

and equipment and assets held for sale in fiscal year 2019, as compared to fiscal year 2018. In fiscal year 2019, the Company recorded a gain of approximately \$13,166,000, which was generated primarily for the sale of land on its West Ranch in September 2019. For the fiscal year ended September 30, 2018, the Company recorded a gain of \$11,041,000 on the sale of real estate, property and equipment and assets held for sale, which included its corporate office building in Fort Myers, Florida, its Gal Hog property and a land parcel within its East Ranch resulting in gains of approximately \$1,751,000, \$6,709,000 and \$1,759,000, respectively. Additionally, the Company incurred less interest expense of approximately \$1,400,000 in fiscal year 2019, as compared to fiscal year 2018, primarily due to the Company recording imputed interest expense during the fiscal year ended September 30, 2018 relating to its Sugarcane transaction, which was terminated in fiscal year 2019.

Other income (expense), net, for the fiscal year ended September 30, 2018 and 2017 was approximately \$2,655,000 and approximately \$(7,248,000), respectively. The shift from other expense, net to other income, net is primarily due to recording a higher gain on sale of real estate, property and equipment and assets held for sale. For the fiscal year ended September 30, 2018, the Company sold certain properties and equipment which included its corporate office building in Fort Myers, Florida, its Gal Hog property and a land parcel within its East Ranch resulting in gains of approximately \$1,751,000, \$6,709,000 and \$1,759,000, respectively. During the fiscal year ended September 30, 2017, the Company sold land and facilities in Hendry County, Florida, which resulted in a gain of approximately \$1,371,000. Additionally, the Company incurred less interest expense of approximately \$580,000 due to the continued pay-down of its long-term debt, as well as a prepayment made on a loan of approximately \$4,453,000 with the proceeds from the asset sales.

### ***Income Taxes***

For the fiscal years ended September 30, 2019, 2018 and 2017, the provision (benefit) for income taxes was approximately \$12,783,000, \$390,000 and \$(3,846,000), respectively, and the related effective income tax rates were approximately 25.45%, 2.96% and 28.83%, respectively. The change in the tax provision for the fiscal year ended September 30, 2019 is the result of the Company generating greater net income during the current fiscal year as compared to the prior fiscal year. Additionally, a one-time non-cash deferred income tax benefit of approximately \$9,847,000 was recorded in fiscal year 2018 which resulted from the remeasurement of the Company's net deferred tax liabilities due to the 21% corporate tax rate that was enacted December 22, 2017, and the expiration of its capital loss carryforward, which expired at September 30, 2018, of approximately \$5,634,000 was recorded in fiscal year 2018, resulting in an additional income tax expense.

The change in the provision for income taxes for the fiscal year ended September 30, 2018, as compared to fiscal year 2017, primarily resulted from (i) the Company generating net income, (ii) a one-time non-cash deferred income tax benefit of approximately \$9,847,000 resulting from the remeasurement of the Company's net deferred tax liabilities due to the 21% corporate tax rate that was enacted December 22, 2017, and (iii) the expiration of its capital loss carryforward, which expired at September 30, 2018, of approximately \$5,634,000, resulting in an additional income tax expense.

### ***Seasonality***

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