit from receiving the wax application, the Globalscan 7 provides additional savings on coating cost and added value to the eliminations. We also have the capability of density grading as an option with our new system.

Other new additions to our packinghouse include dual GIRO High-Speed Mesh Baggers, capable of seven different bag styles and upgradable to a total of ten. Each GIRO bagger has production rates of 36 bags per minute, totaling 72 bags per minute. We also added a GIRO 12 Scale Static Weigher to our facility. Ideal for large fruit up to 120mm, this new tool has production rates of up to 56 deliveries per minute. These new innovative additions double our summer import film wrap bagging capacity, while also offering added flexibility for new package styles. Essentially, our average daily production is now over 70,000 individual consumer packs.



We also successfully completed our first H-2B guest labor program, paving the way for future growth in the packinghouse. In FY2021, we will have a total of 24 H-2A workers joining our team from October 5th to March 19th. Their duties will include sorting and packing fruit according to grade, color, and size by hand or with mechanized packing equipment.

Amidst the wake of the COVID-19 pandemic, we have made a number of changes to the packinghouse to confirm the safety of our workers and our citrus. One of the most noticeable changes to the packinghouse is the addition of clear, plastic barriers between workstations, keeping individual workers a minimum of 6 feet apart for social distancing purposes. Before anyone enters the packinghouse, everyone must undergo a mandatory temperature screening and follow the mask or face covering policy. Handwashing and hand sanitizers were already a firm policy for food safety reasons, so those practices have remained the same.

In our degreening room, we are upgrading our control system. We are moving away from a conventional analog system, which has

Above: *Between our two Daumar baggers (pictured above) able to pack up to 60 bags per minute and our two Giro baggers able to pack up to 72 bags per minute, we are able to pack up to 132 bags per minute.*

manual sample collections and controls, to a digital sampling with precision sensors. The precision sensors will automatically allow us to control humidity, temperature, and CO2 with preset thresholds, while simultaneously logging those conditions. This will make it simple to extract and analyze data at any time. De-greening is one of the most critical steps in our timeline of "tree-to-table". We know that the more we shorten this timeline, particularly the timeline between harvest and refrigeration, the better our chances of successfully achieving our goal to delight consumers worldwide.

In FY2021, we intend to maximize the use of the refrigerated storage and bagging equipment, our main assets that make the import business possible. To accomplish our objective, we will depend on the highest level of planning and logistics. Proper timing, coupled with the right mixture of items received, will be critical to our success. The Operations Team will continue to be in production with dual shifts at full capacity to meet the expectations of this aggressive import program. For future growth, the expansion of this infrastructure will be necessary. We have utilized all of our opportunities to expand at the current site, so a feasibility study is being conducted on expansion at other locations.

Overall, our team is steadfast and resilient. In light of complications with COVID-19, we still managed to successfully complete our first Florida season in many years with over 1 million cartons packed and shipped, nearly doubling our previous season numbers. In FY2021, we will continue to focus on the future management of our expanding volumes of citrus, and how we can advance our technology to maintain and process citrus quickly, efficiently, and precisely. ◆

Right: *FY2020 was our "Best Year Yet" with over 1M cartons packed and shipped during the Florida season.*

Happy
Food

2



FLORIDA CITRUS
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Healthy. Fresh. Delicious and more.
Citrus with a purpose for the world.

Financial Highlights

IMG Citrus

For the 12 months ending June 30th (in 000's except ratios)

	Forecast 2021	Actual 2020	Actual 2019
SALES VOLUME	57,471	51,165	31,402
NUMBER OF CARTONS SOLD	1,260	1,189	679
Europe	250	236	82
Japan	150	131	70
Asia	25	25	9
Canada	50	95	97
USA	785	702	421
NUMBER OF FL CARTONS PACKED	1,225	1,160	642
Grapefruit	935	877	371
Oranges	250	243	191
Tangerines	40	40	80
ORIGIN OF FRUIT SUPPLY (in cartons)			
IMG/M&V, LLC Groves	1,145	1,080	383
Fruit Purchase from Growers	80	80	260
SUB TOTAL IMG PACKINGHOUSE	1,225	1,160	642
Purchase from Packinghouses	35	29	37
Imported Citrus	940	682	371
TOTAL CARTONS MARKETED	2,200	1,871	1,051
IMG GROVES			
Total Productive Tree Acres	5,185	5,229	2,633
Non-Productive Tree Acres	713	497	436
Caretaking Cost per Net Tree Acre	\$2,296	\$2,272	\$2,411
Harvested Field Boxes	1,031	1,084	432
Average Return to Tree	\$13.10	\$13.00	\$13.34
CITRUS COMPANY FINANCIAL RESULTS			
EBITDA IMG	6,302	6,503	103
EBITDA M&V, LLC	676	1,675	1,839
EBITDA CITRUS COMPANY	6,978	8,178	1,942

2021 Forecasted
Sales Volume

\$57M

2021 Forecasted
EBITDA

\$7M

2021 Forecasted Cartons Packed by Florida Variety

71%

Grapefruit

26%

Oranges

3%

Tangerines



FARM

Austin Spivey
Production Manager

James Walker
Head of Planning
+ Product Management

Julio Rodriguez
Shifting Manager

Shane Pangle
Director of Sales

Todd Gentry
Director of Production

MAINTENANCE

Constantino Ferriola
Account Manager

Doug Schmieder
Irrigation Manager

Jim Loeffort
Director of Landscape Maintenance

Marvin Carlton
Account Manager/Plant Health Leader

Paul Valdes
Account Manager

CONSTRUCTION

Aaron Morse
Director of Construction Admin.

Luis Perez Jr.
Project Manager

James Dyer
Project Manager

Mark Gage
Project Manager





Message from the President

Timothee Sallin
President

Cherrylake's 4-year streak of record-breaking sales and EBIT came to an end in FY2020. Shifting market dynamics, together with the disruptions of Hurricane Dorian and COVID-19, impacted sales volume and prices at the farm. While not our best year ever, Cherrylake's consolidated adjusted EBIT of \$7.6M ranks as our third highest-grossing year on record, bested only by FY2019 at \$11.6M and FY2018 at \$9.3M.

This decline in EBIT is due to a decline in farm sales, which saw a 5% reduction in units sold and a 6% reduction in price compared to FY2019. The average 30G equivalent price for FY2020 was \$100.50 compared to \$106.62 in FY2019. COGS per 30G equivalent also increased from \$56.30 to \$58.69 in FY2020. This reduction in price and increase in COGS had a significant impact on production gross margin (GM), falling from 47.2% in FY2019 to 41.6% in FY2020. Lower GM, along with the 11K 30G equivalent reduction in units sold, accounted for the greater part of the reduction in consolidated Cherrylake EBIT in FY2020.

All other profit centers, including Outsourcing, Construction, and Maintenance, either exceeded their budget, last year's actuals, or both. The Outsourcing Group increased total GM compared to FY2019 by 33%, although falling short of a very aggressive budget for FY2020. Construction had its best year ever in sales and EBITDA. Maintenance exceeded its budget for sales, GM, and EBIT. Maintenance also had its best year ever for both GM and EBIT.

It is critical for our organization to understand the root factors of our declining performance. Then we can effectively adjust our tactics and strategies to changes in the market. In review of the events of FY2020, three main factors stand out: Hurricane Dorian, COVID-19, and a gradual shift in the balance of supply and demand.





Above: *Cherrylake's senior leaders, Todd Gentry, Chloe Gentry, and Timothee Sallin, walk the farm.*

Left: *Universal's Endless Summer Resort is one of the Cherrylake Construction Group's many projects.*

Right: *In our Maintenance Group, we have identified irrigation enhancement as an important profit center to develop.*

"What the future holds is uncertain, but we are sure the market and the broader economy are changing. Therefore, Cherrylake needs to change. We must find the opportunities within the challenges, and we need to continue to press forward toward more growth, innovation, and diversification."

Fortunately, Hurricane Dorian did not come barreling down the I-4 corridor with Category 5 wind speeds, as some of the models predicted a few days before impact. Such a storm would be a worst-case scenario, potentially having devastating impacts on the farm's infrastructure and inventory. While we dodged a bullet, the storm still caused major disruptions to sales. Business came to a halt as the farm, customers, and job sites prepared for the storm and waited for it to pass. As a result, week 10 farm sales were just \$24K, which was \$500K less than our average for the period. While hurricane disruptions are not unusual, they do have an impact on sales. More than anything, Hurricane Dorian was a potent reminder we must continuously work to increase our hurricane preparedness and resilience.

A more significant disruption to business was caused by the global pandemic. COVID-19 had a dramatic and immediate impact on farm sales, as business activity reduced in all sectors of the economy. In March and April of 2020, farm sales lagged behind 2019 by \$1.6M or 27.5%. This 8 week period accounts for 65% of our total decline in farm sales for the entire 52 week year. Significantly, sales in June 2020 were on par with 2019; however, this is too small a sample size to declare the impacts of COVID-19 are behind us. It seems prudent to expect continued impacts throughout FY2021 and beyond.

COVID-19 is adding to the uncertainty of an already turbulent outlook. The current recession, upcoming election, and global economic, social, and political instability suggest more challenges ahead. The outlook for Florida is particularly unclear. On the one hand, housing market statistics are still favorable with housing starts in June 2020 (12,735), as high as any year since 2006. The housing inventory to sales ratio is as low as it has ever been (2.8 months of sales). From another perspective, theme parks are operating at a reduced capacity, construction projects at Disney World remain on hold, and travel restrictions are sure to take a brutal toll on the tourism-driven economy of Central Florida and the state.

What the future holds is uncertain, but we are sure the market and the broader economy are changing. Therefore, Cherrylake needs to change. We must find the opportunities within the challenges, and we need to continue to press forward toward more growth, innovation, and diversification.

Since 2014, Cherrylake's core strategy has been to leverage the investment we made in our inventory during the great recession. We emerged from the recession with a dominant market position and a full pipeline of inventory as the industry entered a prolonged shortage. Cherrylake identified its largest, most professional, and strategically aligned customers, consolidating our sales accounts. This partnership strategy worked well for the past five years; however, it greatly narrowed our customer base, limiting our involvement with many of the smaller and medium-sized customers around the state. We essentially abandoned these secondary markets, leaving them to the smaller nurseries, re-wholesale distributors, and brokers.

Now is the time for Cherrylake to innovate and renew its strategic model. We need to recapture these markets by providing innovative sourcing, order fulfillment, and logistical solutions to small and mid-sized customers while continuing to provide strategic solutions to partner accounts. Through this process, we will grow our market share, ensuring we can continue to move our inventory on time at the highest possible price while growing our Outsourcing sales.

Our Construction Group will also need to diversify its market segments by focusing on increasing market share as total demand, because commercial landscape and irrigation contracting are likely to decline.

Our Maintenance Group remains relatively small compared to the overall market. It continues to focus on building foundational business processes and pursuing sustainable and profitable growth.

The quintessential strength of Cherrylake is our ability to reinvent ourselves, adapt to changing market conditions, and thrive in the midst of adversity. The next several years will put this notion to the test. Our current challenge is to grow our business in a declining market and innovate to adapt to changing circumstances. The outcome will be greater long term organizational sustainability and resilience.

How we get there, as always, will be through the exceptional performance of the organization and our people. Our value-based, purpose-driven culture, which embraces innovation, collaboration, teamwork, autonomy, accountability, and entrepreneurship while striving for the highest standard of excellence, is uniquely suited to the challenges ahead. Our leadership, our people, and our way of work will be the difference makers in Cherrylake's quest to outrun the bear, re-invent ourselves, and win the future. ◆

Right: *Crescent Lucerne, a Luxury Apartment complex in Downtown Orlando, features a variety of plant material including Live Oaks, native grasses, Shumards and Sabal Palms.*





Farm Sales & Marketing

Shane Pangle
Director of Sales

The Cherrylake Sales and Marketing Team finished a challenging FY2020 with \$27.1M in total revenue, excluding freight. We were not able to achieve the overall sales goal of \$30M, but we exceeded total revenue for two of our previous best years ever to complete another strong year. We are proud of the team's determination and dedication in managing Hurricane Dorian, changing market conditions, and the unprecedented impacts of COVID-19.

Across all Cherrylake-grown product lines, we see an overall sales price decline of \$6.12 per 30 gallon equivalent compared to FY2019. This is mainly due to record 30 gallon equivalent pricing in FY2019, lower market price, and implementing a new pricing strategy. Large container-grown items were reduced by 6% (\$103.10 vs \$109.36) due to higher inventory levels and more aggressive pricing strategies to maintain inventory flow. Shrubs declined 3% (\$60.65 vs \$62.45) as we are willing to sell material at lower pricing in exchange for lower production maintenance costs. Fort Pierce Palm Farm (FPPF) material declined 16% (\$152.34 vs \$177.05), mostly due to selling more lower-priced commodity material versus high-value specialty material.

The sales price is important, but our ultimate objective is to maintain a consistent inventory flow of all Cherrylake-grown items. In FY2020, overall volume decreased 10,931 30 gallon equivalent compared to FY2019, which is mostly due to lower sales in the large container product line. Shrub sales continue to maintain Master Plan levels of 22,000 30 gallon equivalent, and FPPF sales slightly increased to 5,799 30 gallon equivalent. With the lower sales volume, we continue to manage our goal of 100% space utilization with our Master Plan. It is imperative our Order Fulfillment Teams maintain inventory flow to ensure the entire farm operates efficiently. This requires the Pricing Team to accurately set customer pricing, the Product Selection Team to implement FIFO processes, the Sales Team to strengthen customer relationships, and the Loading and Logistics Teams to execute the final step of safely shipping material. These teams are consistently performing at a high-level every day to ensure material is moving within the 3–4 month sales window.

Right: Crews using elevated pruning on Red Maples for leader management.

Outsourcing was a major focus for the team in FY2020. We implemented an Outsourcing Operational Leadership Team focusing on strategic vision, profitability, analytics, vendor marketing agreements, and growth for the department. On the sales and order fulfillment level, we added product lines, improved inventory gap management, and promoted a concerted effort and focus by the sales team. As a result, we generated the highest total sales and gross margin in the last 10 years. Our total sales increased \$660,491 for a total of \$4.3M (including Cherrylake Construction, Cherrylake Maintenance, and Farm customer sales), and our gross margin increased \$86,458 for a total of \$483,298 (Farm customer sales only). While these are short of our

very ambitious goals at the beginning of the year, we set the foundation for growing a profitable business unit over the next several years.

We have an organizational motto, "If it isn't broken, break it, and try to make it better." We fully executed this motto in reviewing and changing our customer sales strategy. In order to sell Master Plan inventory levels of Cherrylake grown material, along with growing Outsourcing sales, we want to build a strategy to increase sales with small to midsize customers. We also want to continue strengthening our large volume customer relationships. We have the largest inventory, as well as the highest quality material, in the entire Southeastern United States,





Above: *Through our Outsourcing marketing agreements, we are able to bring new product lines to our customers, such as cold hardy container palms.*

"Tier pricing [...] creates transparency, in addition to gamification, while incentivizing every customer to consistently purchase material throughout the year."

and we need to capture market share across all sales territories. We created a tiered pricing structure based on a customer's purchase history of large container trees, shrubs, FPPF, and Outsourcing for 365 days. Tier pricing discounts are applied based on a customer's total purchases. The largest customers receive the highest discount percentage. We evaluate purchase history on a quarterly basis and adjust pricing levels accordingly. The program creates transparency, in addition to gamification, while incentivizing every customer to consistently purchase material throughout the year. As we develop this program, we will consistently communicate with each customer throughout the quarter to communicate the exact sales necessary to maintain or move tiers. With increased communication and awareness, we hope to grow each customer incrementally throughout the year. Unknowingly, we introduced this program in early March, a couple of weeks before experiencing the impacts of COVID-19. Now we can continue to understand its impacts.

As we move into FY2021, the Sales and Marketing Team goals are to sell the full large container and FPPF Master Plan, increase Outsourcing sales through additional marketing agreements, and improve the overall customer experience. We will reach these goals by successfully implementing the pricing strategy while proactively creating, building, and maintaining customer relationships. While this will be challenging in the current COVID-19 environment, we want to innovate ways to connect customers and the farm. This year is an opportunity to potentially change the way trees, shrubs, and palms are sold for the foreseeable future. We want to be a customer's partner by providing consistent availability and order fulfillment of high-quality trees, shrubs, and palms. For vendors, we want to communicate openly and honestly, execute our commitments, create win-win outcomes, and provide solutions.

Most importantly, we continue to maintain a great team made up of exceptional people. We have developed a culture of success, team chemistry, and accountability within our Order Fulfillment Team. Together, as an industry leading team, we expect to thrive and continue to push our organization to unprecedented success. ◆



Farm Operational Efficiency

Todd Gentry
Director of Production Operations

FY2020 was full of progress despite the unforeseen challenges posed by Hurricane Dorian and the COVID-19 pandemic. For the third year in a row, the team made significant progress on expanding the farm in order to finalize the absorption of our associated grower, Southern Hill Farms. In FY2020, we converted 15 acres of previously vacant land into irrigated farmland, complete with a trellised holding system for ornamental production. Furthermore, we added trellis holding systems to an additional 15 acres to accommodate a change in our Master Plan. This large undertaking required a lot of planning and coordination between multiple departments within the organization. With these expansions completed, all contiguous land at the main farm in Groveland is now in production.

In FY2020, the Shifting Team was able to maintain the FY2019 average efficiency rating of 3.77 equivalentents per man-hour. This is quite a feat as we have seen this efficiency metric continuously increase for 5 years in a row, and we had unique challenges this year which interrupted shifting activity, notably Hurricane Dorian and the COVID-19 pandemic.

Space availability for shifts continues to be a critical factor for our efficiency metrics and our ability to meet the Master Plan. For the past 5 years, the farm expansions have helped tremendously. Our ability to build new sections ahead of a shift allowed us the freedom to have the space readily available when we needed it. As these farm expansions are nearing completion, the difficulty of operating at full capacity

4 Month Moving Average Of 30g Equiv Shifted Per Hour (Large Container)



is becoming more evident and shedding light on the importance of selling our inventory within the sales window. For this reason, the team has started to follow a new metric titled “Percent of Sales Replaced”. The Master Plan is built so production can replace 1.5x of every tree that is sold. This fiscal year we fell short of this, replacing 1.42x of every tree sold; however, this is in line with our average over the past 4 years. As a relatively new metric, we plan to track and analyze it closely with the hope to identify a strategy to increase it.

In FY2020, after five years of ongoing efforts, we saw the fruits of our labor toward water conservation through the continuous improvement of our irrigation systems. These improvements included filtration, uniformity, waste reduction, technology, and education of employees. In 2016, our consumption peaked at 1 billion gallons of water. At that time, with the planned farm expansions on the horizon, we forecasted that without change we would exceed our 1.4 billion gallon allocation. Since then, we have been awarded over \$480K in cost-share funding from the St. Johns River

Water Management District (SJRWMD), helping us implement projects around water conservation that include better filtration, more efficient emitters, pressure regulation, weather stations, and soil moisture sensors. In December 2019, our annual water consumption was 704 million gallons, equating to a 30% reduction from our peak. Simultaneously, we increased the ornamental production acreage by 15%, added 32-acres of citrus groves on Lake Lucy, and we converted nearly half our existing grove plantings to high-density plantings. Water usage is tracked by SJRWMD on a calendar basis. As of June 2020, we are on track to further reduce our water usage to under 600 million, representing a 40% reduction from our peak and 40% of our total allocation. Thanks to the dedication of our team and partnership with SJRWMD, we are certainly doing more with less.

In October of 2019, Cherrylake was awarded \$83K in cost-share funding for the purchase of three Intelligent Sprayers. Developed over the

last 10 years by the USDA and manufactured by Smart Guided Systems, LLC, the Intelligent Sprayer increases spray precision and accuracy using a Lidar sensor and algorithms. Its innovative operating system detects unique crop architecture, making calculated decisions based on the height, width, spacing, and density of each tree or plant. With this new technology, spray is no longer wasted on the empty space between tree canopies or where trees are missing within a row. Rather, using the Lidar sensor, the sprayer automatically turns on and off each of the sprayer's 30+ nozzles, while also pulsing the nozzles rapidly to reduce the amount of chemical applied based on the density of the tree.

As a result, we have been more consistent with our pest management. On average, we are saving 47% of chemical use per application, and we are able to spray a crop at record speed due to less downtime re-filling the tank. The additional time saved allows us to do more applications at an optimum frequency, making us more proactive, rather than reactive, with our pest management program.

Hurricane Dorian was a large, Category 5 hurricane which made a last-minute stall over the Bahamas before turning north and completely missing Florida. This stall was unprecedented and mixed with uncertainty from the forecasters. We made the decision to lay the farm down on September 2nd, 2019 as the slightest shift in the path could bring it directly to us. Due to Hurricane Dorian's slow speed, we had ample warning and time to prepare. We implemented some lessons learned from Hurricane Irma, including a plan to protect our Airpot grown crops on trellis systems which were within a 4-month window of their ready date. As a result, we were able to protect more inventory and have everything on the priority list protected within 5 hours. Pick-up began on September 4th, and everything was standing again by the end of the day on September 5th. Fortunately we did not receive any damage from Hurricane Dorian; however, learning from each storm, our preparation plan and response time improve.

"The Intelligent Sprayer increases spray precision and accuracy using a Lidar sensor and algorithms. [...] On average, we are saving 47% of chemical use per application, and we are able to spray a crop at record speed due to less downtime re-filling the tank."



Top: Hurricane Dorian led Cherrylake to lay down the farm, which generally takes 1-2 days, and post-hurricane pickup adds an additional 3-4 days. **Bottom:** A number of our processes at the farm were changed to create safer conditions during the COVID-19 pandemic, including the use of face coverings.



Hurricane Dorian was not the only unforeseeable challenge the team faced in FY2020. On March 11th, 2020, the novel coronavirus known as COVID-19 was declared a pandemic by the World Health Organization (WHO). The information around COVID-19 was fluid and changing rapidly. Fortunately, agricultural workers were considered “essential” by the federal and state governments, thus allowing us to continue working and maintaining our crops. While a potential slow down in sales could negatively affect the company, we also identified a lack of healthy, working labor to be a critical threat to our company as well. Our leadership and management teams focused heavily on the health and safety of the workforce. Staggered start times were implemented in conjunction with using both the newly constructed Hub and the Old Hub as separate deployment sites. A new process of crews eating in the field was put in place, utilizing the newly built lunch stations to further promote social distancing. Sanitation supplies for both surfaces and hands were distributed to all crews and common areas. All crews working within six feet of each other were required to wear a mask. Buffs were also made available for every employee. Employee temperatures were checked each morning, and anyone who showed potential symptoms were sent home.

In late March, the farm sales were experiencing a substantial slow down, notably due to the northeast market shutting down. This caused large uncertainty of whether we would have to postpone some shifting activity due to lack of space. For this reason, we reduced the number of H-2A employees from 18 to 9 workers on our second job order that was scheduled to arrive in early April 2020. Labor hours were also reduced to 40 hours per week as a preemptive measure to the unknown reduction in sales volume.

As of June 2020, all preventative safety measures continue to remain in place; however, production departments have returned to normal operating hours to keep up with the workload of the summer peak growth.

While FY2020 was a challenging year, our team proved once again that it is up for any challenge and will prevail. We firmly believe that from crisis comes opportunity, and we are looking forward to FY2021. ◆



Construction Group Update

Aaron Morse

Director of Construction Administration

The Construction Group entered FY2020 with a strong backlog and ambitious plans for a successful year; however, as the new fiscal year unfolded, many of our fall projects postponed into winter. By the end of January, we were 25% below our revenue budget. As the projects finally started and we were getting busy, we learned the H-2B workers we expected to hire would not be available. Fortunately, we have a strategy which eliminates our reliance on H-2B workers, making us successful in hiring employees domestically. We also partnered with irrigation subcontractors to mitigate some of the shortages we had in labor. While the loss of H-2B workers did inhibit some growth this year, we were able to manage our labor to satisfy the needs of our customers.

The COVID-19 pandemic also created some obstacles for the Construction Group. Existing contracted work on theme parks, subdivisions, and apartments, totaling over \$2.5M, were postponed due to the crisis. While this alleviated some of the logjams of work we were experiencing, we needed to replace this work in order to meet our financial objectives. We were successful in negotiating a

block of contracts for three residential projects, at discounted pricing, to replace some of the postponed work. Our sales continue to be strong overall, leading to a continued healthy backlog. While we did not meet our revenue budget, we came close, increasing revenue by 2.5% over the last year. Though our operating gross margin (GM) dollars decreased from last year, we still finished 6.3% over budget with a GM percentage of 31.2%.

The Home Builder segment is our largest segment, representing 48% of revenue, followed by Theme Park & Resort, which totaled 24%. Commercial and Apartment segments each represent approximately 14% of our revenue. Theme Park & Resort was our most profitable segment at 34% GM, and also houses the most demanding projects on our organization. All other segments finished the year over our GM percentage budget with the exception of Multi-Family, which ended with a GM of 28.2%.

Beaumont

With our fall projects delayed, we were presented with an opportunity to bid on Beaumont, a new community being built in Wildwood, within The

Villages. Beaumont includes 133 single-family homes, 134 townhouses, and 14 commercial lots on approximately 154-acres. Kolter Land Partners, the builder for this community, needed to start the project quickly. This worked well for us, as we had the capacity to take on work. We were recommended by an irrigation vendor who knew we had the expertise to install a complex irrigation system. Kolter was impressed with our Project Management Team, and we were awarded the \$1.2M project in late September. With \$100K in Cherrylake material shipped to this project, it is finishing with a 28.7% GM, 5% under budget.

Lennar

Lennar approached us in April 2020 regarding three bids we had previously submitted. Due to the COVID-19 crisis and the corresponding dip in home sales, Lennar decided to bundle the three projects together, awarding them to one landscape contractor. Lennar's caveat included the contractor offer a discount for the package. The Construction Group decided in favor of investing in the relationship with Lennar and partnering with them during this unprecedented time. In doing so, we were able to secure \$800K of work to install immediately. This work helped us close the gap on the lost revenue from postponements and strengthened our position with Lennar.



Above: James, one of Cherrylake's Project Managers has been with the company for almost 10 years.

"We learned that while we can be profitable in [the single-family home] market segment, our core competency is large commercial landscaping, where we can be more efficient and productive."

Pulte

Pulte Homes has been one of our largest accounts for years, and FY2020 was no different. Pulte entrusts Cherrylake with their most high-profile projects. This year we were hired to construct the first phases of Del Webb Sunbridge, a 700-acre, resort-style, 55+ gated community south of Lake Nona. We began with the \$1M entrance and model homes, and we have since been awarded the \$1.3M boulevard package, which will carry into FY2021. Additionally, we worked on three other projects for Pulte in Orlando: Phillips Grove, Ruby Lake Phase 2, and Isles of Lake Nona.

The Construction Group made the strategic decision to exit the single-family market this year. We have been landscaping single-family homes in two Pulte communities for almost four years. During that time, we learned that while we can be profitable in that market segment, our core competency is large commercial landscaping, where we can be more efficient and productive.

Universal's Endless Summer Resort – Dockside Inn And Suites

Cherrylake continues its successful relationship with Universal Orlando Resorts with the construction of The Dockside Inn and Suites at Universal's Endless Summer Resort. Dockside is a two-phase project with two separate resort buildings, totaling 2,050 guest rooms. It stands on the former site of the Wet 'n' Wild parking lot on International Drive, however, its construction was delayed due to COVID-19. Instead Cherrylake started the \$2.8M tropical-themed project in September 2019 and will complete it in FY2021. The plant material budget for a job this size is large, over \$1M, and most of it is outsourced. Cherrylake material represents only 12% of the total green goods budget. Cherrylake's Outsourcing Group was challenged to procure a large quantity of material without the benefit of lead time, as the client prefers to modify the design of the project as it is constructed. Also, we had to be resourceful and use subcontractors to augment our labor force in order to meet the clients' deadlines without our H-2B workers. While only 70% complete, this project is conservatively forecasted at 5% under budget.

The Construction Group is optimistic about FY2021. We enter the year with a healthy backlog of contracted work. We have a strong core team of managers and staff that have worked together for years, continuing to build off our previous experiences. Despite the COVID-19 crisis, we believe there are ample opportunities for Cherrylake to meet its financial goals and strategic priorities. Based on our first-ever Customer Net Promoter Score of 91 and the feedback we receive from our customers, we know we are providing a superior product and professional customer service from every department. We embrace the challenges that the coming year will present, and we will work with focus and determination to make FY2021 the best year yet. ◆





Maintenance Group Update

Jim Lieffort

Director of Landscape Maintenance

FY2020 represented a year of transition for the Maintenance Group as we worked to restructure and reorganize. We struggled in the first half of the year to meet our operational and financial goals. After the first two quarters, we were 3,000 hours over our labor budget and performing at 37.2% Gross Margin (GM) compared to a budget of 40.7%. At this rate, we were on track to finish the year at a loss of -\$124K EBIT, which would have been significantly below our budget.

The Leadership Team took a hard look at the business to identify key weaknesses and areas for improvement. Tough decisions were made early on such as letting go of non-performing properties and several non-performing team members. These critical decisions were made by the year's midpoint, establishing both a core team and a solid foundation for moving forward.

From that point on, the leadership team worked in unison, addressing the business' weaknesses and making significant improvements in key areas discussed below. By year-end, we had reversed the trend and completed the year above budget in revenue, GM, and EBIT. The final EBIT was still negative at -35K; however, this was better than the budget of -71K.

There is still much work to be done in order to solidify the profitability of the group, but we are confident FY2020 was the pivotal year, setting us on the path towards sustainable, profitable growth.



Key Initiatives Undertaken in FY2020:

1. Build a stronger, strategically aligned leadership team
2. Analyze and restructure the spray team
3. Analyze and restructure the irrigation team
4. Optimize general services execution
5. Business development and growth

Leadership Team

In November 2019, we placed a strong focus on building a stronger, self-motivated, more collaborative, and data-driven Leadership Team. We added key players with industry experience and great attitudes. We also promoted existing players to better utilize their strengths.

Spray Team

Spray is a very important component of the business; however, we were not performing per our estimates and were losing money in this area. Spray is an expensive component of the business, and spray techs are both expensive and hard to find. Spray equipment is also expensive and, unless completely maximized, operates at a loss. It is also strictly a cost center with no opportunities for revenue generation

via enhancement sales. After review, we decided to sub-contract out the spray activity, directing the spray program with our in-house Plant Health Specialist. We sold most of our spray equipment, and we transferred our spray technicians to other roles. This move simplified the business, allowing us to focus our energy and resources on the core areas of the business: irrigation, enhancements, and general service operations.

Irrigation

By mid-year, it was clear we were underperforming in the irrigation department and leaving opportunities for additional revenue on the table. Because of customer contracts, we were obligated to perform monthly irrigation inspections. From these inspections, we would discover deficiencies in the irrigation system. If we were responsible for the problems, we were responsible for fixing them at our cost. However, if the irrigation deficiency was unrelated to our actions, then we have an opportunity to sell irrigation enhancements to the client. This is an additional revenue source we were not capturing in the past, and in many cases, we would perform non-scope services without

charging the client. Our solution involved hiring an experienced Irrigation Team Leader with a proven track record for generating revenue. Since adding an Irrigation Team Leader to the team, we have turned around the irrigation department and transformed irrigation enhancements into an important profit center.

Landscape Enhancements

Unfortunately, some plants do not live or look appealing forever, leaving clients to rely on us to make sure their property looks as good as possible, while simultaneously using the least amount of resources. It is incumbent upon us to consistently quote landscape improvements to their property. Clients appreciate the desire on our part to improve the appearance of their properties and are willing to pay for enhancements. Our goal was to generate 20% of our contracted general services revenue in enhancement revenue each month with a target margin minimum of 50%+. As a result of the increased focus on selling and executing enhancements, we increased our enhancement revenue by 30% and our enhancement GM by 50% compared to FY2019.

General Services Operational Efficiency

The additional margin generated from irrigation and landscape enhancements is essential to our business model. That being said, core operations of the business were centered around general services such as mowing, edging, detailing, and general property maintenance. Managing the efficiency of our general services operations was critically important. This came down to managing hours and reducing non-value-added time (NVAT) through LEAN initiatives.

We identified drive time as the most significant portion of NVAT. We currently deploy all of our crews from Cherrylake in Groveland, yet many of our jobs are an hour or more drive time away, adding non value added labor costs and equipment costs. To address our time management, we established remote deployment locations around central Florida. Another added benefit of remote deployment is the opportunity to recruit qualified labor staff in markets where our properties are located.

Business Development And Growth

Business development and profitable growth are crucial to offsetting fixed costs. We began the year with an annual contract revenue of \$2.27M. After the loss of the Trilogy contract in period 2, our contract revenue fell to \$1.5M. We ended the year with a contract revenue of

Right: *With over 20 years of experience, Connie is an integral part of the Maintenance Leadership Team.*

\$2.47M. In FY2021, we expect revenue growth of an additional \$900K. We believe our fixed cost can support close to that level of revenue, thus increasing gross profit accordingly. There are many challenges to growing revenue in this highly competitive market space. We must work to retain our existing customers, renew contracts, and acquire new profitable properties which align with our strategic goals and operational capacities. In FY2020, we hired an experienced Business Developer who was able to secure \$500K in new contracts in the first ten months. Additionally, we rebuilt our estimating tool and strengthened our estimating and sales processes to support continued growth.

In conclusion, FY2020 was a pivotal year for the Maintenance Group. Many of the struggles and obstacles we faced in the first half of the year led to initiatives and improvements in the second half of the year. These improvements will continue to bear fruit in FY2021 and beyond as we round the proverbial corner and move forward in the direction of sustainable and profitable growth. ◆



Financial Highlights

Cherrylake

Includes Farm, Construction, Maintenance and Outsourcing groups
For the 12 months ending June 30th (in 000's except ratios)

		Net of inter-group elimination	
	Forecast 2021	Actual 2020	Actual 2019
NET SALES (INCL. FREIGHT)	46,851	43,507	46,044
% of sales growth	8%	-6%	10%
GROSS MARGIN	16,850	16,518	20,036
% of net sales	36.0%	38.0%	43.5%
EARNINGS FROM OPERATIONS (EBIT)	11,203	17,776	13,467
% of net sales	23.9%	40.9%	29.2%
EBITDA	12,852	19,097	14,795
% of net sales	27.4%	43.9%	32.1%
EXTRAORDINARY ITEMS (Inventory / Discounted Ops)	3,555	10,353	2,065
NET INCOME	10,177	17,123	12,423
CAPITAL EXPENDITURES	1,994	4,011	3,050
INCREASE/DECREASE IN INVENTORY	(397)	4,785	3,445

2021 Forecasted
Net Sales

\$47M

2021 Forecasted
EBITDA

\$13M

2021 Forecasted Gross Margin

34%

Farm/
Outsourcing

32%

Construction/
Maintenance

36%

Cherrylake
Combined

Farm

Before inter-group elimination

	Forecast 2021	Actual 2020	Actual 2019
SALES	26,968	25,716	29,256
% of change	5%	-12%	10%
30G EQ UNITS SOLD	251,300	226,823	237,793
% of change	11%	-5%	4%
30G EQ PRICE (FOB)	98.56	100.50	106.60
% of change	-2%	-6%	1%
GROSS MARGIN	10,269	10,528	14,158
Gross Margin %	38%	41%	48%
EBITDA	10,068	15,616	11,498
EBT	8,929	14,704	10,377
30G EQ INVENTORY CHANGE	4,842	4,913	3,285
CAP EX	780	3,592	2,269

Outsourcing

	Forecast 2021	Actual 2020	Actual 2019
SALES	4,950	4,376	3,688
GROSS MARGIN/EBITDA	554	477	358
Gross Margin %	11%	11%	10%

Construction/Maintenance

	Forecast 2021	Actual 2020	Actual 2019
SALES	18,712	17,096	16,911
PURCHASES FROM CHERRYLAKE	3,779	3,681	3,811
GROSS MARGIN	6,027	5,513	5,520
Gross Margin %	32.21%	32.25%	33%
EBITDA	2,230	3,004	2,939
EBT	1,248	2,419	2,046
ENDING BACKLOG	11,576	8,012	8,783
CAP EX	1,214	419	781



IMG
Enterprises

Consolidated Financials

2020 Consolidated Balance Sheet @ Book Value

As of June 30th (000's of dollars)

	IMGE	M&V	Eliminations	IMGE/M&V Consolidated
CURRENT ASSETS				
Cash & Cash Equivalent	2,091	164		2,255
Deposits/Prepays	689			689
Accounts Receivable	11,077	290	(137)	11,230
Inventory @ Cost	36,717			36,717
Other Receivables - Related Party	8,503	6,393	(8,094)	6,802
TOTAL CURRENT ASSETS	59,077	6,847	(8,231)	57,693
PROPERTY, PLANT & EQUIPMENT				
Net Book Value of Depreciable Assets	6,963			6,963
Real Estate & Improvements @ Book Value	74,621	5,367		79,988
TOTAL PP&E @ BOOK VALUE	81,584	\$ 5,367		86,951
OTHER ASSETS				
TOTAL ASSETS	140,661	12,214	(8,231)	144,644
LIABILITIES				
Accounts Payable & Accrued Expenses	11,512	398	(137)	11,773
Long Term Debt to US Banks	47,014			47,014
Line of Credit with US Banks	7,537			7,537
Other Debt - Intercompany		8,094	(8,094)	
TOTAL LIABILITIES	66,063	8,492	(8,231)	66,324
EQUITY @ BOOK VALUE	74,598	3,722		78,320
TOTAL LIABILITIES & EQUITY	140,661	12,214	(8,231)	144,644

Since July 1, 2005, IMG Enterprises, Inc. adopted Financial Accounting Standards Board (FASB) Interpretation No. 46R "Consolidation of Variable Interest Entities." The adoption of FIN 46R requires the company to consolidate M&V, LLC as a variable interest entity.

The objective of this interpretation is not to restrict the use of variable interest entities but to improve financial reporting by enterprises involved with variable interest entities. The FASB Board believes that if a business enterprise has a controlling financial interest in a variable interest entity, the assets, liabilities and results of the activities of the variable interest entity should be included in consolidated financial statements with those of the business enterprise.

Although IMG Enterprises, Inc. has no direct ownership or equity in M&V, LLC, M&V, LLC is owned by common owners of IMG Enterprises, Inc. and is primarily engaged in the business of owning and operating citrus groves. Under a marketing agreement, IMG Citrus has the exclusive right to market the citrus produced by M&V, LLC.

The consolidation of M&V, LLC and IMG Enterprises, Inc. was presented throughout this report to reconcile our audited financial statements and to provide a presentation that complies with FASB standards. However, this does not have any impact on the valuation of IMG Enterprises, Inc. stock because there is no equity relationship between the entities. The following are the financial highlights of IMG Enterprise, Inc. separate from M&V, LLC.

2020 Consolidated Income & Cash Flow Statement

As of June 30th (000's of dollars)

	IMGE	M&V	Eliminations	IMGE/M&V Consolidated
CONSOLIDATED INCOME STATEMENT				
Total Net Sales	93,926	3,132	(2,443)	94,615
Cost of Goods Sold	66,832	1,554	(2,386)	66,000
Total Gross Margin	27,094	1,578	(57)	28,615
Selling, General & Administration	17,429	404	(57)	17,776
Other Income/(Loss)	722	100		822
Extra Ordinary Gain/(Loss)	10,135			10,135
EBIT	30,657	1,274		21,796
Add: Depreciation	4,518	401		4,919
EBITDA	25,040	1,675		26,715
Depreciation	(4,518)	(401)		(4,919)
Interest (Expense) Income	(2,246)	(124)		(2,370)
EBT	18,276	1,150		19,426
Net Income	18,276	1,150		19,426
CONSOLIDATED CASH FLOW STATEMENT				
EBITDA	25,040	1,675		26,715
Accounts Receivable	(2,096)	424		(1,672)
Inventories	(5,990)	-		(5,990)
Accounts Payable/Other	(753)	261		(492)
Total Working Capital Change	(8,839)	685		(8,154)
Capital Expenditures	(8,673)	(34)		(8,707)
Gain (Loss) on Sales/Other	(106)	-		(106)
Investing Activities	(8,779)	(34)		(8,813)
Net Operating Cash Flow	7,422	2,326		9,748

IMG Enterprises, Inc. and M&V, LLC

Capital Expenditures

As of June 30th (000's of dollars)

	Forecast 2021	Actual 2020	Actual 2019
CHERRYLAKE FARM			
H2 Housing	-	1,924,196	340,791
Central inventory Hub	-	225,582	568,743
Shop Building	-	478,965	14,888
Pine Block Improvements	-	121,026	158,767
Triangle Expansion	5,000	76,979	139,991
Paint loading lock	-	18,600	-
Section 259 conversion	-	17,488	-
Citrus in Containers	26,600	12,364	-
Sunridge Farm - Road Improvement	6,000	-	-
Vehicles	81,000	-	287,868
Equipment	577,673	703,035	680,132
Irrigation	-	-	70,250
Holding Systems	84,215	13,356	-
Building & Improvements	-	-	7,531
TOTAL NURSERY	780,488	3,591,591	2,268,961
CHERRYLAKE CONSTRUCTION			
Construction Holding	60,000	-	-
Vehicles	371,000	183,424	237,956
Equipment	219,200	51,369	152,396
Computers	15,500	-	12,000
TOTAL CONSTRUCTION	665,700	234,793	402,352
CHERRYLAKE MAINTENANCE			
Vehicles	397,000	106,408	265,142
Equipment	151,250	77,945	113,071
TOTAL MAINTENANCE	548,250	184,353	378,213
TOTAL CHERRYLAKE	1,994,438	4,010,737	3,049,525

	Forecast 2021	Actual 2020	Actual 2019
IMG CITRUS			
Vehicles	133,000	-	351,151
Equipment	1,395,394	1,929,361	2,166,435
Irrigation	517,930	217,046	7,062,450
Building & Improvements	594,000	26,975	126,000
Packinghouse Improvements	90,000	16,099	130,674
Grove Development	2,369,201	1,850,394	2,957,140
Citrus Structures (CUPS)	912,054	-	
Land Purchase	-	-	7,856,000
Grove Trees	-	-	15,269,900
TOTAL IMG CITRUS	6,011,579	4,039,875	35,919,751
CORPORATE			
Land Purchases	530,296	469,844	102,434
Mitigation Bank	120,000	185,828	-
TOTAL CORPORATE	650,296	655,672	102,434
TOTAL IMG ENTERPRISES CAPEX	8,656,312	8,706,284	39,071,710

We believe that through our sustainable connection to the environment we can transform the world exponentially.

