

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **June 30, 2021**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 0-17196



MGP INGREDIENTS, INC.

(Exact name of registrant as specified in its charter)

Kansas
(State or other jurisdiction of incorporation or organization)

45-4082531
(I.R.S. Employer Identification No.)

100 Commercial Street
Atchison Kansas
(Address of principal executive offices)

66002
(Zip Code)

(913) 367-1480
(Registrant's telephone number, including area code)

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

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|----------------------------|----------------|---|
| Common Stock, no par value | MGPI | NASDAQ Global Select Market |

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

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

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

Large accelerated filer Accelerated filer
 Non-accelerated filer Smaller Reporting Company
 Emerging growth company

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
21,962,171 shares of Common Stock, no par value as of July 29, 2021

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METHOD OF PRESENTATION

Throughout this Report, when we refer to "the Company," "MGP," "we," "us," "our," and words of similar import, we are referring to the combined business of MGP Ingredients, Inc. and its consolidated subsidiaries, except to the extent that the context otherwise indicates. In this document, for any references to Note 1 through Note 11, refer to the Notes to Unaudited Condensed Consolidated Financial Statements in Item 1.

All amounts in this report, except for share, par values, bushels, gallons, pounds, mmbtu, proof gallons, per share, per bushel, per gallon, per proof gallon, per 9-liter case and percentage amounts, are shown in thousands unless otherwise noted.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(Dollars in thousands, except share and per share amounts)

| | Quarter Ended June 30, | | Year to Date Ended June 30, | |
|---|------------------------|-------------------|-----------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Sales | \$ 174,939 | \$ 92,560 | \$ 283,262 | \$ 191,642 |
| Cost of sales | 118,112 | 71,858 | 194,136 | 147,729 |
| Gross profit | 56,827 | 20,702 | 89,126 | 43,913 |
| Selling, general and administrative expenses | 29,164 | 9,364 | 40,963 | 18,867 |
| Operating income | 27,663 | 11,338 | 48,163 | 25,046 |
| Interest expense, net | (1,104) | (628) | (1,592) | (1,107) |
| Other income (loss), net | (88) | 330 | (58) | 167 |
| Income before income taxes | 26,471 | 11,040 | 46,513 | 24,106 |
| Income tax expense | 6,412 | 2,550 | 11,027 | 5,774 |
| Net income | 20,059 | 8,490 | 35,486 | 18,332 |
| Income attributable to participating securities | 150 | 57 | 299 | 123 |
| Net loss attributable to noncontrolling interest | (76) | — | (76) | — |
| Net income attributable to MGP Ingredients, Inc. | \$ 19,985 | \$ 8,433 | \$ 35,263 | \$ 18,209 |
| Basic and diluted weighted average common shares | 21,916,721 | 16,899,079 | 19,436,143 | 16,956,502 |
| Basic and diluted Earnings Per Share | \$ 0.91 | \$ 0.50 | \$ 1.81 | \$ 1.07 |

See accompanying notes to unaudited condensed consolidated financial statements

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(Dollars in thousands)

| | Quarter Ended June 30, | | Year to Date Ended June 30, | |
|---|------------------------|-----------------|-----------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net income | \$ 20,059 | \$ 8,490 | \$ 35,486 | \$ 18,332 |
| Other comprehensive income, net of tax: | | | | |
| Unrealized gain on foreign currency translation adjustment | 1 | — | 7 | — |
| Change in Company-sponsored post-employment benefit plan | — | 21 | 49 | 15 |
| Other comprehensive income | 1 | 21 | 56 | 15 |
| Comprehensive income | 20,060 | 8,511 | 35,542 | 18,347 |
| Comprehensive loss attributable to noncontrolling interest | (76) | — | (76) | — |
| Comprehensive income attributable to MGP Ingredients, Inc. | \$ 20,136 | \$ 8,511 | \$ 35,618 | \$ 18,347 |

See accompanying notes to unaudited condensed consolidated financial statements

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited) (Dollars in thousands)

| | June 30, 2021 | December 31, 2020 |
|---|---------------------|-------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 37,243 | \$ 21,662 |
| Receivables (less allowance for credit losses, \$100 and \$24 at June 30, 2021, and December 31, 2020, respectively) | 79,110 | 56,966 |
| Inventory | 232,292 | 141,011 |
| Prepaid expenses | 4,996 | 2,644 |
| Total current assets | 353,641 | 222,283 |
| Property, plant, and equipment | | |
| Property, plant, and equipment | 378,962 | 313,730 |
| Less accumulated depreciation and amortization | (189,330) | (181,738) |
| Property, plant, and equipment, net | 189,632 | 131,992 |
| Operating lease right-of-use assets, net | 9,169 | 5,151 |
| Investment in joint ventures | 5,739 | — |
| Intangible assets, net | 219,872 | 890 |
| Goodwill | 228,243 | 2,738 |
| Other assets | 8,001 | 3,521 |
| Total assets | \$ 1,014,297 | \$ 366,575 |
| Current Liabilities | | |
| Current maturities of long-term debt | \$ 3,227 | \$ 1,600 |
| Accounts payable | 37,434 | 30,273 |
| Federal and state liquor taxes payable | 9,175 | 107 |
| Income taxes payable | 1,721 | 704 |
| Accrued expenses and other | 31,881 | 20,645 |
| Total current liabilities | 83,438 | 53,329 |
| Long-term debt, less current maturities | 36,870 | 38,271 |
| Credit agreement - revolver | 230,294 | — |
| Long-term operating lease liabilities | 6,626 | 3,057 |
| Other noncurrent liabilities | 5,117 | 7,094 |
| Deferred income taxes | 58,450 | 2,298 |
| Total liabilities | 420,795 | 104,049 |
| Commitments and Contingencies (Note 8) | | |
| Stockholders' Equity | | |
| Capital stock | | |
| Preferred, 5% non-cumulative; \$10 par value; authorized 1,000 shares; issued and outstanding 437 shares | 4 | 4 |
| Common stock | | |
| No par value; authorized 40,000,000 shares; issued 23,123,793 shares at June 30, 2021 and 18,115,965 shares at December 31, 2020; and 21,961,233 and 16,915,862 shares outstanding at June 30, 2021 and December 31, 2020, respectively | 6,715 | 6,715 |
| Additional paid-in capital | 315,062 | 15,503 |
| Retained earnings | 293,724 | 262,943 |
| Accumulated other comprehensive income | 542 | 486 |
| Treasury stock, at cost, 1,162,560 and 1,200,103 shares at June 30, 2021 and December 31, 2020, respectively | (22,469) | (23,125) |
| Total MGP Ingredients, Inc. stockholders' equity | 593,578 | 262,526 |
| Noncontrolling interest | (76) | — |
| Total equity | 593,502 | 262,526 |
| Total liabilities and equity | \$ 1,014,297 | \$ 366,575 |

See accompanying notes to unaudited condensed consolidated financial statements

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

| | Year to Date Ended June 30, | |
|---|-----------------------------|-----------------|
| | 2021 | 2020 |
| Cash Flows from Operating Activities | | |
| Net income | \$ 35,486 | \$ 18,332 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 8,425 | 6,344 |
| Net loss attributable to noncontrolling interest | (76) | — |
| Gain on sale of assets | — | (8) |
| Share-based compensation | 4,767 | 1,801 |
| Deferred income taxes, including change in valuation allowance | (1,568) | (99) |
| Unrealized gain on foreign currency | 7 | — |
| Changes in operating assets and liabilities, net of effects of acquisition: | | |
| Receivables, net | 7,531 | (13,174) |
| Inventory | (408) | (9,983) |
| Prepaid expenses | (897) | (1,973) |
| Income taxes payable | 1,017 | 5,778 |
| Accounts payable | (12,996) | (4,218) |
| Accrued expenses and other | 7,987 | 3,126 |
| Federal and state liquor taxes payable | 716 | 132 |
| Other, net | (2,537) | (72) |
| Net cash provided by operating activities | 47,454 | 5,986 |
| Cash Flows from Investing Activities | | |
| Additions to property, plant, and equipment | (18,336) | (10,177) |
| Purchase of business, net of cash acquired | (149,599) | (2,750) |
| Contributions to equity method investment | (988) | — |
| Proceeds from sale of property | — | 688 |
| Other, net | (1,312) | (168) |
| Net cash used in investing activities | (170,235) | (12,407) |
| Cash Flows from Financing Activities | | |
| Payment of dividends and dividend equivalents | (4,707) | (4,101) |
| Purchase of treasury stock | (765) | (4,395) |
| Loan fees paid related to borrowings | (666) | (1,148) |
| Principal payments on long-term debt | — | (199) |
| Proceeds from credit agreement - revolver | 242,300 | 54,700 |
| Payments on credit agreement - revolver | (10,306) | (30,000) |
| Payment on assumed debt as part of the Merger | (87,497) | — |
| Net cash provided by financing activities | 138,359 | 14,857 |
| Effect of exchange rate changes on cash | 3 | — |
| Increase in cash and cash equivalents | 15,581 | 8,436 |
| Cash and cash equivalents, beginning of period | 21,662 | 3,309 |
| Cash and cash equivalents, end of period | \$ 37,243 | \$ 11,745 |

See accompanying notes to unaudited condensed consolidated financial statements

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For Year to Date Ended June 30, 2021
(Unaudited) (Dollars in thousands)

| | Capital Stock Preferred | Issued Common | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive income | Treasury Stock | Non-controlling Interest | Total |
|---|-------------------------------|------------------|----------------------------------|----------------------|---|--------------------|-----------------------------|-------------------|
| Balance, December 31, 2020 | \$ 4 | \$ 6,715 | \$ 15,503 | \$ 262,943 | \$ 486 | \$ (23,125) | \$ — | \$ 262,526 |
| Comprehensive income: | | | | | | | | |
| Net income | — | — | — | 15,427 | — | — | — | 15,427 |
| Other comprehensive income | — | — | — | — | 55 | — | — | 55 |
| Dividends and dividend equivalents of \$0.12 per common share and per restricted stock unit, net of estimated forfeitures | — | — | — | (2,052) | — | — | — | (2,052) |
| Share-based compensation | — | — | 3,229 | — | — | — | — | 3,229 |
| Stock shares awarded, forfeited or vested | — | — | (716) | — | — | 716 | — | — |
| Stock shares repurchased | — | — | — | — | — | (674) | — | (674) |
| Balance, March 31, 2021 | 4 | 6,715 | 18,016 | 276,318 | 541 | (23,083) | — | 278,511 |
| Comprehensive income: | | | | | | | | |
| Net income | — | — | — | 20,059 | — | — | (76) | 19,983 |
| Other comprehensive income | — | — | — | — | 1 | — | — | 1 |
| Dividends and dividend equivalents of \$0.12 per common share and per restricted stock unit, net of estimated forfeitures | — | — | — | (2,653) | — | — | — | (2,653) |
| Share-based compensation | — | — | 1,538 | — | — | — | — | 1,538 |
| Stock shares awarded, forfeited or vested | — | — | (705) | — | — | 705 | — | — |
| Stock shares repurchased | — | — | — | — | — | (91) | — | (91) |
| Equity consideration for Merger | — | — | 296,213 | — | — | — | — | 296,213 |
| Balance, June 30, 2021 | \$ 4 | \$ 6,715 | \$ 315,062 | \$ 293,724 | \$ 542 | \$ (22,469) | \$ (76) | \$ 593,502 |

See accompanying notes to unaudited condensed consolidated financial statements

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For Year to Date Ended June 30, 2020
(Unaudited) (Dollars in thousands)

| | Capital Stock Preferred | Issued Common | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock | Total |
|---|-------------------------------|------------------|----------------------------------|----------------------|---|--------------------|-------------------|
| Balance, December 31, 2019 | \$ 4 | \$ 6,715 | \$ 14,029 | \$ 230,784 | \$ (246) | \$ (20,242) | \$ 231,044 |
| Comprehensive income: | | | | | | | |
| Net income | — | — | — | 9,842 | — | — | 9,842 |
| Other comprehensive loss | — | — | — | — | (6) | — | (6) |
| Dividends and dividend equivalents of \$0.12 per common share and per restricted stock unit, net of estimated forfeitures | — | — | — | (2,059) | — | — | (2,059) |
| Share-based compensation | — | — | 902 | — | — | — | 902 |
| Stock shares awarded, forfeited or vested | — | — | (567) | — | — | 804 | 237 |
| Stock shares repurchased | — | — | — | — | — | (4,395) | (4,395) |
| Balance, March 31, 2020 | <u>4</u> | <u>6,715</u> | <u>14,364</u> | <u>238,567</u> | <u>(252)</u> | <u>(23,833)</u> | <u>235,565</u> |
| Comprehensive income: | | | | | | | |
| Net income | — | — | — | 8,490 | — | — | 8,490 |
| Other comprehensive loss | — | — | — | — | 21 | — | 21 |
| Dividends and dividend equivalents of \$0.12 per common share and per restricted stock unit, net of estimated forfeitures | — | — | — | (2,041) | — | — | (2,041) |
| Share-based compensation | — | — | 662 | — | — | — | 662 |
| Balance, June 30, 2020 | <u>\$ 4</u> | <u>\$ 6,715</u> | <u>\$ 15,026</u> | <u>\$ 245,016</u> | <u>\$ (231)</u> | <u>\$ (23,833)</u> | <u>\$ 242,697</u> |

See accompanying notes to unaudited condensed consolidated financial statements

MGP INGREDIENTS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, unless otherwise noted)

Note 1. Accounting Policies and Basis of Presentation

The Company. MGP Ingredients, Inc. (“the Company,” and “MGP”) is a Kansas corporation headquartered in Atchison, Kansas and is a leading producer and supplier of premium distilled spirits, branded spirits and food ingredients. Distilled spirits include premium bourbon and rye whiskeys and grain neutral spirits, including vodka and gin. Our distilled spirits are either packaged and sold under our own brands to distributors, sold, directly or indirectly, to manufacturers of other branded spirits, or direct to consumer. MGP is also a top producer of high quality industrial alcohol for use in both food and non-food applications. The Company’s protein and starch food ingredients provide a host of functional, nutritional, and sensory benefits for a wide range of food products to serve the packaged goods industry. Our industrial alcohol and ingredients products are sold directly, or through distributors, to manufacturers and processors of finished packaged goods or to bakeries. The Company’s distillery products are derived from corn and other grains (including rye, barley, wheat, barley malt, and milo), and its ingredient products are derived, primarily from wheat flour.

On April 1, 2021, the Company acquired Luxco, Inc. and its affiliated companies (“Luxco”, or “Luxco Companies”) which is a leading branded beverage alcohol company across various categories, with a more than 60-year business heritage. Luxco’s operations predominately involve the producing, importing, bottling and rectifying of distilled spirits. See Note 3, Business Combination, for further details.

As a result of the merger with Luxco, during the quarter ended June 30, 2021, the Company established a new reportable segment structure that separates Branded Spirits from the Distillery Products segment. The Ingredient Solutions segment remains unchanged. The new segment presentation reflects how management is now operating the business and making resource allocations. The Company now reports three operating segments: Distillery Products, Branded Spirits and Ingredient Solutions. Certain amounts in the 2020 consolidated financial statements have been reclassified to conform to the 2021 presentation and prior periods have been revised to reflect the new operating segment structure.

Basis of Presentation and Principles of Consolidation. The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. These unaudited condensed consolidated financial statements as of and for the quarter ended June 30, 2021, should be read in conjunction with the consolidated financial statements and notes thereto in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission (“SEC”). The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal and recurring adjustments) necessary to fairly present the results for interim periods in accordance with U.S. generally accepted accounting principles (“GAAP”). Pursuant to the rules and regulations of the SEC, certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted.

The Company holds 60 percent interest in Dos Primos Tequila, LLC (“Dos Primos”). The Company consolidated Dos Primos activity on the financial statements and backs out the 40 percent non-controlling interest portion on a separate line.

Use of Estimates. The financial reporting policies of the Company conform to GAAP. The preparation of unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The application of certain of these policies places demands on management’s judgment, with financial reporting results relying on estimation about the effects of matters that are inherently uncertain, inclusive of the effects related to COVID-19. For all of these policies, management cautions that future events rarely develop as forecast, and estimates routinely require adjustment and may require material adjustment.

Inventory. Inventory includes finished goods, raw materials in the form of agricultural commodities used in the production process as well as bottles, caps, and labels used in the bottling process and certain maintenance and repair items. Bourbon and

whiskeys are normally aged in barrels for several years, following industry practice; all barreled bourbon and whiskey is classified as a current asset. The Company includes warehousing, insurance, and other carrying charges applicable to barreled whiskey in inventory costs.

Inventories are stated at lower of cost or net realizable value on the first-in, first-out, or FIFO, method. Inventory valuations are impacted by constantly changing prices paid for key materials, primarily corn. Inventory consists of the following:

| | June 30, 2021 | December 31, 2020 |
|---|---------------|-------------------|
| Finished goods | \$ 47,500 | \$ 16,414 |
| Barreled distillate (bourbons and whiskeys) | 151,441 | 105,445 |
| Raw materials | 21,850 | 6,954 |
| Work in process | 1,533 | 1,805 |
| Maintenance materials | 8,806 | 8,634 |
| Other | 1,162 | 1,759 |
| Total | \$ 232,292 | \$ 141,011 |

Revenue Recognition. Revenue is recognized when control of the promised goods or services, through performance obligations by the Company, is transferred to the customer in an amount that reflects the consideration it expects to be entitled to receive in exchange for the performance obligations. The term between invoicing and when payment is due is not significant and the period between when the entity transfers the promised good or service to the customer and when the customer pays for that good or service is one year or less.

Revenue is recognized for the sale of products at the point in time finished products are delivered to the customer in accordance with shipping terms. This is a faithful depiction of the satisfaction of the performance obligation because, at the point control passes to the customer, the customer has legal title and the risk and rewards of ownership have transferred, and the customer has present obligation to pay. For certain international customers, deposits are required in advance of shipment. These deposits are reported as contract liabilities until control passes to the customer and revenue is recognized.

The Company's Distillery Products segment routinely enters into bill and hold arrangements, whereby the Company produces and sells aged and unaged distillate to customers, and the product is barreled at the customer's request and warehoused at a Company location for an extended period of time in accordance with directions received from the Company's customers. Even though the aged and unaged distillate remains in the Company's possession, a sale is recognized at the point in time when the customer obtains control of the product. Control is transferred to the customer in bill and hold transactions when: customer acceptance specifications have been met, legal title has transferred, the customer has a present obligation to pay for the product, and the risk and rewards of ownership have transferred to the customer. Additionally, all of the following bill and hold criteria have to be met in order for control to be transferred to the customer: the reason for the bill and hold arrangement is substantive - the customer has requested the product be warehoused, the product has been identified as separately belonging to the customer, the product is currently ready for physical transfer to the customer, and the Company does not have the ability to use the product or direct it to another customer.

Warehouse services revenue is recognized over the time that warehouse services are rendered and as they are rendered. This is a faithful depiction of the satisfaction of the performance obligation because control of the aging products has already passed to the customer and there are no additional performance activities required by the Company, except as requested by the customer. The performance of the service activities, as requested, is invoiced as satisfied and revenue is concurrently recognized.

Excise Taxes. The Company is responsible for compliance with the Alcohol and Tobacco Tax and Trade Bureau of the U.S. Treasury Department (the "TTB") regulations which includes making timely and accurate excise tax payments. The Company is subject to periodic compliance audits by the TTB. Individual states also impose excise taxes on alcohol beverages in varying amounts. The Company calculates its Federal and state excise tax expense based upon units shipped and on its understanding of the applicable excise tax laws. Excise taxes that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer are excluded from revenue.

Recognition of Insurance Recoveries. Estimated loss contingencies are recognized as charges to income when they are probable and reasonably estimable. Insurance recoveries are not recognized until all contingencies related to the insurance claim have been resolved and settlement has been reached with the insurer. Insurance recoveries, to the extent of costs and losses, are reported as a reduction to costs on the Condensed Consolidated Statements of Income. Insurance recoveries, in

excess of costs and losses, if any, would be reported as a separate caption in Operating income on the Condensed Consolidated Statements of Income. Legally committed recovery amounts obtained prior to contingencies being resolved are recorded in Accrued expenses and other on the Condensed Consolidated Balance Sheets.

Income Taxes. The Company accounts for income taxes using an asset and liability method which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. A valuation allowance is recognized if it is “more likely than not” that at least some portion of the deferred tax asset will not be realized.

Earnings Per Share (“EPS”). Basic and diluted EPS are computed using the two-class method, which is an earnings allocation formula that determines net income per share for each class of Common Stock and participating security according to dividends declared and participation rights in undistributed earnings. Per share amounts are computed by dividing net income attributable to common shareholders by the weighted average shares outstanding during each year during the period.

Translation of Foreign Currencies. Assets and liabilities of Niche Drinks Co., Ltd. (“Niche”), a wholly-owned subsidiary of the Company whose functional currency is the British pound sterling, are translated to U.S. dollars using the exchange rate in effect at the condensed consolidated balance sheet date. Results of operations are translated using average rates during the period. Adjustments resulting from the translation process are included as a component of Accumulated other comprehensive income.

Business Combinations. Assets acquired and liabilities assumed during a business combination are generally recorded at fair market value as of the acquisition date. Goodwill is recognized to the extent that the purchase consideration exceeds the assets acquired and liabilities assumed. The Company uses its best estimate and third party valuation specialists to determine the fair value of the assets acquired and liabilities assumed. During the measurement period, which can be up to one year after the acquisition date, the Company can make adjustments to the fair value of the assets acquired and liabilities assumed, with the offset being an adjustment to goodwill.

Goodwill and Indefinite-Lived Intangible Assets. The Company records goodwill and other indefinite-lived intangible assets in connection with various acquisitions of businesses and allocates the goodwill and other indefinite-lived intangible assets to its respective reporting units. The Company evaluates goodwill for impairment at least annually, in the fourth quarter, or on an interim basis if events and circumstances occur that would indicate it is more likely than not that the fair value of a reporting unit is less than the carrying value. To the extent that the carrying amount exceeds fair value, an impairment of goodwill is recognized. Judgment is required in the determination of reporting units, the assignment of assets and liabilities to reporting units, including goodwill, and the determination of fair value of the reporting units. The Company separately evaluates indefinite-lived intangible assets for impairment. As of June 30, 2021, the Company determined that goodwill and indefinite-lived intangible assets were not impaired.

Fair Value of Financial Instruments. The Company determines the fair values of its financial instruments based on a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy is broken down into three levels based upon the observability of inputs. Fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular input to the fair value in its entirety requires judgment and considers factors specific to the asset or liability.

The Company’s short term financial instruments include cash and cash equivalents, accounts receivables and accounts payable. The carrying value of the short term financial instruments approximates the fair value due to their short term nature. These financial instruments have no stated maturities or the financial instruments have short term maturities that approximate market.

The fair value of the Company’s debt is estimated based on current market interest rates for debt with similar maturities and credit quality. The fair value of the Company’s debt was \$276,919 and \$44,548 at June 30, 2021 and December 31, 2020, respectively. The financial statement carrying value of total debt was \$270,391 (including unamortized loan fees) and \$39,871 (including unamortized loan fees) at June 30, 2021 and December 31, 2020, respectively. These fair values are considered Level 2 under the fair value hierarchy. Fair value disclosure for deferred compensation plan investments is included in Note 9.

Equity Method Investments. The condensed consolidated financial statements include the results of Luxco and its affiliated companies since April 1, 2021, when the Company obtained control through the Merger. The Company holds 50 percent interests in DGL Destiladores, S.de R.L. de C.V. (“DGL”) and Agricola LG, S.de R.L. de C.V. (“Agricola”) (combined “LMX”), which are accounted for as equity method investments since the date of acquisition. At June 30, 2021, the investment in LMX was \$5,739, which is recorded in Investment in joint ventures on the Condensed Consolidated Balance Sheet. During the quarter and year to date ended June 30, 2021, the Company recorded a \$334 loss from our equity method investments, which is recorded in Other income (loss), net on the Condensed Consolidated Statement of Income.

Recently Adopted Accounting Standard Updates. The Company did not adopt any new Accounting Standard Updates during the quarter ended June 30, 2021.

Note 2. Revenue

The Company generates revenues from the Distillery Products segment by the sale of products and by providing warehouse services related to the storage and aging of customer products. The Company generates revenues from the Branded Spirits and Ingredient Solutions segments by the sale of products. Revenue related to sales of products is recognized at a point in time whereas revenue generated from warehouse services is recognized over time. Contracts with customers include a single performance obligation (either the sale of products or the provision of warehouse services).

The following table presents the Company’s sales by segment and major products and services:

| | Quarter Ended June 30, | | Year to Date Ended June 30, | |
|---|------------------------|------------------|-----------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Distillery Products | | | | |
| Brown goods | \$ 43,766 | \$ 25,325 | \$ 86,807 | \$ 53,970 |
| White goods | 18,205 | 14,873 | 34,862 | 31,712 |
| Premium beverage alcohol | 61,971 | 40,198 | 121,669 | 85,682 |
| Industrial alcohol | 14,770 | 22,953 | 32,106 | 44,571 |
| Food grade alcohol | 76,741 | 63,151 | 153,775 | 130,253 |
| Fuel grade alcohol | 4,753 | 1,174 | 7,270 | 2,696 |
| Distillers feed and related co-products | 4,672 | 6,781 | 9,644 | 13,770 |
| Warehouse services | 4,182 | 3,699 | 8,283 | 7,600 |
| Total Distillery Products | 90,348 | 74,805 | 178,972 | 154,319 |
| Branded Spirits | | | | |
| Ultra premium | 10,093 | 320 | 10,574 | 684 |
| Premium | 6,301 | 47 | 6,383 | 171 |
| Mid | 17,786 | — | 17,786 | — |
| Value | 20,944 | — | 20,944 | — |
| Other | 5,302 | 17 | 5,309 | 17 |
| Total Branded Spirits | 60,426 | 384 | 60,996 | 872 |
| Ingredient Solutions | | | | |
| Specialty wheat starches | 12,598 | 9,122 | 22,820 | 19,334 |
| Specialty wheat proteins | 8,352 | 6,013 | 14,398 | 12,378 |
| Commodity wheat starches | 2,663 | 1,774 | 4,946 | 3,651 |
| Commodity wheat proteins | 552 | 462 | 1,130 | 1,088 |
| Total Ingredient Solutions | 24,165 | 17,371 | 43,294 | 36,451 |
| Total sales | \$ 174,939 | \$ 92,560 | \$ 283,262 | \$ 191,642 |

Note 3. Business Combination

Description of the transaction. On January 22, 2021, the Company entered into a definitive agreement to acquire Luxco, and subsequently completed the merger on April 1, 2021 (the “Merger”). Luxco is a leading branded beverage alcohol company across various categories, with a more than 60-year business heritage. As a result of the Merger, MGP increased its scale and market position in the branded-spirits sector and believes it strengthened its platform for future growth of higher valued-added products.

Following the Merger, the Luxco Companies became wholly-owned subsidiaries of MGP and are included within the Branded Spirits segment. The aggregate consideration paid by the Company in connection with the Merger was \$237,500 in cash (less assumed indebtedness) and 5,007,833 shares of common stock of the Company, subject to adjustment for fractional shares (the “Company Shares,” and together with the cash portion, the “Merger Consideration”). The Company Shares were valued at \$296,213 and represented approximately 22.8 percent of the Company’s outstanding common stock immediately following the closing of the Merger. The Merger Consideration is subject to customary purchase price adjustments, including working capital, a portion of which may be paid in common stock.

The preliminary Merger Consideration will increase or decrease to the extent that actual closing date working capital exceeds or is less than the contractually agreed upon working capital target. In addition, the preliminary Merger Consideration will be increased for any acquired cash. In connection with the closing of the Merger on April 1, 2021, the preliminary purchase price adjustments increased the cash consideration paid by approximately \$75 and increased stock consideration by approximately \$159.

The cash portion of the Merger Consideration, the repayment of assumed debt, and transaction-related expenses were financed with borrowings under the Company’s existing Credit Agreement which was drawn down on April 1, 2021. See Note 5, Corporate Borrowings, for further details.

For tax purposes, the transaction was structured partially as a tax-free reorganization and partially as a taxable acquisition, as defined in the Internal Revenue Code. The Company anticipates the amount transferred in a tax deferred manner, under the tax-free reorganization rules, will not create additional tax basis for the Company. The taxable component of the transaction will create additional tax basis and a corresponding future tax deduction for the Company.

The Merger was accounted for as a business combination in accordance with Accounting Standard Codification 805 “ASC 805”), Business Combinations, and as such, assets acquired, liabilities assumed, and consideration transferred were recorded at their estimated fair values on the acquisition date. The fair value of the assets acquired and liabilities assumed are based upon a preliminary assessment of fair value and may change as valuations for certain tangible assets, intangible assets and contingent liabilities are finalized and the associated income tax impacts are determined. The Company expects to finalize the purchase price allocation as soon as practicable, but no longer than one year from the acquisition date.

Purchase Price Allocation. The following table summarizes the preliminary allocation of the consideration paid for Luxco to the preliminary estimated fair value of the assets acquired and liabilities assumed at the acquisition date, with the excess recorded to goodwill.

Consideration:

| | | |
|--|----|----------------|
| Cash, net of assumed debt | \$ | 150,078 |
| Value of MGP Common Stock issued at close ^(a) | | 296,372 |
| Fair value of total consideration transferred | \$ | <u>446,450</u> |

Recognized amounts of identifiable assets acquired and liabilities assumed:

| | | |
|---|----|----------------|
| Cash | \$ | 479 |
| Receivables | | 29,675 |
| Inventory | | 90,854 |
| Prepaid expenses | | 1,454 |
| Property, plant and equipment, net | | 41,279 |
| Investments in joint ventures | | 5,085 |
| Intangible assets ^(b) | | 219,500 |
| Other assets | | 4,257 |
| Total assets | | <u>392,583</u> |
| Current maturities of long-term debt ^(c) | | 87,497 |
| Accounts payable | | 14,453 |
| Federal and state liquor taxes payable | | 8,352 |
| Accrued expenses and other | | 2,832 |
| Other noncurrent liabilities | | 784 |
| Deferred income taxes | | 57,720 |
| Total liabilities | | <u>171,638</u> |
| Goodwill | | 225,505 |
| Total | \$ | <u>446,450</u> |

(a) The Company issued 5,007,833 shares of MGP Common Stock which was valued at \$59.15 per share on April 1, 2021. The value of MGP Common Stock includes the preliminary working capital adjustment of \$159.

(b) Intangible assets acquired includes trade names with an estimated fair value of \$178,100 and distributor relationships with an estimated fair value of \$41,400.

(c) The fair value of Luxco's debt that was assumed by MGP in the transaction and repaid on the closing date.

In accordance with ASC 805 assets acquired, liabilities assumed, and consideration transferred were recorded at their estimated fair values on the acquisition date. The fair value measurements of tangible and intangible assets and liabilities were based on significant inputs not observable in the market and represent Level 3 measurements within the fair value hierarchy. Level 3 inputs include discount rates that would be used by a market participant in valuing these assets and liabilities, projections of revenues and cash flows, distributor attrition rates, royalty rates and market comparable, among others. The fair value of work-in-process and finished goods inventory was determined using the comparative sales method and raw materials was determined using the replacement cost method.

Goodwill of \$225,505 represents the excess of the consideration transferred over the estimated fair value of assets acquired net of liabilities assumed. No Goodwill is expected to be deductible for tax purposes. The Intangible assets acquired includes indefinite-lived intangible assets, trade names, with an estimated fair value of \$178,100 and definite-lived intangible assets, distributor relationships, with an estimated fair value of \$41,400 and a useful life of 20 years. The trade names and distributor relationships acquired by the Company have been adjusted to the estimated fair values using the relief from royalty method and multi-period earnings method, respectively. Management and a third party valuation team performed a preliminary valuation analysis to determine the fair value of each trade name and distributor relationship.

Operating Results. The operating results of Luxco were consolidated with the Company's operating results subsequent to the merger date. During the quarter and year to date ended June 30, 2021, the Company recorded \$59,298 of Sales and \$6,520 of Income before income taxes, attributable to Luxco on its Condensed Consolidated Statement of Income. During the quarter and year to date ended June 30, 2021, the Company has incurred \$6,738 and \$8,628, respectively, of transaction related costs, which are included in Selling, general and administrative expenses on the Condensed Consolidated Statements of Income.

Pro Forma Information. The following table summarizes the unaudited pro forma financial results for the quarter and year to date ended June 30, 2021 and 2020, as if the Merger had occurred on January 1, 2020:

| | Pro Forma Financial Information | | | | |
|--------------------------------------|---------------------------------|------------|-----------------------------|------------|--|
| | Quarter Ended June 30, | | Year to Date Ended June 30, | | |
| | 2021 | 2020 | 2021 | 2020 | |
| Sales | \$ 174,939 | \$ 141,686 | \$ 349,461 | \$ 289,894 | |
| Net income | 28,124 | 12,589 | 34,419 | 15,990 | |
| Basic and diluted earnings per share | 1.28 | 0.57 | 1.56 | 0.72 | |

The pro forma results are adjusted for items that are non-recurring in nature and directly attributable to the Merger, including the income tax effect of the adjustments. Merger related costs incurred by the Company of \$6,738 and \$8,628 for the quarter and year to date ended June 30, 2021, respectively, were excluded and \$6,738 is assumed to have been incurred on January 1, 2020. Merger related costs incurred by Luxco of \$3,132 were excluded from the year to date ended June 30, 2021 pro forma results. A non-recurring expense of \$2,529 for the quarter and year to date ended June 30, 2021 related to the fair value adjustment of finished goods inventory estimated to have been sold was removed and included in the results for the year to date ended June 30, 2020. Other acquired tangible and intangible assets are assumed to be recorded at estimated fair value on January 1, 2020 and are amortized or depreciated over their estimated useful lives.

The summary pro forma financial information is for informational purposes only, is based on estimates and assumptions, and does not purport to represent what the Company's consolidated results of operations actually would have been if the Merger had occurred at an earlier date, and such data does not purport to project the Company's results of operations for any future period. The basic and diluted shares outstanding used to calculate the pro forma net income per share amounts presented above have been adjusted to assume shares issued at the closing of the Merger were outstanding since January 1, 2020.

Note 4. Goodwill and Intangible Assets

Definite-Lived Intangible Assets

The Company has a definite-lived intangible asset which was acquired as a result of the Merger. The distributor relationships have a carrying value of \$40,882, net of accumulated amortization of \$518. The distributor relationships have a useful life of 20 years. The amortization expense for the quarter and year to date ended June 30, 2021 was \$518.

As of June 30, 2021, the expected future amortization expense related to definite-lived intangibles assets are as follows:

| | | |
|-------------------|----|--------|
| Remainder of 2021 | \$ | 1,035 |
| 2022 | | 2,070 |
| 2023 | | 2,070 |
| 2024 | | 2,070 |
| 2025 | | 2,070 |
| Thereafter | | 31,567 |
| Total | \$ | 40,882 |

Goodwill and Indefinite-Lived Intangible Assets

The Company records goodwill and indefinite-lived intangible assets in connection with various acquisitions of businesses and allocates the goodwill and indefinite-lived intangible assets to its respective reporting units.

Changes in carrying amount of goodwill by business segment were as follows:

| | Distillery Products | Branded Spirits | Ingredient Solutions | Total |
|----------------------------|---------------------|-----------------|----------------------|------------|
| Balance, December 31, 2020 | \$ — | \$ 2,738 | \$ — | \$ 2,738 |
| Acquisitions | — | 225,505 | — | 225,505 |
| Balance, June 30, 2021 | \$ — | \$ 228,243 | \$ — | \$ 228,243 |

Changes in carrying amount of trade name intangible assets by business segment were as follows:

| | Distillery Products | Branded Spirits | Ingredient Solutions | Total |
|----------------------------|---------------------|-----------------|----------------------|------------|
| Balance, December 31, 2020 | \$ — | \$ 890 | \$ — | \$ 890 |
| Acquisitions | — | 178,100 | — | 178,100 |
| Balance, June 30, 2021 | \$ — | \$ 178,990 | \$ — | \$ 178,990 |

Note 5. Corporate Borrowings

The following table presents the Company's outstanding indebtedness:

| Description ^(a) | June 30, 2021 | December 31, 2020 |
|---|---------------|-------------------|
| Credit Agreement - Revolver, 1.09% (variable rate) due 2025 | \$ 232,000 | \$ — |
| Prudential Note Purchase Agreement, 3.53% (fixed rate) due 2027 | 20,000 | 20,000 |
| Prudential Note Purchase Agreement, 3.80% (fixed rate) due 2029 | 20,000 | 20,000 |
| Other long-term borrowings | 216 | — |
| Total indebtedness outstanding | 272,216 | 40,000 |
| Less unamortized loan fees ^(b) | (1,825) | (129) |
| Total indebtedness outstanding, net | 270,391 | 39,871 |
| Less current maturities of long-term debt | (3,227) | (1,600) |
| Long-term debt and Credit Agreement - Revolver | \$ 267,164 | \$ 38,271 |

(a) Interest rates are as of June 30, 2021.

(b) Loan fees are being amortized over the life of the Credit Agreement and Note Purchase Agreement.

Credit Agreement. On February 14, 2020, the Company entered into a credit agreement (the "Credit Agreement") with multiple participants led by Wells Fargo Bank, National Association ("Wells Fargo Bank") that matures on February 14, 2025. The Credit Agreement provided for a \$300,000 revolving credit facility. On May 14, 2021, the Credit Agreement was amended to increase the principal amount to \$400,000 and to increase the amount of the revolving credit facility by up to an additional \$100,000. The Company incurred \$666 new loan fees related to the Credit Agreement during 2021. The Credit Agreement includes certain requirements and covenants, which the Company was in compliance with at June 30, 2021. As of June 30, 2021, the Company had \$232,000 outstanding borrowings under the Credit Agreement leaving \$168,000 available. The cash portion of the Merger Consideration, the repayment of assumed debt, and transaction-related expenses were financed with \$242,300 borrowings under the Credit Agreement which was drawn down on April 1, 2021.

Note Purchase Agreements. The Company's Note Purchase and Private Shelf Agreement (the "Note Purchase Agreement"), as amended by the First Amendment to Private Shelf Agreement as of February 14, 2020, the Second Amendment to Private Shelf Agreement as of September 30, 2020, the Third Amendment to Private Shelf Agreement as of January 25, 2021, and the Fourth Amendment to Private Shelf Agreement as of May 14, 2021, with PGIM, Inc., an affiliate of Prudential Financial, Inc., and certain affiliates of PGIM, Inc., provides for the issuance of up to \$105,000 of Senior Secured Notes (or any higher amount solely to the extent PGIM, Inc. has provided written notice to the Company of its authorization of such a higher amount) and issuance of \$20,000 of Senior Secured Notes. The deadline for issuing the notes under the shelf facility is August 23, 2023. During 2017, the Company issued \$20,000 of Senior Secured Notes with a maturity date of August 23, 2027. During 2019, the Company issued \$20,000 of additional Senior Secured Notes with a maturity date of April 30, 2029. The Note Purchase Agreement includes certain requirements and covenants, which the Company was in compliance with at June 30, 2021.

Other long-term borrowings. As part of the Merger, the Company acquired additional long-term notes payable to certain counties in Kentucky.

Note 6. Income Taxes

The Company's tax provision for interim periods is determined using an estimated annual effective tax rate, adjusted for discrete items arising in that quarter. In each quarter, the estimated annual effective tax rate is updated and a year to date adjustment is made to the provision. The Company's quarterly effective tax rate can be subject to significant change due to the effect of discrete items arising in a given quarter. Beginning in the second quarter of 2021, the estimated annual effective tax rate includes both domestic and foreign entities acquired in the Merger. See Note 3, Business Combination, for further details.

Income tax expense for the quarter and year to date ended June 30, 2021, was \$6,412 and \$11,027, respectively, for an effective tax rate of 24.2 percent and 23.7 percent, respectively. The effective tax rate for quarter and year to date ended June 30, 2021, differed from the 21 percent federal statutory rate on pretax income, primarily due to state taxes, income taxes on foreign subsidiaries acquired as a result of the Merger, nondeductible transaction costs, and a change in accounting estimate related to the Company's state tax credits. The increase in the estimated annual effective tax rate was partially offset by state and federal credits, including income taxes on foreign subsidiaries acquired as a result of the Merger, the deduction applicable to export activity, and a change related to the Company's valuation allowance related to the ability to use certain state net operating losses carryforward.

Income tax expense for the quarter and year to date ended June 30, 2020, was \$2,550 and \$5,774, respectively, for an effective tax rate of 23.1 percent and 24.0 percent, respectively. The effective tax rate for the quarter ended June 30, 2020 differed from the 21 percent federal statutory rate on pretax income, primarily due to state income taxes, partially offset by state and federal tax credits and the deduction applicable to export activity. The effective tax rate for the year to date ended June 30, 2020, differed from the 21 percent federal statutory rate on pretax income, primarily due to state taxes, estimated increase in the Company's valuation allowance related to state income tax attributes, and the discrete tax impact of vested share-based awards, partially offset by federal and state credits, the deduction applicable to income derived from export activity.

Note 7. Equity and EPS

The computations of basic and diluted EPS:

| | Quarter Ended June 30, | | Year to Date Ended June 30, | |
|--|------------------------|-----------------|-----------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Operations: | | | | |
| Net income ^(a) | \$ 20,059 | \$ 8,490 | \$ 35,486 | \$ 18,332 |
| Less: Income attributable to participating securities ^(b) | 150 | 57 | 299 | 123 |
| Less: net loss attributable to noncontrolling interest | (76) | — | (76) | — |
| Net income attributable to MGP Ingredients, Inc. | <u>\$ 19,985</u> | <u>\$ 8,433</u> | <u>\$ 35,263</u> | <u>\$ 18,209</u> |
| Share information: | | | | |
| Basic and diluted weighted average common shares ^(c) | 21,916,721 | 16,899,079 | 19,436,143 | 16,956,502 |
| Basic and diluted EPS | \$ 0.91 | \$ 0.50 | \$ 1.81 | \$ 1.07 |

(a) Net income attributable to all shareholders.

(b) Participating securities included 166,674 and 116,127 unvested restricted stock units ("RSUs"), at June 30, 2021 and 2020, respectively.

(c) Under the two-class method, basic and diluted weighted average common shares at June 30, 2021 and 2020 exclude unvested participating securities.

Share Issuance. On April 1, 2021, as part of the consideration for the Merger, the Company issued 5,007,833 shares of common stock. The shares issued represented approximately 22.8 percent of the Company's outstanding stock immediately following the closing of the Merger.

Share Repurchase. On February 25, 2019, MGP's Board of Directors approved a \$25,000 share repurchase authorization commencing February 27, 2019, through February 27, 2022. Under the share repurchase program, the Company can repurchase stock from time to time for cash in open market purchases, block transactions, and privately negotiated transactions in accordance with applicable federal securities laws. This share repurchase program may be modified, suspended, or terminated by the Company at any time without prior notice. The Company did not repurchase any shares during the year to date ended June 30, 2021 and has \$20,947 remaining under the share repurchase plan.

During the year to date ended June 30, 2020, the Company repurchased approximately 159,104 shares of MGP Common Stock for \$4,053.

The Common Stock share activity:

| | Shares Outstanding | |
|---|-------------------------|--------------|
| | Capital Stock Preferred | Common Stock |
| Balance, December 31, 2021 | 437 | 16,915,862 |
| Issuance of Common Stock | — | 35,114 |
| Repurchase of Common Stock ^(a) | — | (10,376) |
| Balance, March 31, 2021 | 437 | 16,940,600 |
| Issuance of Common Stock | — | 5,022,122 |
| Repurchase of Common Stock ^(a) | — | (1,489) |
| Balance, June 30, 2021 | 437 | 21,961,233 |

| | Shares Outstanding | |
|---|-------------------------|--------------|
| | Capital Stock Preferred | Common Stock |
| Balance, December 31, 2020 | 437 | 17,028,125 |
| Issuance of Common Stock | — | 36,545 |
| Repurchase of Common Stock ^(b) | — | (169,148) |
| Balance, March 31, 2020 | 437 | 16,895,522 |
| Issuance of Common Stock | — | — |
| Repurchase of Common Stock ^(a) | — | — |
| Balance, June 30, 2020 | 437 | 16,895,522 |

(a) The Common Stock repurchases were for tax withholding on equity based compensation

(b) 159,104 shares that were repurchased during the quarter ended March 31, 2020 related to the share repurchase program. The remaining shares repurchased were related to tax withholding on equity based compensation

Note 8. Commitments and Contingencies

There are various legal and regulatory proceedings involving the Company and its subsidiaries. The Company accrues estimated costs for a contingency when management believes that a loss is probable and can be reasonably estimated.

Dryer Fire Incident. During November 2020, the Company experienced a fire at the Atchison facility. The fire damaged certain equipment in the facility's feed drying operations and caused temporary loss of production time. At June 30, 2021, the Company received a legally binding commitment from their insurance carrier of \$11,300 that was recorded as Receivables on the Condensed Consolidated Balance Sheet. During the quarter and year to date ended June 30, 2021, the Company recorded \$6,230 and \$9,840, respectively, of partial settlement from its insurance carrier as a reduction of Cost of sales. At June 30, 2021, recorded within Accrued expenses and other on the Condensed Consolidated Balance Sheet is \$11,400 related to legally committed insurance recovery amounts obtained prior to contingencies related to the insurance claim being resolved. The Company is working to construct a replacement drying system. The Company's insurance is expected to provide coverage of any business interruption and other losses from damage to property, plant and equipment, but there can be no assurance to the

amount or timing of possible insurance recoveries if ultimately claimed by the Company.

Ransomware Cyber-Attack. In May 2020, the Company was affected by a ransomware cyber-attack that temporarily disrupted production at its Atchison facilities. The Company's financial information was not affected and there is no evidence that any sensitive or confidential company, supplier, customer or employee data was improperly accessed or extracted from our network. The Company has insurance related to this event and is currently evaluating if it will seek further recovery. Following the attack, MGP implemented a variety of measures to further enhance our cybersecurity protections and minimize the impact of any future attack. The Company's insurance may cover additional losses from this incident, but there can be no assurance as to the amount or timing of any possible insurance recoveries if ultimately claimed by the Company.

Shareholder matters. In 2020, two putative class action lawsuits were filed in the United States District Court for District of Kansas, naming the Company and certain of its current and former executive officers as defendants, asserting claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. The plaintiffs seek to pursue claims on behalf of a class consisting of purchasers or acquirers of the Company's Common Stock during certain specified periods (the "Class Periods"). On May 28, 2020, the two lawsuits were consolidated and the Court appointed City of Miami Fire Fighters' and Police Officers' Retirement Trust as lead plaintiff. The consolidated action is captioned In re MGP Ingredients, Inc. Securities Litigation and the file is maintained under Master File No. 2:20-cv-2090-DDCJPO. On July 22, 2020, the Retirement Trust filed a consolidated Amended Complaint. The Consolidated Complaint alleges that the defendants made false and/or misleading statements regarding the Company's forecasts of sales of aged whiskey, and that, as a result the Company's Common Stock traded at artificially inflated prices throughout the Class Periods. The plaintiffs seek compensatory damages, interest, attorneys' fees, costs, and unspecified equitable relief, but have not specified the amount of damages being sought. On September 8, 2020, defendants filed a Motion to Dismiss the Consolidated Amended Complaint. The Motion has been fully briefed and remains pending. Discovery is stayed while the motion is pending. The Company intends to continue to vigorously defend itself in this action.

On May 11, 2020, Mitchell Dorfman, a shareholder in MGP, filed an action in the United States District Court for the District of Kansas, under the caption Dorfman, derivatively on behalf of MGP Ingredients v. Griffin, et al., Case 2:20-cv-02239. On June 4, 2020, Justin Carter, a shareholder in MGP, filed an action in the United States District Court for the District of Kansas, under the caption Carter, derivatively on behalf of MGP Ingredients v. Griffin, et al., Case 2:20-cv-02281. On June 18, 2020, Alexandra Kearns, a shareholder in MGP, filed an action in the District Court of Atchison County, Kansas, under the caption Kearns, derivatively on behalf of MGP Ingredients v. Griffin, et al., Case 2020-CV-000042. The defendants are certain of the Company's current and former officers and directors. The Company is a nominal defendant in each action. Plaintiffs allege that the Company was damaged as a result of the conduct of the individual defendants alleged in the MGP Ingredients, Inc. Securities Litigation, the repurchase of company stock at artificially inflated prices, and compensation paid to the individual defendants. The Complaint in Dorfman asserts claims for violations of Sections 14(a), 10(b), and 20(a) of the Securities Exchange Act of 1934, breach of fiduciary duties, waste of corporate assets, and unjust enrichment. The Complaint in Carter asserts claims for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, breach of fiduciary duties, waste of corporate assets, and unjust enrichment. The Petition in Kearns asserts claims for breach of fiduciary duties, waste of corporate assets, and unjust enrichment. The pleadings pray for an award of compensatory damages, including interest, in favor of the Company, for equitable relief related to the Company's corporate governance, for disgorgement of compensation, and for an award of attorneys' fees and costs. On July 13, 2020, defendants filed a Motion to Dismiss in Dorfman. On August 13, 2020, defendants filed a Motion to Stay the Kearns action pending the resolution of Dorfman. On November 3, 2020, the court entered an order providing that Defendants' response to the Carter Complaint shall be due 14 days after a ruling on the Motion to Dismiss filed in Dorfman.

On March 31, 2021, the Dorfman court issued a Memorandum and Order in which it granted defendants' Motion to Dismiss plaintiff's federal claims, dismissed those claims without prejudice, denied without prejudice defendants' Motion to Dismiss plaintiff's state claims, and stayed the case pending the Kansas Supreme Court's decision in *Herington v. City of Wichita*. *Herington* involves the issue of whether a federal decision that determines federal claims and dismisses pendent state law claims for lack of supplemental jurisdiction precludes the reassertion of the state law claims in state court. The Kearns court has not yet taken any action in response to the court's Memorandum and Order in Dorfman. On April 14, 2021, defendants in Carter filed a Motion to dismiss plaintiff's federal claims and to stay plaintiff's state claims until fourteen days after the Court rules on the state claims in Dorfman.

On November 25, 2020, Kenneth Laury filed an action in the District Court of Shawnee County, Kansas under the caption Laury v. MGP Ingredients, Inc., Case Number: 2020-CV-000609. The Petition alleges that plaintiff commenced the action under K.S.A. 17-6510 to enforce his alleged right to inspect books and records of the Company, in order to enable him to evaluate possible misconduct by the Company's Board of Directors and management. On January 8, 2021, the Company filed an answer to the Petition, denying that plaintiff has satisfied the statutory requirements for his demand. On May 13, 2021, the parties stipulated to the voluntary dismissal, with prejudice, of the action.

2016 Atchison Chemical Release. A chemical release occurred at the Company's Atchison facility on October 21, 2016, which resulted in emissions venting into the air ("the Atchison Chemical Release"). Private plaintiffs have initiated, and additional private plaintiffs may initiate, legal proceedings for damages resulting from the Atchison Chemical Release, but the Company is currently unable to reasonably estimate the amount of any such damages that might result. The Company's insurance is expected to provide coverage of any damages to private plaintiffs, subject to a deductible, but there can be no assurance to the amount or timing of possible insurance recoveries if ultimately claimed by the Company.

Note 9. Employee and Non-Employee Benefit Plans

Equity-Based Compensation Plans. The Company's equity-based compensation plans provide for the awarding of stock options, stock appreciation rights, shares of restricted stock ("Restricted Stock"), and RSUs for senior executives and salaried employees, as well as non-employee directors. The Company has two active equity-based compensation plans: the Employee Equity Incentive Plan of 2014 (the "2014 Plan") and the Non-Employee Director Equity Incentive Plan (the "Directors' Plan").

As of June 30, 2021, 516,861 RSUs had been granted of the 1,500,000 shares approved under the 2014 Plan, and 120,619 shares had been granted of the 300,000 shares approved under the Directors' Plan. As of June 30, 2021, there were 171,824 unvested RSUs under the Company's long-term incentive plans and 166,674 were participating securities (Note 7).

Deferred Compensation Plan. The Company established an unfunded Executive Deferred Compensation Plan ("EDC Plan") effective as of June 30, 2018, with a purpose to attract and retain highly-compensated key employees by providing participants with an opportunity to defer receipt of a portion of their salary, bonus, and other specified compensation. The Company's obligations under this plan will change in conjunction with the performance of the participants' investments, along with contributions to and withdrawals from the plan. Realized and unrealized gains (losses) on deferred compensation plan investments were included as a component of Other income (loss), net on the Company's Condensed Consolidated Statements of Income for the quarter and year to date ended June 30, 2021. For quarter and year to date ended June 30, 2021, the Company had a gain on deferred compensation plan investments of \$246 and \$276, respectively. For quarter and year to date ended June 30, 2020, the Company had a gain on deferred compensation plan investments of \$331 and \$167, respectively.

Plan investments are classified as Level 1 in the fair value hierarchy since the investments trade with sufficient frequency and volume to enable the Company to obtain pricing information on an ongoing basis. Participants were able to direct the deferral of a portion of their base salary and a portion of their estimated accrued Short-term incentive plan ("STI Plan") amounts that were paid during first quarter of the following year. Base salary amounts elected for deferral are deposited into the EDC Plan by the Company on a weekly basis and allocated by participants among Company-determined investment options. STI plan deferral were deposited, at the time of payment, into the EDC Plan by the Company and allocated by participants among Company-determined investment options.

At June 30, 2021 and December 31, 2020, the EDC Plan investments were \$,558 and \$2,007, respectively, which were recorded in Other assets on the Company's Condensed Consolidated Balance Sheets. The EDC Plan current liabilities were \$897 at June 30, 2021 and were included in Accrued expenses and other on the Company's Condensed Consolidated Balance Sheet. The EDC Plan non-current liabilities were \$2,924 and \$3,140 at June 30, 2021 and December 31, 2020, respectively, and were included in Other noncurrent liabilities on the Company's Condensed Consolidated Balance Sheets.

Note 10. Operating Segments

As discussed in Note 1, the Company established a new reportable segment structure as a result of the Merger and prior periods have been revised to reflect the new operating segments. At June 30, 2021, the Company had three segments: Distillery Products, Branded Spirits, and Ingredient Solutions. The Distillery Products segment consists of food grade alcohol and distillery co-products, such as distillers feed (commonly called dried distillers grain in the industry) and fuel grade alcohol. The Distillery Products segment also includes warehouse services, including barrel put away, storage, retrieval, and blending services. The Branded Spirits segment consists of producing, importing, bottling and rectifying of distilled spirits. Ingredient Solutions segment consists of specialty starches and proteins and commodity starches and proteins.

Operating profit for each segment is based on sales less identifiable operating expenses. Non-direct selling, general and administrative expenses, interest expense, other special charges, and other general miscellaneous expenses are excluded from segment operations and are classified as Corporate. Receivables, inventories, property, plant and equipment, leases, goodwill and intangible assets have been identified with the segments to which they relate. All other assets are considered as Corporate.

| | Quarter Ended June 30, | | Year to Date Ended June 30, | |
|--|------------------------|-----------|-----------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Sales to Customers | | | | |
| Distillery Products | \$ 90,348 | \$ 74,805 | \$ 178,972 | \$ 154,319 |
| Branded Spirits | 60,426 | 384 | 60,996 | 872 |
| Ingredient Solutions | 24,165 | 17,371 | 43,294 | 36,451 |
| Total | \$ 174,939 | \$ 92,560 | \$ 283,262 | \$ 191,642 |
| Gross Profit | | | | |
| Distillery Products | \$ 31,985 | \$ 15,854 | \$ 60,230 | \$ 33,913 |
| Branded Spirits | 18,434 | 148 | 18,520 | 338 |
| Ingredient Solutions | 6,408 | 4,700 | 10,376 | 9,662 |
| Total | \$ 56,827 | \$ 20,702 | \$ 89,126 | \$ 43,913 |
| Depreciation and Amortization | | | | |
| Distillery Products | \$ 2,652 | \$ 2,417 | \$ 5,205 | \$ 4,808 |
| Branded Spirits | 1,709 | 30 | 1,738 | 40 |
| Ingredient Solutions | 481 | 469 | 956 | 922 |
| Corporate | 273 | 304 | 526 | 574 |
| Total | \$ 5,115 | \$ 3,220 | \$ 8,425 | \$ 6,344 |
| Income (loss) before Income Taxes | | | | |
| Distillery Products | \$ 31,315 | \$ 15,364 | \$ 58,178 | \$ 32,732 |
| Branded Spirits | 7,113 | (930) | 5,889 | (2,065) |
| Ingredient Solutions | 5,735 | 4,099 | 8,907 | 8,313 |
| Corporate | (17,692) | (7,493) | (26,461) | (14,874) |
| Total | \$ 26,471 | \$ 11,040 | \$ 46,513 | \$ 24,106 |

The following table allocates assets to each segment as of:

| | June 30, 2021 | December 31, 2020 |
|----------------------------|----------------------|--------------------------|
| Identifiable Assets | | |
| Distillery Products | \$ 285,451 | \$ 281,721 |
| Branded Spirits | 644,763 | 6,348 |
| Ingredient Solutions | 41,324 | 41,276 |
| Corporate | 42,759 | 37,230 |
| Total | <u>\$ 1,014,297</u> | <u>\$ 366,575</u> |

Note 11. Subsequent Events

Dividend. On August 2, 2021, the Company's Board of Directors declared a quarterly dividend payable to stockholders of record as of August 20, 2021, of the Company's Common Stock, and a dividend equivalent payable to holders of certain RSUs as of August 20, 2021, of \$0.12 per share and per unit, payable on September 3, 2021.

Note Purchase Agreements. On July 29, 2021, PGIM, Inc. ("Prudential") provided the Company notice pursuant to Section 1.2 of the Note Purchase and Private Shelf Agreement dated as of August 23, 2017 (as amended by the First Amendment to Note Purchase and Private Shelf Agreement dated as of February 14, 2020, the Second Amendment to Note Purchase and Private Shelf Agreement dated as of September 30, 2020, the Third Amendment to Note Purchase and Private Shelf Agreement dated as of January 25, 2021, and the Fourth Amendment to Note Purchase and Private Shelf Agreement dated as of May 14, 2021, the "Note Agreement") that Prudential has authorized an increase in the amount of the senior promissory notes that may be issued under the uncommitted shelf facility under the Note Agreement from \$105,000 to \$140,000, effective as of July 29, 2021.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollar amounts in thousands, unless otherwise noted)

CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

This Report on Form 10-Q contains forward looking statements as well as historical information. All statements, other than statements of historical facts, regarding the prospects of our industry and our prospects, plans, financial position, and strategic plan may constitute forward looking statements. In addition, forward looking statements are usually identified by or are associated with such words as "intend," "plan," "believe," "estimate," "expect," "anticipate," "hopeful," "should," "may," "will," "could," "encouraged," "opportunities," "potential," and/or the negatives or variations of these terms or similar terminology. Forward looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from those expressed or implied in the forward looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward looking statements is included in the section titled "Risk Factors" (Item 1A) of our Annual Report on Form 10-K for the year ended December 31, 2020 and Part II, Item 1A of the Form 10-Q for the quarter ended March 31, 2021. Forward looking statements are made as of the date of this report, and we undertake no obligation to update or revise publicly any forward looking statements, whether because of new information, future events or otherwise.

RECENT DEVELOPMENTS

Merger with Luxco. On January 22, 2021, we entered into a definitive agreement to acquire Luxco, Inc. and its affiliated companies ("Luxco", or "Luxco Companies"), and subsequently completed the merger on April 1, 2021. Luxco is a leading branded beverage alcohol company across various categories, with a more than 60-year business heritage. Following the merger, the Luxco Companies became wholly-owned subsidiaries of MGP and are included in the Branded Spirits segment.(Note 3, Business Combination for additional information).

Dryer Fire Incident. During November 2020, we experienced a fire at the Atchison facility. The fire damaged certain equipment in the facility's feed drying operations and caused temporary loss of production time. During the quarter and year to date ended June 30, 2021, we recorded a \$6,230 and \$9,840, respectively, partial settlement from our insurance carrier as a reduction of Cost of sales. We are working to construct a replacement drying system. Our insurance is expected to provide coverage of any business interruption and other losses from damage to property, plant and equipment, less deductibles, but there can be no assurance to the amount or timing of possible insurance recoveries if ultimately claimed by the Company.

COVID-19. As the COVID-19 pandemic continues, we are monitoring the guidance from federal, state and local public health authorities and will take the necessary actions to comply with the updated guidelines. The Company's business is part of the United States' critical infrastructure and thus is deemed to be an "essential business." As such, we continue to take the necessary and appropriate actions designed to protect our workforce as it continues its critical operations. We have continued to operate without any significant negative impacts; however this could be effected by voluntary or mandatory temporary closures of our facilities, interruptions to our supply chain or additional efforts to protect the health and safety of our employees. As of the date of this report, the Company's operations, supply chain and customer demand have not been significantly affected by COVID-19; however, we are monitoring the situation closely.

OVERVIEW

MGP is a leading producer and supplier of premium distilled spirits, branded spirits and food ingredients. Distilled spirits include premium bourbon and rye whiskeys and grain neutral spirits ("GNS"), including vodka and gin. We are also a top producer of high quality industrial alcohol for use in both food and non-food applications. Our distilled spirits are either packaged and sold under our own brands to distributors, sold, directly or indirectly, to manufacturers of other branded spirits, or direct to consumer. The Company's protein and starch food ingredients provide a host of functional, nutritional, and sensory benefits for a wide range of food products to serve the packaged goods industry.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes included in this Form 10-Q, as well as our audited consolidated financial statements and accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations - General, set forth in our Annual Report on Form 10-K for the year ended December 31, 2020.

RESULTS OF OPERATIONS

Consolidated results

The table below details the consolidated results for the quarters ended June 30, 2021 and 2020:

| | Quarter Ended June 30, | | 2021 v. 2020 |
|--|------------------------|-----------|------------------------|
| | 2021 | 2020 | |
| Sales | \$ 174,939 | \$ 92,560 | 89.0 % |
| Cost of sales | 118,112 | 71,858 | 64.4 |
| Gross profit | 56,827 | 20,702 | 174.5 |
| Gross margin % | 32.5 % | 22.4 % | 10.1 pp ^(a) |
| Selling, general, and administrative (“SG&A”) expenses | 29,164 | 9,364 | 211.4 |
| Operating income | 27,663 | 11,338 | 144.0 |
| Operating margin % | 15.8 % | 12.2 % | 3.6 pp |
| Interest expense, net | (1,104) | (628) | (75.8) |
| Other income (loss), net | (88) | 330 | (126.7) |
| Income before income taxes | 26,471 | 11,040 | 139.8 |
| Income tax expense | 6,412 | 2,550 | 151.5 |
| Effective tax expense rate % | 24.2 % | 23.1 % | 1.1 pp |
| Net income | \$ 20,059 | \$ 8,490 | 136.3 % |
| Net income margin % | 11.5 % | 9.2 % | 2.3 pp |

(a) Percentage points (“pp”).

Sales - Sales for quarter ended June 30, 2021 were \$174,939, an increase of 89.0 percent compared to the year-ago quarter, which was the result of increased sales in the Branded Spirits, Distillery Products, and Ingredient Solutions segments. Within the Branded Spirits segment, sales were up 15,635.9 percent, due to the additional brands acquired as part of the Merger. Within the Distillery Products segment, sales were up 20.8 percent, primarily due to an increase in the sales of brown goods within premium beverage alcohol. Within the Ingredient Solutions segment, sales were up 39.1 percent, primarily due to increased sales of specialty wheat starches and proteins (see Segment Results).

Gross profit - Gross profit for quarter ended June 30, 2021 was \$56,827, an increase of 174.5 percent compared to the year-ago quarter. The increase was driven by an increase in gross profit in Branded Spirits, Distillery Products and Ingredient Solutions segments. In the Branded Spirits segment, gross profit increased by \$18,286 or 12,355.4 percent. In the Distillery Products segment, gross profit increased by \$16,131, or 101.7 percent. In the Ingredient Solutions segment, gross profit increased by \$1,708, or 36.3 percent (see Segment Results).

SG&A expenses - SG&A expenses for quarter ended June 30, 2021 were \$29,164, an increase of 211.4 percent compared to the year-ago quarter. The increase in SG&A expenses was primarily driven by the assumption of Luxco’s SG&A expenses, as well as one-time acquisition related costs.

Operating income - Operating income for quarter ended June 30, 2021 increased to \$27,663 from \$11,338 for quarter ended June 30, 2020, primarily due to an increase in gross profit in the Branded Spirits, Distillery Products and Ingredient Solutions segments, partially offset by the increase in the previously described SG&A expenses.

| Operating income, quarter versus quarter | Operating Income | Change | |
|--|-------------------------|----------------|-------------------|
| Operating income for quarter ended June 30, 2020 | \$ 11,338 | | |
| Increase in gross profit - Branded Spirits segment ^(a) | 18,286 | 161.3 | pp ^(b) |
| Increase in gross profit - Distillery Products segment ^(a) | 16,131 | 142.3 | pp |
| Increase in gross profit - Ingredient Solutions segment ^(a) | 1,708 | 15.0 | pp |
| Increase in SG&A expenses | (19,800) | (174.6) | pp |
| Operating income for quarter ended June 30, 2021 | \$ 27,663 | 144.0 % | |

(a) See segment discussion.

(b) Percentage points ("pp").

Income tax expense - Income tax expense for quarter ended June 30, 2021 was \$6,412, for an effective tax rate of 24.2 percent. Income tax expense for the quarter ended June 30, 2020, was \$2,550, for an effective tax rate of 23.1 percent. The increase in Income tax expense, quarter versus quarter, was primarily due to higher Income before income taxes, which lessened the effects of tax credits received.

Earnings per share ("EPS") - EPS was \$0.91 for quarter ended June 30, 2021, compared to \$0.50 for quarter ended June 30, 2020. The change in EPS, quarter versus quarter, was primarily due to an increase in Operating income, partially offset by an increase in shares outstanding as a result of shares issued as part of the consideration paid for the Merger.

| Change in basic and diluted EPS, quarter versus quarter | Basic and Diluted EPS | Change | |
|--|------------------------------|---------------|-------------------|
| Basic and diluted EPS for quarter ended June 30, 2020 | \$ 0.50 | | |
| Increase in operations ^(a) | 0.74 | 148.0 | pp ^(b) |
| Change in interest expense, net ^(a) | (0.02) | (4.0) | pp |
| Tax: Change in effective tax rate | (0.02) | (4.0) | pp |
| Increase in shares outstanding resulting from the Merger | (0.29) | (58.0) | pp |
| Basic and diluted EPS for quarter ended June 30, 2021 | \$ 0.91 | 82.0 % | |

(a) Item is net of tax based on the effective tax rate for the base year (2020).

(b) Percentage points ("pp").

The table below details the consolidated results for year to date ended June 30, 2021 and 2020:

| | Year to Date Ended June 30, | | 2021 v. 2020 |
|------------------------------|-----------------------------|------------|-----------------------|
| | 2021 | 2020 | |
| Sales | \$ 283,262 | \$ 191,642 | 47.8 % |
| Cost of sales | 194,136 | 147,729 | 31.4 |
| Gross profit | 89,126 | 43,913 | 103.0 |
| Gross margin % | 31.5 % | 22.9 % | 8.6 pp ^(a) |
| SG&A expenses | 40,963 | 18,867 | 117.1 |
| Operating income | 48,163 | 25,046 | 92.3 |
| Operating margin % | 17.0 % | 13.1 % | 3.9 pp |
| Interest expense, net | (1,592) | (1,107) | (43.8) |
| Other income (loss), net | (58) | 167 | (134.7) |
| Income before income taxes | 46,513 | 24,106 | 93.0 |
| Income tax expense | 11,027 | 5,774 | 91.0 |
| Effective tax expense rate % | 23.7 % | 24.0 % | (0.3) pp |
| Net income | \$ 35,486 | \$ 18,332 | 93.6 % |
| Net income margin % | 12.5 % | 9.6 % | 2.9 pp |

(a) Percentage points ("pp").

Sales - Sales for year to date ended June 30, 2021 were \$283,262, an increase of 47.8 percent compared to the year-ago period, which was the result of increased sales in the Branded Spirits, Distillery Products, and Ingredient Solutions segments. Within the Branded Spirits segment, sales were up 6,895.0 percent, due to the additional brands acquired as part of the Merger. Within the Distillery Products segment, sales were up 16.0 percent, primarily due to an increase in the sales of brown goods within premium beverage alcohol. Within the Ingredient Solutions segment, sales were up 18.8 percent, primarily due to increased sales of specialty wheat starches and proteins (see Segment Results).

Gross profit - Gross profit for year to date ended June 30, 2021 was \$89,126, an increase of 103.0 percent compared to the year-ago period. The increase was driven by an increase in gross profit in the Distillery Products, Branded Spirits and Ingredient Solutions segments. In the Distillery Products segment, gross profit increased by \$26,317, or 77.6 percent. In the Branded Spirits segment, gross profit increased by \$18,182 or 5,379.3 percent. In the Ingredient Solutions segment, gross profit increased by \$714, or 7.4 percent (see Segment Results).

SG&A expenses - SG&A expenses for year to date ended June 30, 2021 were \$40,963, an increase of 117.1 percent compared to the year-ago period. The increase in SG&A expenses was driven by the assumption of Luxco's SG&A, as well as one-time acquisition related costs.

Operating income - Operating income for year to date ended June 30, 2021 increased to \$48,163 from \$25,046 for year to date period ended June 30, 2020, primarily due to an increase in gross profit in the Distillery Products, Branded Spirits and Ingredient Solutions segments. These increases were partially offset by an increase in the above-described SG&A expenses.

| Operating income, year to date versus year to date | Operating Income | Change |
|--|------------------|---------------|
| Operating income for year to date ended June 30, 2020 | \$ 25,046 | |
| Increase in gross profit - Distillery Products segment ^(a) | 26,317 | 105.1 pp(b) |
| Increase in gross profit - Branded Spirits segment ^(a) | 18,182 | 72.6 pp |
| Increase in gross profit - Ingredient Solutions segment ^(a) | 714 | 2.8 pp |
| Increase in SG&A expenses | (22,096) | (88.2) pp |
| Operating income for year to date ended June 30, 2021 | \$ 48,163 | 92.3 % |

(a) See segment discussion.

(b) Percentage points ("pp").

Income tax expense - Income tax expense for year to date ended June 30, 2021 was \$11,027, for an effective tax rate of 23.7 percent. Income tax expense for the year to date ended June 30, 2020, was \$5,774, for an effective tax rate of 24.0 percent. The increase in Income tax expense, year to date versus year to date, was primarily due to higher Income before income taxes, which lessened the effects of tax credits received.

Earnings per share - EPS was \$1.81 for year to date ended June 30, 2021, compared to \$1.07 for year to date ended June 30, 2020. EPS increased, year to date versus year to date, primarily due to an increase in operations, partially offset by an increase in shares outstanding as a result of shares issued as part of the consideration paid for the Merger.

| Change in basic and diluted EPS, year to date versus year to date | Basic and Diluted EPS | Change | |
|---|------------------------------|---------------|-------------------|
| Basic and diluted EPS for year to date ended June 30, 2020 | \$ 1.07 | | |
| Increase in operations ^(a) | 1.04 | 97.2 | pp ^(b) |
| Decrease in weighted average shares outstanding, excluding the Merger impacts | 0.01 | 0.9 | pp |
| Change in interest expense, net ^(a) | (0.02) | (1.9) | pp |
| Increase in shares outstanding resulting from the Merger | (0.29) | (27.1) | pp |
| Basic and diluted EPS for year to date ended June 30, 2021 | \$ 1.81 | 69.1 % | |

(a) Item is net of tax based on the effective tax rate for the base year (2020).

(b) Percentage points ("pp").

SEGMENT RESULTS

Distillery Products

The following tables show selected financial information for the Distillery Products segment for the quarters ended June 30, 2021 and 2020.

| | DISTILLERY PRODUCTS SALES | | | |
|---|---------------------------|------------------|---|---------------|
| | Quarter Ended June 30, | | Quarter versus Quarter Sales Change Increase/(Decrease) | |
| | 2021 | 2020 | \$ Change | % Change |
| Brown goods | \$ 43,766 | \$ 25,325 | \$ 18,441 | 72.8 % |
| White goods | 18,205 | 14,873 | 3,332 | 22.4 |
| Premium beverage alcohol | 61,971 | 40,198 | 21,773 | 54.2 |
| Industrial alcohol | 14,770 | 22,953 | (8,183) | (35.7) |
| Food grade alcohol | 76,741 | 63,151 | 13,590 | 21.5 |
| Fuel grade alcohol | 4,753 | 1,174 | 3,579 | 304.9 |
| Distillers feed and related co-products | 4,672 | 6,781 | (2,109) | (31.1) |
| Warehouse services | 4,182 | 3,699 | 483 | 13.1 |
| Total Distillery Products | \$ 90,348 | \$ 74,805 | \$ 15,543 | 20.8 % |

| | Change in Quarter versus Quarter Sales Attributed to: | | |
|--------------------------|---|-----------------------|------------------------------|
| | Total ^(a) | Volume ^(b) | Net Price/Mix ^(c) |
| Premium beverage alcohol | 54.2% | 54.1% | 0.1% |

| | Other Financial Information | | | |
|----------------|-----------------------------|-----------|--|------------------------|
| | Quarter Ended June 30, | | Quarter versus Quarter Increase / (Decrease) | |
| | 2021 | 2020 | \$ Change | % Change |
| Gross profit | \$ 31,985 | \$ 15,854 | \$ 16,131 | 101.7 % |
| Gross margin % | 35.4 % | 21.2 % | | 14.2 pp ^(d) |

(a) Total sales change is calculated by taking the difference between current period sales dollars and prior period sales dollars, divided by prior period sales dollars.

(b) Volume change is calculated by taking the difference between current period sales volume and prior period sales volume, multiplied by prior period sales per unit.

(c) Price/Mix change is calculated by taking the difference between current period sales-per-unit and prior period sales-per unit, multiplied by current period sales volume.

(d) Percentage points ("pp").

Total sales of Distillery Products for the quarter ended June 30, 2021 increased by \$15,543, or 20.8 percent, compared to the prior year quarter. Sales of brown goods within premium beverage alcohol, fuel grade alcohol, white goods within premium beverage alcohol and warehouse services increased while industrial alcohol, and distillers feed and related co-products decreased compared to the prior year quarter. The increase in sales of brown goods was driven by higher sales volume. The increase in fuel grade alcohol was driven by higher average selling price as well as higher sales volume. The increase in white goods was primarily driven by higher average selling price. These increases were offset by a decrease in sales of industrial alcohol which was driven by lower sales volume due to the discontinuing of the ICP third party sales and marketing services, partially offset by higher average selling price. The decrease in sales of distillers feed and related co-products was due to lower average selling price, partially offset by higher sales volume, both of which are results of the Dryer Fire Incident (see Note 8, Commitments and Contingencies for further details).

Gross profit increased quarter versus quarter by \$16,131, or 101.7 percent. Gross margin for the quarter ended June 30, 2021 increased to 35.4 percent from 21.2 percent for the prior year quarter. The increase in gross profit was primarily due to higher sales volume on brown goods as well as higher average selling price on industrial alcohol, white goods and fuel grade alcohol. The increase in gross profit was partially offset by higher input costs of industrial alcohol and white goods.

The following tables show selected financial information for the Distillery Products segment for the year to date ended June 30, 2021 and 2020.

| DISTILLERY PRODUCTS SALES | | | | |
|---|------------------------------------|-------------------|--|-----------------|
| | Year to Date Ended June 30, | | Year to Date versus Year to Date Sales Change Increase/(Decrease) | |
| | 2021 | 2020 | \$ Change | % Change |
| Brown Goods | \$ 86,807 | \$ 53,970 | \$ 32,837 | 60.8 % |
| White Goods | 34,862 | 31,712 | 3,150 | 9.9 |
| Premium beverage alcohol | 121,669 | 85,682 | 35,987 | 42.0 |
| Industrial alcohol | 32,106 | 44,571 | (12,465) | (28.0) |
| Food grade alcohol | 153,775 | 130,253 | 23,522 | 18.1 |
| Fuel grade alcohol | 7,270 | 2,696 | 4,574 | 169.7 |
| Distillers feed and related co-products | 9,644 | 13,770 | (4,126) | (30.0) |
| Warehouse services | 8,283 | 7,600 | 683 | 9.0 |
| Total Distillery Products | \$ 178,972 | \$ 154,319 | \$ 24,653 | 16.0 % |

| Change in Year to Date versus Year to Date Sales Attributed to: | | | |
|--|----------------------------|-----------------------------|------------------------------------|
| | Total^(a) | Volume^(b) | Net Price/Mix^(c) |
| Premium beverage alcohol | 42% | 38.2% | 3.8% |

| Other Financial Information | | | | |
|------------------------------------|------------------------------------|-------------|---|------------------------|
| | Year to Date Ended June 30, | | Year to Date versus Year to Date Increase / (Decrease) | |
| | 2021 | 2020 | \$ Change | % Change |
| Gross profit | \$ 60,230 | \$ 33,913 | \$ 26,317 | 77.6 % |
| Gross margin % | 33.7 % | 22.0 % | | 11.7 pp ^(d) |

(a) Total sales changes is calculated by taking the difference between current period sales dollars and prior period sales dollars, divided by prior period sales dollars.

(b) Volume change is calculated by taking the difference between current period sales volume and prior period sales volume, multiplied by prior period sales per unit.

(c) Price/Mix change is calculated by taking the difference between current period sales-per-unit and prior period sales-per unit, multiplied by current period sales volume.

(d) Percentage points ("pp").

Total sales of Distillery Products for year to date ended June 30, 2021 increased by \$24,653, or 16.0 percent compared to the year-ago period. Sales of brown goods within premium beverage alcohol, fuel grade alcohol, white goods within premium beverage alcohol and warehouse services increased while industrial alcohol, and distillers feed and related co-products decreased compared to the year-ago period. The increase in sales of brown goods was driven by higher sales volume. The increase in sales of fuel grade alcohol was driven by higher average selling price and higher sales volume. The increase in sales of white goods was primarily a result of higher average selling price, partially offset by lower sales volume. These increases were partially offset by a decrease in sales of industrial alcohol which was driven by lower sales volume due to the discontinuing of the ICP third party sales and marketing services, partially offset by higher average selling price. The decrease in sales of distillers feed and related co-products was due to lower average selling price, partially offset by higher sales volume, both of which are results of the Dryer Fire Incident (see Note 8, Commitments and Contingencies for further details).

Gross profit for year to date ended June 30, 2021 increased by \$26,317, or 77.6 percent compared to the year-ago period. Gross margin for year to date ended June 30, 2021 increased to 33.7 percent from 22.0 percent for the prior year period. The increase in gross profit was primarily due to higher sales volume on brown goods as well as higher average selling price on industrial alcohol, white goods and fuel grade alcohol. The increase in gross profit was partially offset by higher input costs of industrial alcohol, white goods and brown goods.

Branded Spirits

The following tables show selected financial information for the Branded Spirits segment for the quarters ended June 30, 2021 and 2020.

| BRANDED SPIRITS SALES | | | | | |
|------------------------------|------------------------|---------------|---|-------------------|--|
| | Quarter Ended June 30, | | Quarter versus Quarter Sales Change Increase/(Decrease) | | |
| | 2021 | 2020 | \$ Change | % Change | |
| Ultra premium | \$ 10,093 | \$ 320 | \$ 9,773 | 3,054.1 % | |
| Premium | 6,301 | 47 | 6,254 | 13,306.4 | |
| Mid | 17,786 | — | 17,786 | n/a | |
| Value | 20,944 | — | 20,944 | n/a | |
| Other | 5,302 | 17 | 5,285 | 31,088.2 | |
| Total Branded Spirits | \$ 60,426 | \$ 384 | \$ 60,042 | 15,635.9 % | |

| Change in Quarter versus Quarter Sales Attributed to: | | | |
|---|-----------------------|------------------------------|-------------|
| Total ^(a) | Volume ^(b) | Net Price/Mix ^(c) | |
| Total Branded Spirits | 15,635.9% | 83,073.1% | (67,437.2)% |

| Other Financial Information | | | | |
|-----------------------------|------------------------|--------|--|-------------------------|
| | Quarter Ended June 30, | | Quarter versus Quarter Increase / (Decrease) | |
| | 2021 | 2020 | \$ Change | % Change |
| Gross profit | \$ 18,434 | \$ 148 | \$ 18,286 | 12,355.4 % |
| Gross margin % | 30.5 % | 38.5 % | | (8.0) pp ^(d) |

(a) Total sales changes is calculated by taking the difference between current period sales dollars and prior period sales dollars, divided by prior period sales dollars.

(b) Volume change is calculated by taking the difference between current period sales volume and prior period sales volume, multiplied by prior period sales per unit.

(c) Price/Mix change is calculated by taking the difference between current period sales-per-unit and prior period sales-per unit, multiplied by current period sales volume.

(d) Percentage points ("pp").

Total sales of Branded Spirits for the quarter ended June 30, 2021 increased by \$60,042, or 15,635.9 percent compared to the prior year quarter. Sales of ultra premium, premium, mid, value, and other increased compared to the prior year quarter, primarily due to the additional brands acquired as part of the Merger.

Gross profit increased quarter versus quarter by \$18,286, or 12,355.4 percent. Gross margin for the quarter ended June 30, 2021 decreased 8.0 percent to 30.5 percent from 38.5 percent for the prior year quarter. The increase in gross profit was primarily due to the additional brands acquired as part of the Merger. Gross profit was reduced by \$3,116 in the quarter due to a required step up in value due to purchase accounting related to the Merger. This decreased margin by 5.2 percentage points. Of the purchase accounting step up, \$2,529 was associated with marking the finished goods inventory to fair value and fully flowed through in the period and is not expected to recur in future periods.

The following tables show selected financial information for the Branded Spirits segment for year to date ended June 30, 2021 and 2020.

| BRANDED SPIRITS SALES | | | | | |
|------------------------------|-----------------------------|---------------|---|------------------|--|
| | Year to Date Ended June 30, | | Year to Date versus Year to Date Sales Change Increase/(Decrease) | | |
| | 2021 | 2020 | \$ Change | % Change | |
| Ultra Premium | \$ 10,574 | \$ 684 | \$ 9,890 | 1,445.9 % | |
| Premium | 6,383 | 171 | 6,212 | 3,632.7 % | |
| Mid | 17,786 | — | 17,786 | n/a | |
| Value | 20,944 | — | 20,944 | n/a | |
| Other | 5,309 | 17 | 5,292 | 31,129.4 % | |
| Total Branded Spirits | \$ 60,996 | \$ 872 | \$ 60,124 | 6,895.0 % | |

| Change in Year to Date versus Year to Date Sales Attributed to: | | | |
|---|-----------------------|------------------------------|-------------|
| Total ^(a) | Volume ^(b) | Net Price/Mix ^(c) | |
| Total Branded Spirits | 6,895.0% | 35,981.0% | (29,086.0)% |

| Other Financial Information | | | | | |
|-----------------------------|-----------------------------|--------|--|-------------------------|--|
| | Year to Date Ended June 30, | | Year to Date versus Year to Date Increase / (Decrease) | | |
| | 2021 | 2020 | \$ Change | % Change | |
| Gross profit | \$ 18,520 | \$ 338 | \$ 18,182 | 5,379.3 % | |
| Gross margin % | 30.4 % | 38.8 % | | (8.4) pp ^(d) | |

(a) Total sales changes is calculated by taking the difference between current period sales dollars and prior period sales dollars, divided by prior period sales dollars.

(b) Volume change is calculated by taking the difference between current period sales volume and prior period sales volume, multiplied by prior period sales per unit.

(c) Price/Mix change is calculated by taking the difference between current period sales-per-unit and prior period sales-per unit, multiplied by current period sales volume.

(d) Percentage points ("pp").

Total sales of Branded Spirits for year to date ended June 30, 2021 increased by \$60,124, or 6,895 percent compared to the year-ago period. Sales of ultra premium, premium, mid, value, and other increased compared to the year-ago period, primarily due to the additional brands acquired as part of the Merger.

Gross profit for year to date ended June 30, 2021 increased by \$18,182, or 5,379 percent. Gross margin for year to date ended June 30, 2021 decreased 8.4 percent to 30.4 percent from 38.8 percent for the prior year. The increase in gross profit was primarily due to the additional brands acquired as part of the Merger. Gross profit was reduced by \$3,116 in the quarter due to a required step up in value due to purchase accounting related to the Merger. This decreased margin by 5.2 percentage points. Of the purchase accounting step up, \$2,529 was associated with marking the finished goods inventory to fair value and fully flowed through in the period and is not expected to recur in future periods.

Ingredient Solutions

The following tables show selected financial information for the Ingredient Solutions segment for the quarter ended June 30, 2021 and 2020.

| | INGREDIENT SOLUTIONS SALES | | | |
|-----------------------------------|----------------------------|------------------|---|---------------|
| | Quarter Ended June 30, | | Quarter versus Quarter Sales Change Increase / (Decrease) | |
| | 2021 | 2020 | \$ Change | % Change |
| Specialty wheat starches | \$ 12,598 | \$ 9,122 | \$ 3,476 | 38.1 % |
| Specialty wheat proteins | 8,352 | 6,013 | 2,339 | 38.9 |
| Commodity wheat starches | 2,663 | 1,774 | 889 | 50.1 |
| Commodity wheat proteins | 552 | 462 | 90 | 19.5 |
| Total Ingredient Solutions | \$ 24,165 | \$ 17,371 | \$ 6,794 | 39.1 % |

| | Change in Quarter versus Quarter Sales Attributed to: | | |
|----------------------------|---|-----------------------|------------------------------|
| | Total ^(a) | Volume ^(b) | Net Price/Mix ^(c) |
| Total Ingredient Solutions | 39.1% | 31.8% | 7.3% |

| | Other Financial Information | | | |
|----------------|-----------------------------|----------|--|-------------------------|
| | Quarter Ended June 30, | | Quarter versus Quarter Increase / (Decrease) | |
| | 2021 | 2020 | \$ Change | % Change |
| Gross profit | \$ 6,408 | \$ 4,700 | \$ 1,708 | 36.3 % |
| Gross margin % | 26.5 % | 27.1 % | | (0.6) pp ^(d) |

(a) Total sales change is calculated by taking the difference between current period sales dollars and prior period sales dollars, divided by prior period sales dollars.

(b) Volume change is calculated by taking the difference between current period sales volume and prior period sales volume, multiplied by prior period sales per unit

(c) Price/Mix change is calculated by taking the difference between current period sales-per-unit and prior period sales-per unit, multiplied by current period sales volume.

(d) Percentage points ("pp").

Total Ingredient Solutions sales for quarter ended June 30, 2021 increased by \$6,794, or 39.1 percent, compared to the prior year quarter. Quarter versus quarter, this increase was primarily driven by higher sales of specialty wheat starches and proteins due to higher sales volume and higher average selling prices.

Gross profit increased quarter versus quarter by \$1,708, or 36.3 percent. Gross margin for the quarter ended June 30, 2021 decreased to 26.5 percent from 27.1 percent for the prior year quarter. The increase in gross profit was primarily driven by higher sales volumes of specialty wheat proteins and starches partially offset by higher input costs.

The following tables show selected financial information for the Ingredient Solutions segment for the year to date June 30, 2021 and 2020.

| INGREDIENT SOLUTIONS SALES | | | | |
|-----------------------------------|-----------------------------|------------------|---|---------------|
| | Year to Date Ended June 30, | | Year to Date versus Year to Date Sales Change Increase/(Decrease) | |
| | 2021 | 2020 | \$ Change | % Change |
| Specialty wheat starches | \$ 22,820 | \$ 19,334 | \$ 3,486 | 18.0 % |
| Specialty wheat proteins | 14,398 | 12,378 | 2,020 | 16.3 |
| Commodity wheat starches | 4,946 | 3,651 | 1,295 | 35.5 |
| Commodity wheat proteins | 1,130 | 1,088 | 42 | 3.9 |
| Total Ingredient Solutions | \$ 43,294 | \$ 36,451 | \$ 6,843 | 18.8 % |

| | Change in Year to Date versus Year to Date Sales Attributed to: | | |
|----------------------------|---|-----------------------|------------------------------|
| | Total ^(a) | Volume ^(b) | Net Price/Mix ^(c) |
| Total Ingredient Solutions | 18.8% | 15.1% | 3.7% |

| Other Financial Information | | | | |
|-----------------------------|-----------------------------|----------|--|-------------------------|
| | Year to Date Ended June 30, | | Year to Date versus Year to Date Increase / (Decrease) | |
| | 2021 | 2020 | \$ Change | % Change |
| Gross profit | \$ 10,376 | \$ 9,662 | \$ 714 | 7.4 % |
| Gross margin % | 24.0 % | 26.5 % | | (2.5) pp ^(d) |

(a) Total sales changes is calculated by taking the difference between current period sales dollars and prior period sales dollars, divided by prior period sales dollars.

(b) Volume change is calculated by taking the difference between current period sales volume and prior period sales volume, multiplied by prior period sales per unit

(c) Price/Mix change is calculated by taking the difference between current period sales-per-unit and prior period sales-per unit, multiplied by current period sales volume.

(d) Percentage points ("pp").

Total Ingredient Solutions sales for year to date ended June 30, 2021 increased by \$6,843, or 18.8 percent, compared to the prior year period. The increase in Ingredient Solutions sales was primarily driven by higher sales of specialty wheat starches and proteins due to higher sales volume and higher average selling prices.

Gross profit increased by \$714, or 7.4 percent for year to date ended June 30, 2021 compared to the prior year period. Gross margin for the year to date ended June 30, 2021 decreased to 24.0 percent from 26.5 percent for the prior year period. The increase in gross profit was primarily driven by higher sales volumes of specialty wheat starches and proteins partially offset by higher input costs.

CASH FLOW, FINANCIAL CONDITION AND LIQUIDITY

We believe our financial condition continues to be of high quality, as evidenced by our ability to generate adequate cash from operations while having ready access to capital at competitive rates.

Operating cash flow and debt through our Credit Agreement and Note Purchase Agreement (Note 5) provide the primary sources of cash to fund operating needs and capital expenditures. These same sources of cash are used to fund shareholder dividends and other discretionary uses. Our overall liquidity reflects our strong business results and an effective cash management strategy that takes into account liquidity management, economic factors, and tax considerations. We expect our sources of cash, including our Credit Agreement and Note Purchase Agreement, to be adequate to provide for budgeted capital expenditures and anticipated operating requirements for the foreseeable future.

Cash Flow Summary

| | Year to Date Ended June 30, | | Changes, year versus year Increase / (Decrease) |
|--|-----------------------------|-----------------|--|
| | 2021 | 2020 | |
| Cash provided by operating activities | \$ 47,454 | \$ 5,986 | \$ 41,468 |
| Cash used in investing activities | (170,235) | (12,407) | (157,828) |
| Cash provided by financing activities | 138,359 | 14,857 | 123,502 |
| Effect of exchange rate changes on cash | 3 | — | 3 |
| Increase in cash and cash equivalents | \$ 15,581 | \$ 8,436 | \$ 7,145 |

Cash increased \$15,581 for year to date ended June 30, 2021, compared to an increase of \$8,436 for year to date ended June 30, 2020, for a net increase in cash of \$7,145, period versus period.

Operating Activities. Cash provided by operating activities for year to date ended June 30, 2021 was \$47,454. The cash provided by operating activities resulted primarily from net income of \$35,486, adjustments for non-cash or non-operating charges of \$11,555 including, depreciation and amortization, and share-based compensation as well as cash provided by operating assets and liabilities of \$413. The primary drivers of the changes in operating assets and liabilities were \$7,987 cash provided by accrued expenses and other primarily related to legally committed insurance recovery amounts obtained prior to contingencies related to the insurance claim being resolved, and \$7,531 cash provided by accounts receivables, net due to increased sales during the quarter as well as an increase in insurance recoveries receivable. These sources of cash were partially offset by \$12,996 use of cash related to decrease in accounts payable.

Cash provided by operating activities for year to date ended June 30, 2020 was \$5,986. The cash provided by operating activities resulted primarily from net income of \$18,332, adjustments for non-cash or non-operating charges of \$8,038, including depreciation and amortization and share-based compensation, partially offset by uses of cash due to changes in operating assets and liabilities of \$20,384. The primary drivers of the changes in operating assets and liabilities were \$13,174 use of cash related to an increase in receivables, net due to timing of customer payments as well as increased sales during the year, \$9,983 use of cash related to an increase in inventories, primarily barreled distillate, and \$4,218 use of cash related to decrease in accounts payable related to the timing cash disbursements. These uses of cash were partially offset by \$5,778 cash provided by income taxes payable (refundable) related to a deferral of our income tax payments until July 15, 2020 in accordance with the Coronavirus Aid, Relief, and Economic Security Act.

Investing Activities. Cash used in investing activities for year to date ended June 30, 2021 was \$170,235, which primarily resulted from \$149,599 related to the Merger of Luxco and additions to property, plant and equipment of \$18,336 (see Capital Spending). Cash used in investing activities for year to date ended June 30, 2020 was \$12,407, which resulted from additions to property, plant and equipment of \$10,177 (see Capital Spending) and an increase related to the acquisition of a business of \$2,750, partially offset by proceeds from sale of property of \$688.

Capital Spending. We manage capital spending to support our business growth plans. Investments in property, plant and equipment were \$18,336 and \$10,177 for year to date ended June 30, 2021 and 2020, respectively. Adjusted for the change in capital expenditures in accounts payable for year to date ended June 30, 2021 and 2020, of \$(3,375) and \$(3,865), respectively, total capital expenditures were \$14,961 and \$6,312, respectively.

We expect approximately \$51,500 in capital expenditures in 2021, excluding any insurance recoveries. Of the \$51,500 expected capital expenditures \$31,400 is allocated for the replacement of the feed dryer system. The remainder is for facility improvement and expansion, facility sustenance projects, and environmental health and safety projects.

Financing Activities. Cash provided by financing activities for year to date ended June 30, 2021 was \$138,359, due to net proceeds from debt of \$231,328 (see Long-Term and Short-Term Debt, partially offset by \$87,497 payment on assumed debt as part of the Merger, payments of dividends and dividend equivalents of \$4,707 (see Dividends and Dividend Equivalents) and purchases of treasury stock of \$765 (see Treasury Purchases and Share Repurchases).

Cash provided financing activities for year to date ended June 30, 2020 was \$14,857, primarily due to net proceeds from debt of \$24,501 (See Long-Term and Short-Term Debt), offset by purchases of treasury stock of \$4,395 (see Treasury Purchases and Share Repurchases) and payments of dividends and dividend equivalents of \$4,101 (see Dividends and Dividend Equivalents).

Treasury Purchases. 38,009 RSUs vested and converted to common shares for employees during year to date ended June 30, 2021, of which we withheld and purchased for treasury 11,865 shares valued at \$765 to cover payment of associated withholding taxes.

30,388 RSUs vested and converted to common shares for employees during year to date ended June 30, 2020, of which we withheld and purchased for treasury 10,044 shares valued at \$342 to cover payment of associated withholding taxes.

Share Repurchases. On February 25, 2019, our Board of Directors approved a \$25,000 share repurchase authorization commencing February 27, 2019, through February 27, 2022. Under the share repurchase program, we can repurchase stock from time to time for cash in open market purchases, block transactions, and privately negotiated transactions in accordance with applicable federal securities laws. This share repurchase program may be modified, suspended, or terminated by us at any time without prior notice. The Company did not repurchase any shares during the year to date ended June 30, 2021 and has \$20,947 remaining under the share repurchase plan.

During year to date ended June 30, 2020, we repurchased approximately 159,104 shares of MGP Common Stock for \$4,053.

Dividends and Dividend Equivalents

Dividend and Dividend Equivalent Information (per Share and Unit)

| Declaration date | Record date | Payment date | Declared | Paid | Dividend payment | Dividend equivalent payment ^{(a)(b)} | Total payment ^(b) |
|-------------------|----------------|----------------|----------------|----------------|------------------|---|------------------------------|
| 2021 | | | | | | | |
| February 23, 2021 | March 12, 2021 | March 26, 2021 | \$ 0.12 | \$ 0.12 | \$ 2,033 | \$ 19 | \$ 2,052 |
| May 3, 2021 | May 21, 2021 | June 4, 2021 | 0.12 | 0.12 | 2,635 | 20 | 2,655 |
| | | | <u>\$ 0.24</u> | <u>\$ 0.24</u> | <u>\$ 4,668</u> | <u>\$ 39</u> | <u>\$ 4,707</u> |
| 2020 | | | | | | | |
| February 24, 2020 | March 13, 2020 | March 27, 2020 | \$ 0.12 | \$ 0.12 | \$ 2,047 | \$ 13 | \$ 2,060 |
| April 28, 2020 | May 22, 2020 | June 5, 2020 | 0.12 | 0.12 | 2,027 | 14 | 2,041 |
| | | | <u>\$ 0.24</u> | <u>\$ 0.24</u> | <u>\$ 4,074</u> | <u>\$ 27</u> | <u>\$ 4,101</u> |

(a) Dividend equivalent payments on unvested participating securities.

(b) Includes estimated forfeitures.

On August 2, 2021, our Board of Directors declared a quarterly dividend payable to stockholders of record as of August 20, 2021, of the Company's Common Stock, and a dividend equivalent payable to holders of certain RSUs as of August 20, 2021, of \$0.12 per share and per unit, payable on September 3, 2021.

Long-Term and Short-Term Debt. We maintain debt levels we consider appropriate after evaluating a number of factors, including cash flow expectations, cash requirements for ongoing operations, investment and financing plans (including brand development and share repurchase activities) and the overall cost of capital. Total debt was \$270,391 (net of unamortized loan fees of \$1,825) at June 30, 2021, and \$39,871 (net of unamortized loan fees of \$129) at December 31, 2020.

Financial Condition and Liquidity. Our principal uses of cash in the ordinary course of business are for input costs used in our production processes, salaries, capital expenditures, and investments supporting our strategic plan, such as the aging of barreled distillate. Generally, during periods when commodities prices are rising, our operations require increased use of cash to support inventory levels.

Our principal sources of cash are product sales and borrowing on our Credit Agreement and Note Purchase Agreement. Under our Credit Agreement and Note Purchase Agreement, we must meet certain financial covenants and restrictions, and at June 30, 2021, we met those covenants and restrictions.

At June 30, 2021, our current assets exceeded our current liabilities by \$270,203, largely due to our inventories, at cost, of \$232,292. At June 30, 2021, our cash balance was \$37,243 and we have used our Credit Agreement and Note Purchase Agreement for liquidity purposes, with \$168,000 remaining for additional borrowings. We anticipate being able to support our short-term liquidity and operating needs largely through cash generated from operations. We regularly assess our cash needs and the available sources to fund these needs. While we currently believe we are well positioned with our credit agreement, we will continue to monitor the impact of the COVID-19 pandemic on our operations and liquidity needs. We utilize short-term and long-term debt to fund discretionary items, such as capital investments and dividend payments. In addition, we have strong operating results such that financial institutions should provide sufficient credit funding to meet short-term financing requirements, if needed.

On April 1, 2021, the Company completed the merger with Luxco. The aggregate consideration paid by the Company in connection with the merger was \$237,500 in cash (less assumed indebtedness) and 5,007,833 shares of common stock of the Company, subject to adjustment for fractional shares (the "Company Shares," and together with the cash portion, the "Merger Consideration"). The Merger Consideration is subject to customary purchase price adjustments, including working capital, a portion of which may be paid in common stock. The cash portion of the Merger Consideration, the repayment of assumed debt and transaction-related expenses were financed with a \$242,300 borrowing under the Credit Agreement. We anticipate having sufficient cash flows to support our short-term liquidity and operating needs.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to commodity price and interest rate market risks. We monitor and manage these exposures as part of our overall risk management program. Our risk management program focuses on the unpredictability of financial markets and seeks to reduce the potentially adverse effects that the volatility of these markets may have on our operating results.

Commodity Costs. Certain commodities we use in our production process, or input costs, expose us to market price risk due to volatility in the prices for those commodities. Through our grain supply contracts for our Atchison and Lawrenceburg facilities, our wheat flour supply contract for our Atchison facility, and our natural gas contracts for both facilities, we purchase grain, wheat flour, and natural gas, respectively, for delivery from one to 24 months into the future at negotiated prices. We have determined that the firm commitments to purchase grain, wheat flour, and natural gas under the terms of our supply contracts meet the normal purchases and sales exception as defined under Accounting Standards Codification ("ASC") 815, *Derivatives and Hedging*, because the quantities involved are for amounts to be consumed within the normal expected production process.

Interest Rate Exposures. Our Credit Agreement and Note Purchase Agreement (Note 5) expose us to market risks arising from adverse changes in interest rates. Established procedures and internal processes govern the management of this market risk.

Increases in market interest rates would cause interest expense to increase and earnings before income taxes to decrease. The change in interest expense and earnings before income taxes would be dependent upon the weighted average outstanding borrowings during the reporting period following an increase in market interest rates. Based on weighted average outstanding variable-rate borrowings at June 30, 2021, a 100 basis point increase over the non-default rates actually in effect at such date would increase our interest expense on an annualized basis by \$2,401. Based on weighted average outstanding fixed-rate borrowings at June 30, 2021, a 100 basis point increase in market rates would result in a decrease in the fair value of our outstanding fixed-rate debt of \$1,468, and a 100 basis point decrease in market rates would result in an increase in the fair value of our outstanding fixed-rate debt of \$1,544.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. As of the quarter ended June 30, 2021, our Chief Executive Officer and Chief Financial Officer have each reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have each concluded that our current disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by us in such reports is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. On April 1, 2021, we completed the acquisition of Luxco, Inc. and its affiliated companies (“Luxco”). We are currently integrating Luxco into our operations and internal control processes and, pursuant to the Securities and Exchange Commission staff interpretative guidance that assessment of a recently acquired business may be omitted from the scope of an assessment for a period not to exceed one year from the date of acquisition, the scope of our assessment of our internal controls over financial reporting at June 30, 2021 does not include Luxco.

Changes in Internal Controls. Except for internal controls related to integration activities associated with our acquisition of Luxco, there were no changes in the Company’s internal controls over financial reporting during the fiscal quarter ended June 30, 2021, that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to Part I, Item 3, Legal Proceedings of our Annual Report on Form 10-K for the year ended December 31, 2020, and Note 8 to this Report on Form 10-Q for information on certain proceedings to which we are subject.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed under “Item 1A. Risk Factors” of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There was no unregistered sale of equity securities during the quarter ended June 30, 2021.

ISSUER PURCHASES OF EQUITY SECURITIES

| | (1) Total Number of Shares (or Units) Purchased | (2) Average Price Paid per Share (or Unit) | (3) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | (4) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|--------------------------------------|---|--|---|---|
| April 1, 2021 through April 30, 2021 | 610 ^(a) | \$ 59.39 | \$ — | \$ 20,947,113 ^(b) |
| May 1, 2021 through May 31, 2021 | 879 ^(a) | \$ 63.19 | \$ — | \$ 20,947,113 ^(b) |
| June 1, 2021 through June 30, 2021 | — ^(a) | \$ — | \$ — | \$ 20,947,113 ^(b) |
| Total | <u>1,489</u> | | <u>\$ —</u> | |

(a) Vested RSUs awarded under the 2014 Plan purchased to cover employee withholding taxes.

(b) On February 25, 2019, our Board of Directors approved a \$25,000 share repurchase authorization commencing February 27, 2019 through February 27, 2022. Under the share repurchase program, we can repurchase stock from time to time for cash in open market purchases, block transactions, and privately negotiated transactions in accordance with applicable federal securities laws. This share repurchase program may be modified, suspended, or terminated by us at any time without prior notice.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

On July 29, 2021, PGIM, Inc. (“Prudential”) provided the Company notice pursuant to Section 1.2 of the Note Purchase and Private Shelf Agreement dated as of August 23, 2017 (as amended by the First Amendment to Note Purchase and Private Shelf Agreement dated as of February 14, 2020, the Second Amendment to Note Purchase and Private Shelf Agreement dated as of September 30, 2020, the Third Amendment to Note Purchase and Private Shelf Agreement dated as of January 25, 2021, and the Fourth Amendment to Note Purchase and Private Shelf Agreement dated as of May 14, 2021, the “Note Agreement”) that Prudential has authorized an increase in the amount of the senior promissory notes that may be issued under the uncommitted shelf facility under the Note Agreement from \$105,000 to \$140,000, effective as of July 29, 2021.

ITEM 6. EXHIBITS

| Exhibit Number | Description of Exhibit |
|-----------------------|---|
| 10.1 | Shareholders Agreement, dated as of April 1, 2021, by and among MGP Ingredients, Inc. and certain shareholders of MGP Ingredients, Inc. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed April 1, 2021 (File number 000-17196)) |
| 10.2 | Registration Rights Agreement, dated as of April 1, 2021, by and among MGP Ingredients, Inc. and certain shareholders of MGP Ingredients, Inc. (Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed April 1, 2021 (File number 000-17196)) |
| 10.3 | Net Lease, dated as of April 1, 2021, by and among Kemper-Themis, L.L.C., Luxco, Inc. and Donn Lux (Incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed April 1, 2021 (File number 000-17196)) |
| **10.4 | Consulting Agreement dated as of April 15, 2021 between MGP Ingredients, Inc. and David Rindom |
| **10.5 | Noncompetition and Nonsolicitation Agreement dated January 22, 2021 between Donn S. Lux and MGP Ingredients, Inc. |
| 10.6 | Amendment No. 2 to Credit Agreement between MGP Ingredients, Inc. and Wells Fargo Bank, National Association, dated May 14, 2021 (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed May 20, 2021 (File number 000-17196)) |
| 10.7 | Fourth Amendment to Note Purchase and Private Shelf Agreement between MGP Ingredients, Inc. and certain noteholders affiliated with PGIM, Inc., dated May 14, 2021 (Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed May 20, 2021 (File number 000-17196)) |
| *10.8 | Notice of Shelf Notes Upsize Authorization dated July 29, 2021 between PGIM, Inc. and MGP Ingredients, Inc. |
| *31.1 | CEO Certification pursuant to Rule 13a-14(a) |
| *31.2 | CFO Certification pursuant to Rule 13a-14(a) |
| *32.1 | CEO Certification furnished pursuant to Rule 13a-14(b) and 18 U.S.C. 1350 |
| *32.2 | CFO Certification furnished pursuant to Rule 13a-14(b) and 18 U.S.C. 1350 |
| *101 | The following financial information from MGP Ingredients, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, formatted in iXBRL (Inline Extensible Business Reporting Language) includes: (i) Condensed Consolidated Balance Sheets as of June 30, 2021, and December 31, 2020, (ii) Condensed Consolidated Statements of Income for the three and six months ended June 30, 2021 and 2020, (iii) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2021 and 2020, (iv) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2021 and 2020, (v) Condensed Consolidated Statement of Changes in Stockholders' Equity for the three and six months ended June 30, 2021 and 2020, and (vi) the Notes to Condensed Consolidated Financial Statements. |
| *104 | Cover Page Interactive Data Filed - formatted in iXBRL (Inline Extensible Business Reporting Language) and contained in Exhibit 101 |
| | |
| | *Filed herewith |
| | ** Management contract or compensatory plan or arrangement |

SIGNATURES

Pursuant to the requirements on the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MGP INGREDIENTS, INC.

Date: August 4, 2021

By

/s/ David J. Colo

David J. Colo, President and Chief Executive Officer

Date: August 4, 2021

By

/s/ Brandon M. Gall

Brandon M. Gall, Vice President, Finance and Chief Financial Officer

CONSULTING AGREEMENT

This Consulting Agreement (this "Agreement") is entered into on April 15, 2021, between MGP Ingredients, Inc., a Kansas corporation ("MGP") and David E. Rindom, an individual ("Rindom").

Therefore, the parties agree as follows:

1. Performance of Consulting Services. Commencing May 1, 2021 (the "Effective Date") Rindom agrees to serve as a consultant to MGP and its subsidiaries with respect to such business matters as Rindom previously provided services to MGP or any subsidiary or joint venture of MGP prior to his retirement as an employee (*e.g.*, human resource advice, training assistance with the "MGP University" training program, real estate and insurance activity, labor negotiations). Rindom will provide such services upon the request of MGP, with the number of hours worked each month, if any, to be determined by MGP from time to time (subject to Rindom's availability). Rindom is expected, but not required, to work approximately 40 hours each month. But in no event is Rindom required to work more than 480 hours in any year of the Term without his consent (whether orally, electronically or in a writing). Rindom has discretion as to the manner of the performance of the consulting services requested by MGP, consistent with the satisfactory performance of the consulting services.
2. Term. Unless terminated earlier in accordance with this Agreement, the initial term of this Agreement will be for a term beginning on the Effective Date and ending on December 31, 2022 (the "Initial Term"). The Initial Term will be followed by successive one year renewal terms (each a "Renewal Term"), unless written notice is delivered by one party to the other party at least 30 days prior to the end of the then-current term (either the Initial Term or any Renewal Term), designating the termination of this Agreement as of the end of the then-current term. The Initial Term and any Renewal Term will collectively be referred to herein as the "Term".
3. Compensation. During the Term, MGP will pay to Rindom, as compensation for Rindom's services rendered pursuant to this Agreement, \$210.00 per hour worked by Rindom (\$250 per hour worked by Rindom for each hour worked in excess of 480 hours in a given calendar year), payable monthly in arrears on the fourth Thursday of each calendar month. Monthly invoices will be provided by Rindom to the Regional HR Director for approval. If the parties' consulting arrangement is terminated, MGP will pay Rindom all compensation earned for hours worked through the date of such termination. MGP will reimburse Rindom for all ordinary and necessary expenses incurred and paid by Rindom in the course of the performance of Rindom's duties pursuant to this Agreement and consistent with MGP's policies in effect from time to time with respect to travel, entertainment and other business expenses, but subject to MGP's requirements with respect to the manner of reporting such expenses. MGP will pay a \$250 monthly phone and office allowance during the term of this Agreement.

4. Competitive Activity.

(a) Rindom will, during the Term and for 18 months thereafter, not, in the United States of America, or in any other country of the world in which MGP or any subsidiary or joint venture of MGP has done business at any time during the last two years prior to termination of this Agreement, engage in, in any such case either directly or indirectly, or whether as principal or as agent, officer, director, employee, consultant, shareholder, member, partner, lender or otherwise, alone or in association with any other person or entity, a Competing Business or advise, or otherwise lend assistance to any Competing Business. The term "Competing Business" means any person or entity that sells or attempts to sell any products or services that are the same as or similar to the products and services (1) sold by MGP or any subsidiary or joint venture of MGP at any time and from time to time during the last two years prior to termination of this Agreement or (2) being developed by MGP or any subsidiary or joint venture of MGP during the Term, no matter what stage or development was achieved during the Term, and even if the idea was abandoned during the Term.

(b) Should Rindom decide to come out of retirement at any time during the Term, Rindom will advise MGP of his new employer, work location and job responsibilities within three days after accepting new employment.

(c) Rindom will not, during the Term and for 18 months thereafter, directly or indirectly, solicit the trade of, or trade with, any customer, prospective customer or supplier of MGP or any subsidiary or joint venture of MGP for any business purpose other than for the benefit of MGP or any subsidiary or joint venture of MGP. Rindom further agrees that for 18 months following the Term, Rindom will not, directly or indirectly, solicit for any Competing Business the trade of, or trade with, any customers or suppliers, or prospective customers or suppliers, of MGP or any subsidiary or joint venture of MGP.

(d) Rindom will not, during the Term and for 18 months thereafter, directly or indirectly, solicit, hire or induce, or attempt to solicit, hire or induce, any employee of MGP or any subsidiary or joint venture of MGP to leave MGP or any subsidiary or joint venture of MGP for any reason whatsoever or hire any employee of MGP or any subsidiary or joint venture of MGP.

(e) Notwithstanding any provision of this Section 4 to the contrary, during the Term and for 18 months thereafter, MGP will, within ten business days after its receipt of a written request from Rindom or his legal counsel, inform Rindom or his legal counsel whether any proposed activity by Rindom would be viewed by MGP as a violation of this Section 4, and if MGP determines that such activity does not constitute a violation of this Section 4, such determination will be conclusive and binding on MGP following the date of such determination.

(f) If MGP determines that any activity undertaken by Rindom during the Term or the 18 months thereafter, MGP will provide Rindom with written notice of such

determination within ten business days after such determination and will reasonably provide Rindom with ten business days to cure any such violation. If Rindom cures the violation within ten business days after the notice of determination, MGP will not seek to enforce this Section 5 with respect to the cured violation.

5. Covenant Not to Disclose Confidential Information. Rindom acknowledges that, during the Term, Rindom may develop or have access to and knowledge of certain information and data that MGP or any subsidiary or joint venture of MGP (the "Applicable MGP Entity") considers confidential and that the release of this information or data to unauthorized persons or entities would be extremely detrimental to the Applicable MGP Entity. As a consequence, Rindom hereby agrees and acknowledges that he owes a duty to the Applicable MGP Entity not to disclose, and agrees that, during and after the Term, without the prior written consent of the Applicable MGP Entity, Rindom will not communicate, publish or disclose to any person or entity anywhere or use (for Rindom's own benefit or the benefit of others) any Confidential Information (as defined below) for any purpose other than carrying out his duties as contemplated by this Agreement. Rindom will use his best efforts at all times to hold in confidence and to safeguard any Confidential Information to ensure that any unauthorized persons and entities do not gain possession of any Confidential Information and, in particular, will not permit any Confidential Information to be read, duplicated or copied. Rindom will return to the Applicable MGP Entity all originals and copies of documents and other materials, whether in printed or electronic format or otherwise, containing or derived from Confidential Information in his possession or under his control when the duties of Rindom no longer require his possession thereof, or whenever the Applicable MGP Entity requests, and in any event will return all Confidential Information within ten days if the parties' consulting arrangement is terminated and will not retain any copies thereof. If requested by the Applicable MGP Entity, Rindom will certify in writing to the Applicable MGP Entity as to the return or destruction of all Confidential Information. Rindom acknowledges that he is obligated to protect the Confidential Information from disclosure or use even after the Term. For purposes of this Agreement, the term "Confidential Information" means any information or data, whether or not reduced to writing, used by or belonging or relating to the Applicable MGP Entity, or any person or entity to whom the Applicable MGP Entity owes a duty of confidentiality, that is not known generally to the industry in which the Applicable MGP Entity, or any person or entity to whom the Applicable MGP Entity owes a duty of confidentiality is or may be engaged, including, without limitation, any and all: (i) trade secrets, proprietary data or information relating to the Applicable MGP Entity, or any person or entity to whom the Applicable MGP Entity owes a duty of confidentiality; (ii) inventions, concepts, designs, processes, specifications, schematics, equipment, reaction mechanisms, processing techniques, formulations, chemical compositions, technical information, drawings, diagrams, software (including source code), hardware, control systems, research, test results, plant layout, feasibility studies, procedures or standards, know-how, manuals or patent information; (iii) the identity of or information concerning current or prospective clients, customers, accounts, suppliers, service providers, consultants, licensors, licensees, contractors, subcontractors or other agents or representatives; (iv) financial or sales information, current or planned commercial activities, business strategies, records, marketing plans, or other information relating to the business activities or operations of the Applicable MGP Entity, or any person or entity to whom the Applicable MGP Entity owes a duty of

confidentiality; and (v) any other information that the Applicable MGP Entity, or any person or entity to whom the Applicable MGP Entity owes a duty of confidentiality advises Rindom should be treated as confidential information. Nothing in this Agreement prohibits or restricts Rindom (or Rindom's attorney) from initiating communications directly with, responding to an inquiry from, or providing testimony before the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), or any other self-regulatory organization, or any other federal or state regulatory authority regarding a possible securities law violation.

6. Disclosure and Assignment of Intellectual Property.

(a) MGP will become the owner of all inventions, discoveries, developments, ideas, writings and expressions, including but not limited to any and all concepts, improvements, techniques, know-how, innovations, systems, processes, machines, current or proposed products, works, information, reports, papers, logos, computer programs, designs, marketing materials, and methods of manufacture, distribution, management or other methods (whether or not reduced to writing and whether or not patentable or protectable by copyright), that Rindom conceives, develops, creates, makes, perfects or reduces to practice in whole or in part in relation to or resulting from his consulting work for MGP, or based upon any Confidential Information (collectively, the "Intellectual Property"). All of the right, title and interest in and to the Intellectual Property will become exclusively owned by MGP or its nominee regardless of whether or not the conception, development, creation, making, perfection or reduction to practice of the Intellectual Property involved the use of MGP's time, facilities or materials and regardless of where such Intellectual Property may be conceived, made or perfected. Rindom will promptly and fully disclose all such Intellectual Property in writing to MGP.

(b) All information relating to Intellectual Property will be considered Confidential Information and must not be disclosed by Rindom to any person or entity outside of MGP, subject to the exceptions set forth in Section 5.

(c) Any Intellectual Property that is the subject of copyright will be considered a "work made for hire" within the meaning of the Copyright Act of 1976, as amended, and will be the sole property of MGP or its nominee. To the extent that MGP does not automatically own any Intellectual Property as a work made for hire, Rindom will assign all right, title and interest in and to all Intellectual Property to MGP. All right, title and interest in and to any other Intellectual Property, including patent, industrial design, trademark, trade dress and trade secret rights must be assigned and is hereby assigned exclusively to MGP or its nominee. Rindom will execute and deliver all documents and do all acts that MGP considers necessary or desirable to secure to MGP or its nominee the entire right, title and interest in and to the Intellectual Property, including executing applications for any United States and foreign patents or copyright registrations, disclosing relevant prior art, reviewing office actions and providing technical input to assist MGP in overcoming any rejections. Any document prepared and filed pursuant to this Section 6(c) will be prepared and filed at MGP's expense. Rindom will cooperate with MGP as reasonably necessary to maintain or enforce MGP's rights in the Intellectual Property. Rindom hereby irrevocably appoints the President of MGP as Rindom's attorney in fact with authority to execute for Rindom and on his behalf any and all

assignments, patent or copyright applications, or other instruments and documents required to be executed by Rindom pursuant to this Section 6(c), if Rindom is unwilling or unable to execute same.

(d) MGP has no obligation to use, attempt to protect by patent or copyright, or promote any of the Intellectual Property.

7. Legal Proceedings to Compel Disclosure. If Rindom is requested, pursuant to, or required by applicable law or regulation, or by legal process, to disclose any Confidential Information or Intellectual Property, Rindom will use his best efforts to promptly notify MGP of this request and enable MGP or any subsidiary or joint venture of MGP to seek an appropriate protective order. If a protective order or other protective remedy is not obtained, Rindom will furnish only that portion of the Confidential Information or Intellectual Property that is legally required, in the opinion of Rindom's counsel, and will exercise his best efforts to obtain reliable assurances that confidential treatment will be accorded the Confidential Information or Intellectual Property.

8. Specific Performance. Recognizing that irreparable damage will result to the Applicable MGP Entity in the event of the breach or threatened breach of any of the foregoing covenants and assurances by Rindom contained in Sections 4, 5, 6 or 7, and that its remedies at law for any such breach or threatened breach will be inadequate, the Applicable MGP Entity, in addition to such other remedies that may be available to it, will be entitled to an injunction, including a mandatory injunction, to be issued by any court of competent jurisdiction ordering compliance with this Agreement or enjoining and restraining Rindom, and each and every person and entity acting in concert or participation with Rindom, from the continuation of the breach and, in addition thereto, Rindom will pay to the Applicable MGP Entity all ascertainable damages, including costs and reasonable attorneys' fees, sustained by the Applicable MGP Entity by reason of the breach or threatened breach of such covenants and assurances. The Applicable MGP Entity will not be required to obtain a bond in an amount greater than \$1,000. The covenants and obligations of Rindom set forth in Sections 4, 5, 6 and 7 are in addition to and not in lieu of or exclusive of any other obligations and duties of Rindom to the Applicable MGP Entity, whether express or implied in fact or in law.

9. Expenses. If either party hereto brings any legal action or other proceeding to enforce or interpret any of the rights, obligations or provisions of this Agreement, or because of a dispute, breach or default in connection with any of the provisions of this Agreement, the prevailing party is entitled to recover from the non-prevailing party reasonable attorneys' fees and all other costs in such action or proceeding in addition to any other relief to which the prevailing party may be entitled.

10. Independent Contractor. During the Term, Rindom will not be an employee of MGP. Instead, during the Term, Rindom will act in the capacity of an independent contractor and will not be subject to the direction, control or supervision of MGP with respect to the method or performance of the consulting services hereunder. During the Term, Rindom will not be eligible to participate in any welfare or benefit plan sponsored by MGP. MGP will withhold

applicable income taxes out of the payments made under Section 3. During the Term, Rindom will also not be entitled to workers' compensation benefits from MGP.

11. No Conflict. Rindom represents and warrants to MGP that neither the execution nor delivery of this Agreement, nor the performance of Rindom's obligations under this Agreement will conflict with, or result in a breach of, any term, condition, or provision of, or constitute a default under, any obligation, contract, agreement, covenant or instrument to which Rindom is a party or under which Rindom is bound, including, without limitation, the breach by Rindom of a fiduciary duty to any former employers.

12. Default.

(a) In addition to any other remedies available at law or in equity, either party may terminate this Agreement by giving written notice to the other party if (i) the other party fails to perform or observe any of the covenants or obligations undertaken by him or it in this Agreement, and such failure continues for more than 14 days after the date of written notice of such failure, (ii) the other party commits any act of fraud, dishonesty or misrepresentation in connection with that party's performance under this Agreement, (iii) the other party commits any act of whatever nature that, in the reasonable discretion of the terminating party, would or may have the effect of materially harming the terminating party's name or business reputation, or (iv) an order for relief is entered with respect to the other party under the United States Bankruptcy Code or the other party becomes insolvent under any state insolvency act.

(b) Neither party will be liable to the other party, or any third party, for any indirect, special, incidental, punitive or consequential loss or damage of any kind, including lost profits (whether or not the party has been advised of the possibility of such loss or damage) by reason of any act or omission in such party's performance under this Agreement.

13. Notice. Except as provided in Section 1, any notice, request, consent or communication under this Agreement is effective only if it is in writing and (i) personally delivered, (ii) sent by certified mail, return receipt requested, postage prepaid, or (iii) sent by a nationally recognized overnight delivery service, with delivery confirmed, addressed as follows:

If to MGP:

MGP Ingredients, Inc.
Attn: General Counsel
100 Commercial Street
Atchison, Kansas 66002

If to Rindom:

David E. Rindom

or such other persons or to such other addresses as may be furnished in writing by any party to the other party, and will be deemed to have been given only upon its delivery in accordance with this Section 13.

14. Assignment. This Agreement is personal and not assignable by Rindom but it may be assigned by MGP without notice to or consent of Rindom to, and will thereafter be binding upon and enforceable by, any subsidiary or joint venture of MGP, or any person or entity that acquires or succeeds to substantially all of the business or assets of MGP (and this person or entity will be included in the definition of the "Company" for all purposes of this Agreement) but is not otherwise assignable by MGP.

15. Entire Agreement. This Agreement amends, restates and replaces the original Consulting Agreement and constitutes and expresses the entire agreement of the parties with respect to the subject matter hereof, and may be modified only by written agreement signed by the parties. Nothing in this Agreement is intended to amend or modify the terms of any employment or similar agreement entered into by the parties prior to February 15, 2021, to the extent such terms would continue after the end of Rindom's employment (e.g., obligations regarding confidentiality, assignment of inventions, cooperation, and non-competition).

16. Headings. The headings of the sections of this Agreement have been inserted for convenience of reference only and do not restrict or otherwise modify any of the terms or provisions of this Agreement.

17. Governing Law. This Agreement is governed by the laws of the State of Kansas applicable to agreements made and to be performed entirely within the State, including all matters of enforcement, validity and performance.

18. Consent to Jurisdiction and Venue; Waiver of Jury Trial. Rindom hereby submits to the exclusive jurisdiction of the state and federal courts located in the State of Kansas. The parties hereby knowingly, voluntarily, and intentionally waive any rights they may have to a trial by jury in respect of any litigation based hereon, or arising out of, under, or in connection with, this Agreement, or any course of conduct, course of dealing or statements (whether verbal or written) of the parties.

19. Potential Unenforceability of Any Provision. If a final judicial determination is made that any provision of this Agreement is an unenforceable restriction against Rindom, the provisions hereof will be rendered void only to the extent that such judicial determination finds such provisions unenforceable, and such unenforceable provisions will automatically be reconstituted and become a part of this Agreement, effective as of the date of this Agreement, to the maximum extent in favor of MGP that is lawfully enforceable. A judicial determination that any provision of this Agreement is unenforceable will not render the entire Agreement unenforceable, but rather this Agreement will continue in full force and effect absent any unenforceable provision to the maximum extent permitted by law.

20. Survival. All obligations of Rindom that by their nature involve performance, in any particular, after the expiration or termination of this Agreement (including those in Sections

4, 5, 6 and 7), or that cannot be ascertained to have been fully performed until after the expiration or termination of this Agreement, will survive the expiration or termination of this Agreement. In addition, Sections 8, 9, 12(b), 13, 15, 16, 17, 18, 19, 20 and 22 will survive the expiration or termination of this Agreement.

21. Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which constitute one agreement that is binding upon each of the parties, notwithstanding that all parties are not signatories to the same counterpart.

22. Cooperation Regarding Litigation. During the Term and thereafter for a period of ten years, Rindom will cooperate with MGP or any subsidiary or joint venture of MGP by making himself available to testify on behalf of MGP, or any subsidiary or joint venture of MGP, in any action, suit, or proceeding (whether civil, criminal, administrative or investigative) and assist MGP, or any subsidiary or joint venture of MGP, in any such action, suit, or proceeding, by providing information and meeting and consulting with the board of directors or its representatives or counsel, or representatives or counsel to MGP or any subsidiary or joint venture of MGP, as requested. MGP will promptly reimburse Rindom for all reasonable expenses incurred by Rindom in connection with Rindom's provision of testimony or assistance.

The parties have executed this Consulting Agreement on the date set forth in the introductory clause.

MGP INGREDIENTS, INC.

By: /s/ David J. Colo
Name: David J. Colo
Title: President & CEO

/s/ David E. Rindom
DAVID E. RINDOM

NONCOMPETITION AND NONSOLICITATION AGREEMENT

THIS NONCOMPETITION AND NONSOLICITATION AGREEMENT (this “**Agreement**”), dated as of January 22, 2021, but effective only as of the Effective Time (as defined in the Merger Agreement), is executed and delivered by Donn S. Lux (“**Covenantor**”), to and in favor of MGP Ingredients, Inc., a Kansas corporation (“**Buyer**”). Covenantor and Buyer are each referred to herein as a “Party” and, collectively as the “Parties.”

RECITALS

A. Pursuant to an Agreement and Plan of Merger (the “**Merger Agreement**”) dated as of January 22, 2021, London HoldCo, Inc., a Delaware corporation (“**HoldCo**”), will be merged (the “**Merger**”) with and into Buyer with Buyer continuing as the surviving corporation in the Merger as of the Effective Time.

B. On the Closing Date and immediately prior to the Merger, the Sellers (as defined in the Merger Agreement) shall contribute to HoldCo all of the equity interests of the Companies (as defined in the Merger Agreement).

C. Covenantor is a trustee and a beneficiary of certain of the Sellers and is also an employee, officer, director and/or manager of one or more of the Company Group Members (as defined in the Merger Agreement).

D. As part of the closing of the Merger Agreement, one or more trusts of which Covenantor is beneficiary will receive cash and stock of Buyer in exchange for the Shares.

E. Covenantor possesses extensive knowledge and experience, including but not limited to trade secrets and other confidential and proprietary information, regarding the business of the Companies.

F. The Merger Agreement required Covenantor to enter into this Agreement as of the date hereof, but to be effective only as of the Effective Time, agreeing not to engage in certain activities competitive with the Buyer, its Subsidiaries and the Company Group Members.

NOW, THEREFORE, in consideration of the foregoing premises and of the mutual covenants and agreements set forth herein, Covenantor, intending to be legally bound, agrees as follows:

TERMS AND CONDITIONS

1. Definitions. Capitalized terms used but not otherwise defined herein shall have the meanings given to such term in the Merger Agreement. For purposes of this Agreement:

(a) “**Affiliate**” means, with respect to any Person, all Persons directly or indirectly controlling, controlled by or under common control with such Person, where such control is exercisable by management authority, contract or equity interest; provided that for

purposes of this Agreement, the term “Affiliate” shall not be construed to include the following: (i) the Andrew Broddon Lux Luxco Irrevocable Trust dated July 30, 2012 and (ii) the Philip Donn Lux Luxco Irrevocable Trust dated July 30, 2012 merely because such Person has authority to appoint, replace or remove a trustee.

(b) “**Noncompetition Period**” means five years after the Effective Date.

(c) “**Restricted Business**” means any business, whether in corporate, proprietorship or partnership form or otherwise, engaged in by any Company Group Member as of the Effective Time or that competes with the business conducted by any Company Group Member as of the Effective Time, including the distilling, rectifying, bottling or selling brands of distilled spirits products or the exporting or importing of brands of distilled spirits products.

(d) “**Restricted Territory**” means each jurisdiction or territory in which any Company Group Member or Joint Venture has engaged in the Restricted Business at any time since January 1, 2020, including, without limitation, the jurisdictions or territories listed on Schedule 1.

2. Restrictive Covenants

(a) Nonsolicitation Covenant. During the Noncompetition Period, Covenantor shall not, and shall cause Covenantor’s Affiliates not to, directly or indirectly, solicit or induce or attempt to solicit or induce any employee, sales representative, agent or consultant of Buyer, its Subsidiaries or any Company Group Member or any supplier or other business contact of Buyer, its Subsidiaries or any Company Group Member to terminate their employment, representation or other association with Buyer, its Subsidiaries or such Company Group Member in the Restricted Territory.

(b) Noncompetition Covenant. Covenantor shall not, and shall cause Covenantor’s Affiliates not to, during the Noncompetition Period, in any manner, directly or indirectly, own, manage, operate, control or participate in the ownership, management, operation or control of, or consult with or participate in any business, whether in corporate, proprietorship or partnership form or otherwise, engaged in the Restricted Business in the Restricted Territory; *provided, however*, that the restrictions contained in this Section 2(b) shall not restrict the Covenantor from being a director of Buyer or the acquisition or continued ownership by Covenantor and his Affiliates, directly or indirectly, of (i) common stock of Buyer or (ii) less than five percent (5%) of the outstanding capital stock of any other publicly traded company engaged in a Restricted Business.

(c) Confidentiality Covenant. Covenantor shall not, and shall cause Covenantor’s Affiliates not to, directly or indirectly, at any time, (i) disclose, divulge or make accessible to any Person any Confidential Information, without the prior written consent of Buyer, or (ii) use any Confidential Information for such Covenantor’s or Covenantor’s Affiliate’s own account, for the account of any other Person, or to the detriment of Buyer or the Company Group Members or their respective Affiliates, without the prior written consent of Buyer. Upon

request by Buyer, Covenantor shall deliver to Buyer all tangible embodiments relating to the Confidential Information that Covenantor possesses or has under Covenantor's control.

(d) Non-Interference. During the Non-Competition Period, Covenantor shall not, and shall cause Covenantor's Affiliates not to, induce or encourage any actual or prospective Distributor, supplier, lessor or licensor of any Company Group Member or of Buyer or their Affiliates to terminate or modify any such actual or prospective relationship in the Restricted Territory.

(e) Non-Disparagement. Covenantor and Covenantor's Affiliates, on the one hand, and Buyer and its Affiliates, on the other hand, shall not, in any way, directly or indirectly, to any Person, criticize or disparage the performance, competency, integrity or ability of Buyer, Company Group Members and Covenantor, as applicable, and their respective Affiliates or any of their respective stockholders, members, partners, managers, trustees, directors, officers, employees, or representatives; *provided, however*, this Section 2(e) will not prohibit Covenantor, Buyer or their respective Affiliates from filing any documents, or making any statements in such documents, with any court in connection with a dispute arising from or relating to a violation of or failure to comply with the Merger Agreement.

(f) Covenantor shall not, and shall cause Covenantor's Affiliates not to, directly or indirectly: (i) at any time after the Effective Date, for so long as any item of Intellectual Property of any Company Group Member that is owned by or exclusively licensed to any Company Group Member or Joint Venture on the Effective Date remains valid and enforceable, challenge the validity, enforceability, ownership, or scope of such item of Intellectual Property or Buyer's rights with respect to such item of Intellectual Property; (ii) (A) at any time after the Effective Time, use, apply for or register any trademark, service mark, trade name, trade dress, or label design that is identical to any item of Intellectual Property used by any Company Group Member or Joint Venture on the Effective Date, or (B) at any time after the Effective Time, use, apply for or register any trademark, service mark, trade name, trade dress, or label design that is confusingly similar to any item of Intellectual Property of any Company Group Member or Joint Venture used by or owned, or exclusively licensed to, any Company Group Member on the Effective Date, in the case of clauses (A) and (B), for so long as any such item of Intellectual Property that is a trademark, service mark, trade name, trade dress, or label design or package design remains valid and enforceable, provided, that the Parties agree that with respect to any Action arising out of or relating to this clause (ii)(B), the standard to be applied in determining whether such trademark, service mark, trade name, trade dress, or label design is confusingly similar to any such item of Intellectual Property shall be the same as that applied under the federal Laws of the United States with respect to such matters, and such standard shall not be affected in any manner by the inclusion of this clause (ii)(B) in this Agreement.

(g) Acknowledgement and Relief. Covenantor acknowledges and agrees that the remedies at law available to Buyer for breach of any of any Covenantor's obligations under this Agreement would be inadequate; therefore, in addition to any other rights or remedies that Buyer may have at law or in equity, Buyer shall be entitled to seek temporary and permanent

injunctive relief in any proceeding that may be brought to enforce any provision contained in this Agreement, without the necessity of proof of actual damage. If it shall be judicially determined that Covenantor has violated any portion of this Agreement, then the Non-Competition Period shall automatically be extended by a period of time equal in length to the period during which such violation or violations occurred.

3. Representations and Warranties of Covenantor. Covenantor represents and warrants to Buyer, as of the date hereof that:

(a) Covenantor has the full right and legal capacity to execute and deliver this Agreement. This Agreement has been duly executed and delivered by Covenantor, constitutes a valid and binding obligation of Covenantor, and is enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium or other similar applicable Laws affecting or relating to the enforcement of creditors' rights generally and the application of general principles of equity (regardless of whether that enforceability is considered in a proceeding at law or in equity).

(b) None of the execution, delivery or performance of this Agreement will directly or indirectly (i) result in any violation or breach (or an event which, after notice or lapse of time or both would constitute a default) of any Contract to which Covenantor is a party or by which Covenantor or any of its properties or assets are bound or (ii) result in a violation of any applicable Law to which Covenantor or any of its properties or assets are subject.

(c) No consent, notice, approval, order or authorization is required by or on behalf of Covenantor in connection with the execution, delivery and performance of this Agreement or for the validity or enforceability of this Agreement by or against Covenantor or any of its properties or assets.

4. Consents; Modifications. No consent, modification or waiver of any provision of this Agreement and no consent to any departure therefrom shall in any event be effective unless the same shall be in writing and signed by each of Covenantor and Buyer, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure to exercise, and no delay in exercising, on the part of Buyer, or any of its Affiliates, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right.

5. Miscellaneous.

(a) Entire Agreement. This Agreement, together with the Merger Agreement (and any documents referenced therein) constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior understandings of the Parties.

(b) Notices. All notices and other communications required or permitted under this Agreement must be in writing and shall be deemed to have been duly given and delivered (a) when delivered in person, (b) when sent by facsimile or electronic mail transmission (with confirmation of transmission), (c) one Business Day after having been

dispatched by a nationally recognized overnight courier service or (d) upon tender by the U.S. Post Office after being sent by registered or certified mail, return receipt requested, postage prepaid, to the appropriate Party. Such communication must be sent to the respective Parties at the following addresses or facsimile numbers:

If to Covenantor:

Donn S. Lux

Telephone: *****
E-mail: *****

with a copy to (which shall not constitute notice):

Bryan Cave Leighton Paisner LLP
211 N. Broadway, Suite 3600
St. Louis, MO 63130
Attention: Stephanie M. Hosler
Michael A. Schwartz
Email: smhosler@bclplaw.com
michael.schwartz@bclplaw.com

If to Buyer:

MGP Ingredients, Inc.
100 Commercial Street, P.O. Box 130
Atchison, KS 66002
Attention: General Counsel
Email: Legal@mgpingredients.com

with a copy to (which shall not constitute notice):

Patrick Respeliers
1201 Walnut, Suite 2900
Kansas City, MO 64106
Attention: Patrick Respeliers
Email: patrick.respeliers@stinson.com
Facsimile No.: (816)-412-8174

Any Party may change its address, electronic mail address for the purposes of this Section 5(b) by giving notice to the other Party.

(c) Binding Effect; Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned by either Party without the prior

written consent of the other Party; *provided, however*, that Buyer may assign this Agreement and any or all rights or obligations hereunder to (i) any wholly-owned subsidiary of Buyer; *provided* that such assignment shall not relieve Buyer of its obligations hereunder, or (ii) any Person or Persons to which Buyer or any of its Affiliates sells, transfers or assigns or all or any portion of the Equity Interests or substantially all of the assets of the Business; *provided* that in each case the assignee agrees to be bound by the terms of this Agreement and Buyer shall continue to be liable for its obligations hereunder. Upon any such permitted assignment, the references in this Agreement to Buyer shall also apply to any such assignees unless the context otherwise requires.

(d) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures transmitted by facsimile, electronic mail in portable document format (.pdf) or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document shall be deemed originals for purposes of this Agreement.

(e) Governing Law. All matters relating to the interpretation, construction, validity and enforcement of this Agreement, including all claims (whether in contract or tort) that may be based upon, arise out of or relate to this Agreement or the negotiation, execution or performance of this Agreement, shall be governed by and construed in accordance with the domestic Laws of the State of Kansas without giving effect to any choice or conflict of law provision or rule (whether of the State of Kansas or any other jurisdiction) that would cause the application of Laws of any jurisdiction other than the State of Kansas.

(f) Jurisdiction and Venue; Prevailing Parties. Any Action relating to, arising out of, or based upon this Agreement including, without limitation, any breach hereof (each, a "Proceeding"), shall be brought or otherwise commenced in the state courts of the State of Kansas located in Johnson County, Kansas (and if jurisdiction in the applicable Kansas court shall be unavailable, the federal courts of the U.S. sitting in Kansas), and each Party irrevocably and unconditionally, for itself and its property, hereby submits to the exclusive jurisdiction of such court in connection with any such Proceeding. Each Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, (a) any objection which it may now or hereafter have to the laying of venue of any such Proceeding in such court and (b) the defense that any Proceeding brought in such court has been brought in an inconvenient forum. Service of process, summons, notice, or other document by mail to such Party's address set forth herein shall be effective service of process in any such Proceeding brought under this Section.

(g) Waiver of Jury Trial. EACH OF THE PARTIES WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN RESPECT OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION BASED ON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, VERBAL OR WRITTEN STATEMENT OR ACTION OF ANY PARTY, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY

OR OTHERWISE. EACH OF THE PARTIES HEREBY AGREES THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT THE PARTIES MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS EVIDENCE OF THE CONSENT OF THE PARTIES TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY. EACH PARTY HEREBY CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF ANY SUCH PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER.

(h) Enforceability. Covenantor acknowledges that the restrictive covenants and other provisions contained in this Agreement are reasonably necessary to protect the value of the goodwill of the Company Group Members being sold to Buyer and that the provisions herein are a material and ancillary part of the consummation of the transactions contemplated in the Merger Agreement. Covenantor agrees that the geographic scope of the covenant not to compete is reasonable because the Company Group Members have conducted the Business in all of the Restricted Territory. If any of the covenants contained in this Agreement are determined by any court of competent jurisdiction to be unenforceable for any reason whatsoever, then such covenant will not be deemed void, and the Parties agree that the scope of such covenant may be modified by the court and that such covenant will be deemed amended in accordance with such modification, it being specifically agreed by the Parties that it is their continuing desire for each covenant contained in this Agreement to be enforced to the full extent of its terms but that, if a court finds the scope of any such covenant unenforceable, the court should redefine the scope of such covenant so as to comply with applicable Law. The covenants contained in this Agreement and each provision hereof are severable and distinct covenants and provisions. The invalidity or unenforceability of any such covenant or provision as written shall not invalidate or render unenforceable the remaining covenants or provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such covenant or provision in any other jurisdiction.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement as of the day and year first written above.

/s/ Donn S. Lux _____
DONN S. LUX

MGP INGREDIENTS, INC.

By: /s/ David J. Colo _____
Name: David J. Colo
Title: President and Chief Executive Officer

[Signature Page to Non-Competition Agreement]

Schedule 1
Restricted Territory

Each and every state in the U.S., any other U.S. jurisdictions or territories
United Kingdom
European Union
Central America
South America
Armenia
Australia
Bahrain
Brazil
Canada
China
Dominican Republic
Gibraltar
Honduras
Israel
Japan
Jordan
Korea
Lebanon
Mexico
New Zealand
Norway
Panama
Puerto Rico
Russia
Singapore
Taiwan
Turkey
Ukraine
Virgin Islands

July 29, 2021

MGP Ingredients, Inc.
100 Commercial Street
Atchison, KS 66002

Notice of Shelf Notes Upsize Authorization

Ladies and Gentlemen:

MGP Ingredients, Inc., a Kansas corporation (the “Company”), PGIM, Inc. (“Prudential”), and holders of Notes (as defined in the below described Note Agreement) (the “Noteholders”) are parties to a Note Purchase and Private Shelf Agreement dated as of August 23, 2017 (as amended by the First Amendment to Note Purchase and Private Shelf Agreement dated as of February 14, 2020, the Second Amendment to Note Purchase and Private Shelf Agreement dated as of September 30, 2020, the Third Amendment to Note Purchase and Private Shelf Agreement dated as of January 25, 2021, and the Fourth Amendment to Note Purchase and Private Shelf Agreement dated as of May 14, 2021, the “Note Agreement”; *capitalized terms not otherwise defined in this Letter have the same meanings as specified in the Note Agreement*).

This Letter serves to provide notice pursuant to Section 1.2 of the Note Agreement that Prudential has authorized an increase in the amount of Shelf Notes from \$105,000,000 to \$140,000,000. The stated increase in authorized Shelf Notes is effective as of July 29, 2021.

Sincerely,

PGIM, INC.

By: /s/ Jason Hartman
Vice President

CERTIFICATION

I, David J. Colo, certify that:

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

Date: August 4, 2021

/s/ David J. Colo

David J. Colo, President and Chief Executive Officer

CERTIFICATION

I, Brandon M. Gall, certify that:

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

Date: August 4, 2021

/s/ Brandon M. Gall

Brandon M. Gall, Vice President, Finance and Chief Financial Officer

CERTIFICATION
OF
PERIODIC REPORT

I, David J. Colo, President and Chief Executive Officer of MGP Ingredients, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 4, 2021

/s/ David J. Colo

David J. Colo

President and Chief Executive Officer

[A signed original of this written statement required by Section 906 has been provided to MGP Ingredients, Inc. and will be retained by MGP Ingredients, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]

CERTIFICATION
OF
PERIODIC REPORT

I, Brandon M. Gall, Vice President and Chief Financial Officer of MGP Ingredients, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 4, 2021

/s/ Brandon M. Gall

Brandon M. Gall

Vice President, Finance and Chief Financial Officer

[A signed original of this written statement required by Section 906 has been provided to MGP Ingredients, Inc. and will be retained by MGP Ingredients, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]