

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 **March 31, 2024**

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:

<b>Title of each class</b>	<b>Trading Symbol</b>	<b>Name of each exchange on which registered</b>
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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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:  
22,014,910 shares of Common Stock, no par value, as of April 26, 2024

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### **METHOD OF PRESENTATION**

Throughout this Quarterly Report on Form 10-Q (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 Report, 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, 9-liter cases, 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 March 31,	
	2024	2023
Sales	\$ 170,563	\$ 201,010
Cost of sales	107,768	131,186
<b>Gross profit</b>	<b>62,795</b>	<b>69,824</b>
Advertising and promotion expenses	8,683	7,733
Selling, general, and administrative expenses	20,979	20,532
Impairment of long-lived assets and other	116	—
Change in fair value of contingent consideration	4,100	—
<b>Operating income</b>	<b>28,917</b>	<b>41,559</b>
Interest expense, net	(2,019)	(995)
Other income (expense), net	(52)	123
<b>Income before income taxes</b>	<b>26,846</b>	<b>40,687</b>
Income tax expense	6,262	9,655
<b>Net income</b>	<b>20,584</b>	<b>31,032</b>
Net loss attributable to noncontrolling interest	51	39
<b>Net income attributable to MGP Ingredients, Inc.</b>	<b>20,635</b>	<b>31,071</b>
Income attributable to participating securities	(239)	(311)
<b>Net income used in earnings per common share calculation</b>	<b>\$ 20,396</b>	<b>\$ 30,760</b>
<b>Weighted average common shares</b>		
Basic	22,142,277	22,040,224
Diluted	22,142,277	22,072,271
<b>Earnings per common share</b>		
Basic	\$ 0.92	\$ 1.40
Diluted	\$ 0.92	\$ 1.39

See accompanying notes to unaudited condensed consolidated financial statements

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

	Quarter Ended March 31,	
	2024	2023
Net income attributable to MGP Ingredients, Inc.	\$ 20,635	\$ 31,071
Other comprehensive income (loss), net of tax:		
Unrealized gain on foreign currency translation adjustment	—	175
Change in Company-sponsored post-employment benefit plan	(40)	(107)
<b>Other comprehensive income (loss)</b>	<b>(40)</b>	<b>68</b>
<b>Comprehensive income attributable to MGP Ingredients, Inc.</b>	<b>20,595</b>	<b>31,139</b>
Comprehensive loss attributable to noncontrolling interest	(51)	(39)
<b>Comprehensive income</b>	<b>\$ 20,544</b>	<b>\$ 31,100</b>

See accompanying notes to unaudited condensed consolidated financial statements

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

	March 31, 2024	December 31, 2023
<b>Current Assets</b>		
Cash and cash equivalents	\$ 19,497	\$ 18,388
Receivables (less allowance for credit loss, \$1,475 at both March 31, 2024, and December 31, 2023)	133,005	144,286
Inventory	348,934	346,853
Prepaid expenses	5,483	3,580
Refundable income taxes	—	1,190
<b>Total current assets</b>	<b>506,919</b>	<b>514,297</b>
Property, plant, and equipment	502,744	489,646
Less accumulated depreciation and amortization	(231,849)	(227,343)
<b>Property, plant, and equipment, net</b>	<b>270,895</b>	<b>262,303</b>
Operating lease right-of-use assets, net	11,258	13,975
Investment in joint ventures	4,901	5,197
Intangible assets, net	270,893	271,706
Goodwill	321,544	321,544
Other assets	3,872	3,326
<b>Total assets</b>	<b>\$ 1,390,282</b>	<b>\$ 1,392,348</b>
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 6,400	\$ 6,400
Accounts payable	49,559	73,594
Federal and state excise taxes payable	3,800	2,251
Income taxes payable	4,340	—
Accrued expenses and other	16,159	31,861
<b>Total current liabilities</b>	<b>80,258</b>	<b>114,106</b>
Long-term debt, less current maturities	98,799	85,305
Convertible senior notes	195,624	195,544
Long-term operating lease liabilities	9,229	11,292
Contingent consideration	73,300	69,200
Other noncurrent liabilities	3,813	4,763
Deferred income taxes	63,716	63,071
<b>Total liabilities</b>	<b>524,739</b>	<b>543,281</b>
<b>Commitments and Contingencies (Note 8)</b>		
<b>Stockholders' Equity</b>		
<b>Capital stock</b>		
Preferred, 5% non-cumulative; \$10 par value; authorized 1,000 shares; issued and outstanding 437 shares	4	4
<b>Common stock</b>		
No par value; authorized 40,000,000 shares; issued 23,125,166 shares at March 31, 2024 and December 31, 2023; and 22,009,057 and 22,016,113 shares outstanding at March 31, 2024 and December 31, 2023, respectively	6,715	6,715
Additional paid-in capital	329,460	325,453
Retained earnings	557,848	539,883
Accumulated other comprehensive loss	(437)	(397)
Treasury stock, at cost, 1,116,109 and 1,109,053 shares at March 31, 2024 and December 31, 2023, respectively	(26,571)	(21,166)
<b>Total MGP Ingredients, Inc. stockholders' equity</b>	<b>867,019</b>	<b>850,492</b>
Noncontrolling interest	(1,476)	(1,425)
<b>Total equity</b>	<b>865,543</b>	<b>849,067</b>
<b>Total liabilities and equity</b>	<b>\$ 1,390,282</b>	<b>\$ 1,392,348</b>

See accompanying notes to unaudited condensed consolidated financial statements

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

	Quarter to Date Ended March 31,	
	2024	2023
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 20,584	\$ 31,032
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,289	5,171
Share-based compensation	1,116	1,215
Equity method investment loss	296	260
Deferred income taxes, including change in valuation allowance	645	573
Change in fair value of contingent consideration	4,100	—
Other, net	157	99
Changes in operating assets and liabilities:		
Receivables, net	11,257	(19,227)
Inventory	(2,119)	(18,707)
Prepaid expenses	(1,904)	(3,578)
Income taxes payable (refundable)	5,530	9,043
Accounts payable	(10,207)	6,498
Accrued expenses and other	(10,380)	(10,208)
Federal and state excise taxes payable	1,548	2,761
Other, net	(1,289)	89
<b>Net cash provided by operating activities</b>	<b>24,623</b>	<b>5,021</b>
<b>Cash Flows from Investing Activities</b>		
Additions to property, plant, and equipment	(27,026)	(16,237)
Other, net	(240)	(708)
<b>Net cash used in investing activities</b>	<b>(27,266)</b>	<b>(16,945)</b>
<b>Cash Flows from Financing Activities</b>		
Payment of dividends and dividend equivalents	(2,672)	(2,669)
Repurchase of Common Stock	(6,961)	(801)
Proceeds from long-term debt	30,000	—
Principal payments on long-term debt	(16,600)	(800)
<b>Net cash provided by (used in) financing activities</b>	<b>3,767</b>	<b>(4,270)</b>
Effect of exchange rate changes on cash and cash equivalents	(15)	33
Increase (decrease) in cash and cash equivalents	1,109	(16,161)
Cash and cash equivalents, beginning of period	18,388	47,889
Cash and cash equivalents, end of period	\$ 19,497	\$ 31,728

See accompanying notes to unaudited condensed consolidated financial statements

**MGP INGREDIENTS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**For Quarter to Date Ended March 31, 2024 and 2023**  
**(Unaudited)**  
**(Dollars in thousands)**

	Capital Stock Preferred	Issued Common	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Treasury Stock	Non-controlling Interest	Total
<b>Balance, December 31, 2023</b>	\$ 4	\$ 6,715	\$ 325,453	\$ 539,883	\$ (397)	\$ (21,166)	\$ (1,425)	\$ 849,067
Comprehensive income:								
Net income (loss)	—	—	—	20,635	—	—	(51)	20,584
Other comprehensive loss	—	—	—	—	(40)	—	—	(40)
Dividends and dividend equivalents of \$0.12 per common share and per restricted stock unit, net of estimated forfeitures								
	—	—	—	(2,670)	—	—	—	(2,670)
Share-based compensation								
Stock shares awarded, forfeited or vested	—	—	5,563	—	—	—	—	5,563
Stock shares repurchased	—	—	(1,556)	—	—	1,556	—	—
Stock shares repurchased	—	—	—	—	—	(6,961)	—	(6,961)
<b>Balance, March 31, 2024</b>	<u>\$ 4</u>	<u>\$ 6,715</u>	<u>\$ 329,460</u>	<u>\$ 557,848</u>	<u>\$ (437)</u>	<u>\$ (26,571)</u>	<u>\$ (1,476)</u>	<u>\$ 865,543</u>

	Capital Stock Preferred	Issued Common	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Treasury Stock	Non-controlling Interest	Total
<b>Balance, December 31, 2022</b>	\$ 4	\$ 6,715	\$ 318,839	\$ 443,061	\$ (304)	\$ (21,591)	\$ (1,080)	\$ 745,644
Comprehensive income:								
Net income (loss)	—	—	—	31,071	—	—	(39)	31,032
Other comprehensive income	—	—	—	—	68	—	—	68
Dividends and dividend equivalents of \$0.12 per common share and per restricted stock unit, net of estimated forfeitures								
	—	—	—	(2,661)	—	—	—	(2,661)
Share-based compensation								
Stock shares awarded, forfeited or vested	—	—	2,665	—	—	—	—	2,665
Stock shares awarded, forfeited or vested	—	—	(507)	—	—	507	—	—
Stock shares repurchased	—	—	—	—	—	(801)	—	(801)
<b>Balance, March 31, 2023</b>	<u>\$ 4</u>	<u>\$ 6,715</u>	<u>\$ 320,997</u>	<u>\$ 471,471</u>	<u>\$ (236)</u>	<u>\$ (21,885)</u>	<u>\$ (1,119)</u>	<u>\$ 775,947</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” or “MGP”) is a Kansas corporation headquartered in Atchison, Kansas and is a leading producer of branded and distilled spirits, as well as food ingredient solutions. Distilled spirits include premium bourbon, rye, and other whiskeys (“brown goods”) and grain neutral spirits (“GNS”), including vodka and gin (“white goods and other co-products”). The Company’s distilled spirits are either sold directly or indirectly to manufacturers of other branded spirits. The Company has a portfolio of its own high quality branded spirits which are produced through its distilleries and bottling facilities and sold to distributors. The Company’s branded spirits products account for a range of price points from value products through premium plus brands. 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 consumer packaged goods industry. The ingredients products are sold directly, or through distributors, to manufacturers and processors of finished packaged goods or to bakeries.

The Company reports three operating segments: Distilling Solutions, Branded Spirits, and Ingredient Solutions. Certain amounts in the 2023 condensed consolidated financial statements have been reclassified to conform to the 2024 presentation.

**Basis of Presentation and Principles of Consolidation.** The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned and majority 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 March 31, 2024, 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, 2023, filed with the Securities and Exchange Commission (the “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 a 60 percent interest in Dos Primos Tequila, LLC (“Dos Primos”). The Company consolidated Dos Primos’ activity on the financial statements and presented 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. For all of these policies, management cautions that future events may not 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. Bourbons, ryes, and other whiskeys, included in inventory, are normally aged in barrels for several years, following industry practice; all barreled bourbon, rye, and other whiskeys are 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 the 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. Inventory consists of the following:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Finished goods	\$ 53,471	\$ 55,463
Barreled distillate (bourbons and other whiskeys)	254,518	250,183
Raw materials	28,556	28,825
Work in process	1,663	1,691
Maintenance materials	8,481	8,355
Other	2,245	2,336
Total	<u>\$ 348,934</u>	<u>\$ 346,853</u>

**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 the Company 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 generally 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 a present obligation to pay.

The Distilling Solutions 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 the 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. Contract bottling is recognized over the time contract bottling services are rendered and as they are rendered.

Sales in the Branded Spirits segment reflect reductions attributable to consideration given to customers in incentive programs, including discounts and allowances for certain volume targets. These allowances and discounts are not for distinct goods and are paid only when the depletion volume targets are achieved by the customer. The amounts reimbursed to customers are determined based on agreed-upon amounts and are recorded as a reduction of revenue.

**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 include making timely and accurate excise tax payments. The Company is subject to periodic compliance audits by the TTB. Individual U.S. states also impose excise taxes on alcohol beverages in varying amounts. The Company calculates its U.S. 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, and that are collected by the Company from a customer, are excluded from revenue and expense.

**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 Common Share (“EPS”).** Basic and diluted EPS is 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. Basic EPS amounts are computed by dividing net income attributable to common shareholders by the weighted average shares outstanding during each period. Diluted EPS is computed using the if-converted method by dividing the net income attributable to common shareholders by the weighted average shares outstanding, inclusive of the impact of the Convertible Senior Notes, except for where the result would be anti-dilutive as of the balance sheet date.

**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, including contingent consideration, exceeds the value of the assets acquired and liabilities assumed. The Company uses its internal estimates and third-party valuation specialists to assist in determining the fair value of the assets acquired and liabilities assumed. During the measurement periods, 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 Other 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 value 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 March 31, 2024, 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 receivable, 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. Excluding the impact of the conversion feature of the Convertible Senior Notes, the fair value of the Company’s debt was \$210,173 and \$194,440 at March 31, 2024 and December 31, 2023, respectively. The financial statement carrying value of total debt (net of unamortized loan fees) was \$300,823 and \$287,249 at March 31, 2024 and December 31, 2023, respectively. These fair values are considered Level 2 under the fair value hierarchy.

The fair value calculation of contingent consideration associated with the acquisition of Penelope Bourbon LLC (“Penelope”) uses unobservable inputs, such as estimated net sales over the term of the earn-out period, discount rates, and volatility rates. The contingent consideration is measured using the Monte Carlo simulation approach. The inputs used in the calculation of the contingent consideration liability are considered Level 3 under the fair value hierarchy due to the lack of relevant market activity. See Note 3, Business Combination, for more information.

Fair value disclosure for deferred compensation plan investments is included in Note 9, Employee and Non-Employee Benefit Plans.

**Equity Method Investments.** 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” and together with DGL, “LMX”), which are accounted for as equity method investments and are considered affiliates of the Company. The investment in LMX, which is recorded in investment in joint ventures on the Condensed Consolidated Balance Sheets, was \$4,901 and \$5,197 at March 31, 2024 and December 31, 2023, respectively. During the quarters ended March 31, 2024 and 2023, the Company recorded a loss of \$296 and \$260, respectively, from its equity method investments, which is recorded in other income (expense), net on the Condensed Consolidated Statements of Income. During the quarters ended March 31, 2024 and 2023, the Company purchased \$8,092 and \$8,417, respectively, of finished goods from LMX and bulk beverage alcohol from the other 50 percent owner of DGL.

**Related Party Transaction.** The Company leased bottling and warehousing facilities in St. Louis, Missouri from Kemper-Themis, L.L.C. (“Kemper”), which was owned by Donn Lux, a member of the Company’s Board of Directors. On October 31, 2023, the Company’s Audit Committee and Board of Directors approved the purchase of the Kemper bottling and warehousing facilities from Kemper for \$9,000. The purchase and sales agreement was entered into by both parties subsequent to Board approval and the transaction closed in February 2024. The transaction was entered into at fair value based on two independent appraisers’ valuations; therefore, the transaction is deemed to have been conducted at an arm’s length.

**Recently Adopted Accounting Standard Updates.** The Company did not adopt any new Accounting Standard Updates (“ASUs”) during the quarter ended March 31, 2024.

**Recently Issued Accounting Pronouncements.** ASU 2023-07, *Improvements to Reportable Segment Disclosures*, which requires improved disclosures related to significant segment expenses. This ASU requires companies to disclose significant segment expenses provided to the chief operating decision maker (“CODM”), a description of other segment items and all existing annual disclosures must be provided on an interim basis. This ASU is effective for annual periods beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted and must be applied retrospectively to all prior periods presented in the financial statements. The Company does not expect to early adopt this guidance and is currently evaluating the impact to the Company’s financial statements

ASU 2023-09, *Improvements to Income Tax Disclosures*, requires improved disclosures related to the rate reconciliation and income taxes paid. This ASU requires companies to reconcile the income tax expense attributable to continuing operations to the statutory federal income tax rate applied to pre-tax income from continuing operations. Additionally, this ASU requires companies to disclose the total amount of income taxes paid during the period. This ASU is effective for annual periods beginning after December 15, 2024 with early adoption permitted. The guidance is required to be applied on a prospective basis with the option to apply retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact to the Company’s financial statements.

## Note 2. Revenue

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

**Disaggregation of Sales.** The following table presents the Company's sales disaggregated by segment and major products and services:

	Quarter Ended March 31,	
	2024	2023
<b>Distilling Solutions</b>		
Brown goods	\$ 66,331	\$ 68,324
Warehouse services	7,956	6,858
White goods and other co-products	10,565	38,041
<b>Total Distilling Solutions</b>	<b>84,852</b>	<b>113,223</b>
<b>Branded Spirits</b>		
Premium plus	20,906	18,746
Mid	14,761	20,835
Value	10,009	13,421
Other	4,470	3,881
<b>Total Branded Spirits</b>	<b>50,146</b>	<b>56,883</b>
<b>Ingredient Solutions</b>		
Specialty wheat starches	22,271	14,686
Specialty wheat proteins	9,995	11,890
Commodity wheat starches	3,262	3,807
Commodity wheat proteins	37	521
<b>Total Ingredient Solutions</b>	<b>35,565</b>	<b>30,904</b>
<b>Total sales</b>	<b>\$ 170,563</b>	<b>\$ 201,010</b>

### Note 3. Business Combination

**Description of the Transaction.** On May 8, 2023, the Company entered into a definitive agreement to acquire 100 percent of the equity of Penelope, and subsequently completed the acquisition on June 1, 2023 (the "Acquisition"). Penelope, prior to the Acquisition, was a family and founder-owned and operated American whiskey company with a diverse portfolio of high-quality whiskeys in the premium plus price tier. As a result of the Acquisition, the Company enhanced its presence in the growing American whiskey category and expanded its portfolio of premium plus price tier brands.

Following the Acquisition, Penelope became a wholly owned subsidiary of the Company and its financial results are included within the Branded Spirits segment. The aggregate consideration paid by the Company in connection with the Acquisition was \$105,000 in cash paid at closing, with further additional potential earn-out consideration of up to a maximum cash payout of \$110,800 if certain performance conditions, measured through December 31, 2025, are met. The consideration is subject to customary purchase price adjustments related to, among other things, net working capital and acquired cash. The consideration paid at closing included a preliminary estimated purchase price adjustment. During the year ended December 31, 2023, the Company finalized the net working capital adjustments, which decreased the cash consideration from \$105,000 at closing to \$104,638 at December 31, 2023. The cash portion of the consideration and transaction-related expenses were paid using both cash on hand and borrowings under the Company's existing credit agreement. See Note 5, Corporate Borrowings, for further details.

For tax purposes, the Acquisition was structured as an asset purchase which created additional tax basis in the assets acquired as a result of valuing the assets at fair market value and the purchase price will be accounted for in accordance with U.S. federal tax law. Indefinite-lived intangible assets and goodwill is deductible for U.S. income tax purposes.

**Purchase Price Allocation.** The Acquisition was accounted for as a business combination in accordance with Accounting Standard Codification 805, Business Combinations ("ASC 805"), and as such, assets acquired, liabilities assumed, and consideration transferred were recorded at their estimated fair values on the acquisition date.

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

**Consideration:**

Cash	\$	104,638
Contingent consideration		62,100
Fair value of total consideration transferred	\$	<u>166,738</u>

**Recognized amounts of identifiable assets acquired and liabilities assumed:**

Cash	\$	926
Receivables		2,323
Inventory		12,454
Prepaid expenses and other assets		77
Property, plant and equipment, net		253
Intangible assets <sup>(a)</sup>		57,700
Operating lease right-of-use assets, net		426
Other assets		<u>44</u>
Total assets		74,203
Accounts payable		2,242
Accrued expenses and other		205
Long-term operating lease liabilities		<u>268</u>
Total liabilities		2,715
Goodwill		95,250
Total	\$	<u>166,738</u>

(a) Intangible assets acquired included trade names with an estimated fair value of \$34,000 and distributor relationships with an estimated fair value of \$23,700.

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 comparables, 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 \$95,250, all of which is deductible for tax purposes, represents the excess of the consideration transferred over the estimated fair value of assets acquired net of liabilities assumed. Additionally, the goodwill is representative of the strength of the Penelope brand within the American whiskey category, and the synergies expected to be achieved by the combined company. The intangible assets acquired included indefinite-lived intangible assets, trade names, with an estimated fair value of \$34,000, and definite-lived intangible assets, distributor relationships, with an estimated fair value of \$23,700 and a useful life of 20 years. The trade names and distributor relationships acquired by the Company have been recorded at estimated fair values using the relief from royalty method and multi-period excess earnings method, respectively. Management engaged a third party valuation specialist to assist in the valuation analysis of certain acquired assets including trade names and distributor relationships.

The operating results of Penelope have been included in the Company's condensed consolidated financial statements since the June 1, 2023 acquisition date. The operating results and pro forma results are not disclosed due to the immaterial impact to the Company's Condensed Consolidated Statements of Income.

During the quarter ended March 31, 2024, the Company incurred \$71 of costs related to the Acquisition, which are included in selling, general, and administrative expenses on the Condensed Consolidated Statements of Income.

**Contingent Consideration.** The estimated fair value of the contingent consideration obligation at the Acquisition date was \$62,100, which was determined using a Monte Carlo simulation approach. This approach requires significant assumptions, including projected net sales, discount rates, and volatility rates. The inputs used in the calculation of the contingent consideration liability are considered Level 3 under the fair value hierarchy due to the lack of relevant market activity. The

contingent consideration liability is measured on a quarterly basis and recorded at fair value. The changes in fair value of the obligation resulted from changes in the key assumptions between measurement dates, such as projected net sales, discount rates, and volatility rates. During the quarter ended March 31, 2024, there was a \$4,100 adjustment to the fair value measurement of the contingent consideration obligation, which was included in the change of fair value of contingent consideration on the Condensed Consolidated Statements of Income. The amount payable is based upon achievement of certain net sales targets between the Acquisition date and December 31, 2025. The possible payments range from zero to a maximum payout of \$110,800.

#### Note 4. Goodwill and Intangible Assets

**Definite-Lived Intangible Assets.** The Company acquired definite-lived intangible assets in connection with various acquisitions of businesses. The distributor relationships have a carrying value of \$57,903, net of accumulated amortization of \$7,197. The distributor relationships have a useful life of 20 years. The amortization expense for the quarters ended March 31, 2024 and 2023 was \$813 and \$518, respectively.

As of March 31, 2024, the expected future amortization expense related to definite-lived intangible assets is as follows:

Remainder of 2024	\$	2,442
2025		3,255
2026		3,255
2027		3,255
2028		3,255
Thereafter		42,441
<b>Total</b>	<b>\$</b>	<b>57,903</b>

**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. The carrying amount of goodwill, which relates to the Branded Spirits segment, was \$321,544 at both March 31, 2024 and December 31, 2023. The carrying amount of trade name indefinite-lived intangible assets, which relates to the Branded Spirits segment, was \$212,990 at both March 31, 2024 and December 31, 2023.

#### Note 5. Corporate Borrowings

The following table presents the Company's outstanding indebtedness:

Description <sup>(a)</sup>	March 31, 2024	December 31, 2023
Credit Agreement - Revolver, 6.43% (variable rate) due 2026	\$ 78,000	\$ 63,000
Convertible Senior Notes, 1.88% (fixed rate) due 2041	201,250	201,250
Note Purchase Agreement		
Series A Senior Secured Notes, 3.53% (fixed rate) due 2027	11,200	12,000
Senior Secured Notes, 3.80% (fixed rate) due 2029	16,800	17,600
Total indebtedness outstanding	307,250	293,850
Less unamortized loan fees <sup>(b)</sup>	(6,427)	(6,601)
Total indebtedness outstanding, net	300,823	287,249
Less current maturities of long-term debt	(6,400)	(6,400)
Long-term debt	\$ 294,423	\$ 280,849

(a) Interest rates are as of March 31, 2024.

(b) Loan fees are being amortized over the life of the debt agreements.

**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 May 14, 2026. The Credit Agreement provided for a \$300,000 revolving credit facility. On May 14, 2021, the Company amended the Credit Agreement to extend the terms and to increase the principal amount available to \$400,000 and to permit the Company, subject to obtaining lender approval, to increase the amount of the revolving credit facility by up to an additional \$100,000 provided certain conditions are satisfied and at the discretion of the lender. On August 31, 2022, the Credit Agreement was amended to change the interest rate benchmark from LIBOR to SOFR. The Credit Agreement includes certain requirements and covenants with which the Company was in compliance at March 31, 2024. Part of the cash portion of the consideration paid to acquire Penelope and transaction-related expenses were financed with \$105,000 borrowings under the Credit Agreement during 2023. As of March 31, 2024, the Company had \$78,000 outstanding borrowings under the Credit Agreement, leaving \$322,000 available.

**Convertible Senior Notes.** On November 16, 2021, the Company issued \$201,250 in aggregate principal amount of 1.88% convertible senior notes due in 2041 (the “2041 Notes”). The 2041 Notes were issued pursuant to an indenture, dated as of November 16, 2021 (the “Indenture”), by and among the Company, as issuer, Luxco, Inc., MGPI Processing, Inc., and MGPI of Indiana, LLC, as subsidiary guarantors, and U.S. Bank National Association, as trustee. The 2041 Notes are senior, unsecured obligations of the Company and interest is payable semi-annually in arrears at a fixed interest rate of 1.88% on May 15 and November 15 of each year. The 2041 Notes mature on November 15, 2041 unless earlier repurchased, redeemed, or converted, per the terms of the Indenture. Upon conversion, the Company will pay cash up to the aggregate principal amount of the 2041 Notes to be converted and pay or deliver, as the case may be, cash, shares of the Company’s common stock, or a combination of cash and shares of the Company’s common stock, at its election, in respect to the remainder, if any, of the Company’s conversion obligation in excess of the aggregate principal amount of the 2041 Notes being converted.

**Note Purchase Agreements.** The Company’s Note Purchase and Private Shelf Agreement (the “Note Purchase Agreement”) with PGIM, Inc. (“Prudential”), an affiliate of Prudential Financial, Inc., and certain affiliates of Prudential, provides for the issuance of \$20,000 of Series A Senior Secured Notes and the issuance of up to \$105,000 of additional Senior Secured Notes (or any higher amount solely to the extent Prudential has provided written notice to the Company of its authorization of such a higher amount). Effective August 23, 2023, the Note Purchase Agreement was amended to increase the total amount of Senior Secured Notes that may be issued under the facility of the Note Purchase Agreement to \$250,000. Additionally, the period for issuing senior secured promissory notes under the Note Purchase Agreement was extended from August 23, 2023 to August 31, 2026.

During 2017, the Company issued \$20,000 of Series A 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 with which the Company was in compliance at March 31, 2024. As of March 31, 2024, the Company had \$11,200 of Series A Senior Secured Notes and \$16,800 of additional Senior Secured Notes outstanding under the Note Purchase Agreement, leaving \$222,000 available under the Note Purchase Agreement.

#### **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.

Income tax expense for the quarter ended March 31, 2024 was \$6,262 for an effective tax rate of 23.3 percent. The effective tax rate for the quarter ended March 31, 2024 differed from the 21 percent U.S. federal statutory rate on pretax income primarily due to state income taxes and income taxes on foreign subsidiaries, partially offset by U.S. state and federal tax credits and the deduction applicable to export activity.

Income tax expense for the quarter ended March 31, 2023 was \$9,655 for an effective tax rate of 23.7 percent. The effective tax rate for the quarter ended March 31, 2023 differed from the 21 percent U.S. federal statutory rate on pretax income primarily due to state and foreign income taxes, partially offset by state and federal tax credits, the deduction applicable to export activity, and the discrete impact of certain items related to equity compensation.

## Note 7. Equity and EPS

The following table presents computations of basic and diluted EPS:

	Quarter Ended March 31,	
	2024	2023
<b>Operations:</b>		
Net income <sup>(a)</sup>	\$ 20,584	\$ 31,032
Net loss attributable to noncontrolling interest	51	39
Income attributable to participating securities (unvested shares and units) <sup>(b)</sup>	(239)	(311)
Net income used in EPS calculation	\$ 20,396	\$ 30,760
<b>Share information:</b>		
Basic weighted average common shares <sup>(c)</sup>	22,142,277	22,040,224
Diluted weighted average common shares <sup>(d)</sup>	22,142,277	22,072,271
<b>Basic EPS</b>	\$ 0.92	\$ 1.40
<b>Diluted EPS</b>	\$ 0.92	\$ 1.39

(a) Net income attributable to all stockholders.

(b) Participating securities included 260,651 and 227,810 unvested restricted stock units ("RSUs") at March 31, 2024 and 2023, respectively.

(c) Under the two-class method, basic weighted average common shares exclude unvested participating securities.

(d) The impacts of the Convertible Senior Notes were included in the diluted weighted average common shares if the inclusion was dilutive. The Convertible Senior Notes would only have a dilutive impact if the average market price per share during the quarter and year to date period exceeds the conversion price of \$96.24 per share.

**Share Repurchase.** On February 29, 2024, the Company announced that its Board of Directors approved a \$100,000 share repurchase program. Under the share repurchase program, the Company can repurchase stock from time to time for cash in open market purchases, privately negotiated transactions, or by other means, in accordance with applicable securities laws and other legal requirements. The repurchase program has no expiration date and may be modified, suspended, or discontinued at any time by the Company without prior notice. During the quarter ended March 31, 2024, the Company repurchased 59,084 shares of Common Stock for approximately \$5,000, resulting in approximately \$95,000 remaining under the share repurchase program.

**Common Stock Share Activity.** The following table presents the Company's share activity:

	Shares Outstanding	
	Capital Stock Preferred	Common Stock
<b>Balance, December 31, 2023</b>	437	22,016,113
Issuance of Common Stock	—	74,913
Repurchase of Common Stock <sup>(a)</sup>	—	(81,969)
<b>Balance, March 31, 2024</b>	437	22,009,057
<b>Shares Outstanding</b>		
	Capital Stock Preferred	Common Stock
<b>Balance, December 31, 2022</b>	437	21,994,042
Issuance of Common Stock	—	23,324
Repurchase of Common Stock <sup>(b)</sup>	—	(8,437)
<b>Balance, March 31, 2023</b>	437	22,008,929

(a) 59,084 shares that were repurchased during the quarter ended March 31, 2024 pursuant to the Company's share repurchase program. The remaining shares repurchased were related to the tax withholding on equity-based compensation.

(b) The Common Stock repurchases were for tax withholding on equity-based compensation.



## Note 8. Commitments and Contingencies

The Company and its subsidiaries are, from time to time, a party to legal and regulatory proceedings arising in the ordinary course of its business. The Company accrues estimated costs for a contingency when management believes that a loss is probable and can be reasonably estimated.

## Note 9. Employee and Non-Employee Benefit Plans

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

As of March 31, 2024, 773,492 RSUs had been granted from the 1,500,000 shares approved under the 2014 Plan, and 141,262 shares had been granted from the 300,000 shares approved under the Directors' Plan. As of March 31, 2024, there were 260,651 unvested RSUs under the Company's long-term incentive plans, all of which were participating securities (see Note 7, Equity and EPS).

**Deferred Compensation Plan.** The Company established an unfunded Executive Deferred Compensation Plan (the "EDC Plan") effective 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 the EDC Plan change in conjunction with the performance of the participants' investments, along with contributions to and withdrawals from the EDC Plan. Realized and unrealized gains (losses) on deferred compensation plan investments were included as a component of other income (expense), net on the Company's Condensed Consolidated Statements of Income. For the quarters ended March 31, 2024 and 2023, the Company had a gain on deferred compensation plan investments of \$252 and \$179, respectively.

EDC 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 the 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 amounts are deposited, at the time of payment, into the EDC Plan by the Company and allocated by participants among Company-determined investment options.

At March 31, 2024 and December 31, 2023, the EDC Plan investments were \$,419 and \$2,916, respectively, which were recorded in other assets on the Company's Condensed Consolidated Balance Sheets. The EDC Plan current liabilities were \$1,071 and \$74 at March 31, 2024 and December 31, 2023, respectively, which were included in accrued expenses and other on the Company's Condensed Consolidated Balance Sheets. The EDC Plan non-current liabilities were \$2,489 and \$3,314 at March 31, 2024 and December 31, 2023, respectively, and were included in other noncurrent liabilities on the Company's Condensed Consolidated Balance Sheets.

## Note 10. Operating Segments

At March 31, 2024, the Company had three segments: Distilling Solutions, Branded Spirits, and Ingredient Solutions. The Company's reportable segments are based on the financial information the chief operating decision maker, the Company's Chief Executive Officer, uses to allocate resources and evaluate performance of the business. The Distilling Solutions segment consists of food grade alcohol (primarily brown goods) and distillery co-products, such as distillers feed (commonly called dried distillers grain in the industry). The Distilling Solutions segment also includes warehouse services, such as barrel put away, barrel storage, and barrel retrieval services. The Branded Spirits segment consists of a portfolio of high quality branded spirits which are produced through the distilleries and bottling facilities. The Ingredient Solutions segment consists of specialty starches and proteins as well as commodity starches and proteins. Intersegment sales and transfers are recorded at cost and are treated as a transfer of inventory. All intercompany revenues are eliminated in consolidation and are not reviewed when evaluating segment performance.

Operating profit for each segment is based on sales less identifiable operating expenses. Non-direct selling, general, and administrative expenses, interest expense, 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.

The following table presents summarized financial information for each segment:

	Quarter Ended March 31,	
	2024	2023
<b>Sales to Customers</b>		
Distilling Solutions	\$ 84,852	\$ 113,223
Branded Spirits	50,146	56,883
Ingredient Solutions	35,565	30,904
Total	\$ 170,563	\$ 201,010
<b>Gross Profit</b>		
Distilling Solutions	\$ 34,083	\$ 33,028
Branded Spirits	22,532	24,593
Ingredient Solutions	6,180	12,203
Total	\$ 62,795	\$ 69,824
<b>Depreciation and Amortization</b>		
Distilling Solutions	\$ 1,957	\$ 2,851
Branded Spirits	1,823	1,491
Ingredient Solutions	1,169	658
Corporate	340	171
Total	\$ 5,289	\$ 5,171
<b>Income (loss) before Income Taxes</b>		
Distilling Solutions	\$ 33,069	\$ 32,301
Branded Spirits	908	9,157
Ingredient Solutions	4,720	10,846
Corporate	(11,851)	(11,617)
Total	\$ 26,846	\$ 40,687

The following table allocates assets to each segment as of:

	March 31, 2024	December 31, 2023
<b>Identifiable Assets</b>		
Distilling Solutions	\$ 347,240	\$ 369,241
Branded Spirits	889,588	910,633
Ingredient Solutions	120,076	88,846
Corporate	33,378	23,628
Total	\$ 1,390,282	\$ 1,392,348

#### Note 11. Subsequent Events

**Dividend.** On May 2, 2024, the Company announced a quarterly dividend payable to stockholders of record of the Company's common stock, resulting in dividend equivalents payable to RSU holders, of \$0.12 per share and per RSU. The dividend and dividend equivalents are payable on May 31, 2024 to stockholders of record and RSU holders on May 17, 2024.

## **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 may contain 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 within the meaning of the Private Securities Litigation Reform Act of 1995, including without limitation statements about our sources of cash being adequate; our capital expenditures; our ability to support our liquidity and operating needs through cash generated from operations; and our ability to obtain credit funding. Forward looking statements are usually identified by or are associated with such words as “intend,” “plan,” “believe,” “estimate,” “expect,” “anticipate,” “project,” “forecast,” “hopeful,” “should,” “may,” “will,” “could,” “encouraged,” “opportunities,” “potential,” and similar terminology. These forward-looking statements reflect management’s current beliefs and estimates of future economic circumstances, industry conditions, our performance, our financial results, and our financial condition and are not guarantees of future performance.

All forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially. For information on these risks and uncertainties and other factors that could affect the Company’s business, see the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of our Annual Report on Form 10-K for the year ended December 31, 2023, this Report, and our other filings with the Securities and Exchange Commission (the “SEC”). Forward looking statements in this Report are made as of the date of this Report, and we undertake no obligation to update any forward-looking statements or information made in this Report, except as required by law.

### **OVERVIEW**

MGP is a leading producer of branded and distilled spirits as well as food ingredient solutions. Distilled spirits include premium bourbon, rye, and other whiskeys (“brown goods”) and GNS, including vodka and gin (“white goods and other co-products”). Our distilled spirits are either sold directly or indirectly to manufacturers of other branded spirits. We have a portfolio of our own high quality branded spirits, which we produce through our distilleries and bottling facilities and sell to distributors. Our branded spirits products account for a range of price points from value products through premium plus brands. Our protein and starch food ingredients serve a host of functional, nutritional, and sensory benefits for a wide range of food products to serve the consumer packaged goods industry. Our ingredients products are sold directly, or through distributors, to manufacturers and processors of finished packaged goods or to bakeries.

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 Report, 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, 2023.

## RESULTS OF OPERATIONS

### Consolidated Results

The table below details the consolidated results for the quarters ended March 31, 2024 and 2023:

	Quarter Ended March 31,		2024 v. 2023
	2024	2023	
Sales	\$ 170,563	\$ 201,010	(15)%
Cost of sales	107,768	131,186	(18)
Gross profit	62,795	69,824	(10)
Gross margin %	36.8 %	34.7 %	2.1 pp <sup>(a)</sup>
Advertising and promotion expenses	8,683	7,733	12
Selling, general, and administrative (“SG&A”) expenses	20,979	20,532	2
Impairment of long-lived assets and other	116	—	N/A
Change in fair value of contingent consideration	4,100	—	N/A
Operating income	28,917	41,559	(30)
Operating margin %	17.0 %	20.7 %	(3.7) pp
Interest expense, net	(2,019)	(995)	(103)
Other income (expense), net	(52)	123	(142)
Income before income taxes	26,846	40,687	(34)
Income tax expense	6,262	9,655	(35)
Effective tax expense rate %	23.3 %	23.7 %	(0.4) pp
Net income	\$ 20,584	\$ 31,032	(34)%
Net income margin %	12.1 %	15.4 %	(3.3) pp

(a) Percentage points (“pp”).

*Sales* - Sales for the quarter ended March 31, 2024 were \$170,563, a decrease of 15 percent compared to the year-ago quarter, which was the result of decreased sales in the Distilling Solutions and Branded Spirits segments, partially offset by increased sales in the Ingredient Solutions segment. Within the Distilling Solutions segment, sales were down 25 percent, primarily due to decreased sales of white goods and other co-products in connection with the December 2023 closure of our distillery located in Atchison, Kansas (the “Atchison Distillery”). Within the Branded Spirits segment, sales were down 12 percent, primarily due to decreased sales of brands in the mid and value price tiers. Within the Ingredient Solutions segment, sales were up 15 percent, primarily due to increased sales of specialty wheat starches (see “Segment Results”).

*Gross profit* - Gross profit for the quarter ended March 31, 2024 was \$62,795, a decrease of 10 percent compared to the year-ago quarter. The decrease was driven by a decrease in gross profit in the Ingredient Solutions and Branded Spirits segments, partially offset by an increase in gross profit in the Distilling Solutions segment. Within the Ingredient Solutions segment, gross profit decreased by \$6,023, or 49 percent. Within the Branded Spirits segment, gross profit decreased \$2,061, or 8 percent. Within the Distilling Solutions segment, gross profit increased by \$1,055, or 3 percent (see “Segment Results”).

*Advertising and promotion expenses* - Advertising and promotion expenses for the quarter ended March 31, 2024 were \$8,683, an increase of 12 percent compared to the year-ago quarter, primarily driven by increased advertising and promotion investment in the Branded Spirits segment, specifically in the premium plus price tier.

*SG&A expenses* - SG&A expenses for the quarter ended March 31, 2024 were \$20,979, a slight increase of 2 percent compared to the year-ago quarter.

*Operating income* - Operating income for the quarter ended March 31, 2024 decreased to \$28,917 from \$41,559 for the quarter ended March 31, 2023, primarily due to the decrease in gross profit in the Ingredient Solutions segment, the change in fair value of the contingent consideration of \$4,100 related to the acquisition of Penelope, and the decrease in gross profit in the Branded Spirits segment. These decreases were partially offset by an increase in gross profit in the Distilling Solutions segment.

<b>Operating income, quarter versus quarter</b>	<b>Operating Income</b>	<b>Change</b>
Operating income for the quarter ended March 31, 2023	\$ 41,559	
Decrease in gross profit - Ingredient Solutions segment <sup>(a)</sup>	(6,023)	(15) %
Decrease in gross profit - Branded Spirits segment <sup>(a)</sup>	(2,061)	(5) pp <sup>(b)</sup>
Increase in gross profit - Distilling Solutions segment <sup>(a)</sup>	1,055	3 pp
Increase in advertising and promotion expenses	(950)	(2) pp
Increase in SG&A expenses	(447)	(1) pp
Impairment of long-lived assets and other	(116)	— pp
Change in fair value of contingent consideration	(4,100)	(10) pp
<b>Operating income for the quarter ended March 31, 2024</b>	<b>\$ 28,917</b>	<b>(30) %</b>

(a) See "Segment Results."

(b) Percentage points ("pp").

*Income tax expense* - Income tax expense for the quarter ended March 31, 2024 was \$6,262, for an effective tax rate of 23.3 percent. Income tax expense for the quarter ended March 31, 2023 was \$9,655, for an effective tax rate of 23.7 percent. The decrease in income tax expense, quarter versus quarter, was due to lower income before income taxes. The decrease in effective tax rate, quarter versus quarter, was primarily due to larger tax credits than in the prior year quarter.

*Earnings per common share ("EPS")* - Basic EPS was \$0.92 for the quarter ended March 31, 2024, compared to \$1.40 for the quarter ended March 31, 2023. The change in basic EPS, quarter versus quarter, was primarily due to a decrease in operating income. Diluted EPS was \$0.92 for the quarter ended March 31, 2024, compared to \$1.39 for the quarter ended March 31, 2023. The change in diluted EPS, quarter versus quarter, was primarily due to the same change as basic EPS as well as the impact of dilutive shares outstanding related to the conversion feature of the Convertible Senior Notes.

<b>Change in EPS, quarter versus quarter</b>	<b>EPS</b>	<b>Change</b>
Basic EPS for the quarter ended March 31, 2023	\$ 1.40	
Change in operating income <sup>(a)</sup>	(0.44)	(31) %
Change in other income (expense), net <sup>(a)</sup>	(0.01)	(1) pp <sup>(b)</sup>
Change in interest expense, net <sup>(a)</sup>	(0.04)	(3) pp
Change in effective tax rate	0.01	1 pp
<b>Basic and Diluted EPS for the quarter ended March 31, 2024</b>	<b>\$ 0.92</b>	<b>(34) %</b>

(a) Net of tax based on the effective tax rate for the base year (2023).

(b) Percentage points ("pp").

## SEGMENT RESULTS

### Distilling Solutions

The following tables show selected financial information for the Distilling Solutions segment for the quarters ended March 31, 2024 and 2023.

DISTILLING SOLUTIONS SALES				
	Quarter Ended March 31,		Quarter versus Quarter Sales Change Increase/(Decrease)	
	2024	2023	\$ Change	% Change
Brown goods	\$ 66,331	\$ 68,324	\$ (1,993)	(3)%
Warehouse services	7,956	6,858	1,098	16
White goods and other co-products	10,565	38,041	(27,476)	(72)
<b>Total Distilling Solutions</b>	<b>\$ 84,852</b>	<b>\$ 113,223</b>	<b>\$ (28,371)</b>	<b>(25)%</b>

Change in Quarter versus Quarter Sales Attributed to:			
	Total <sup>(a)</sup>	Volume <sup>(b)</sup>	Net Price/Mix <sup>(c)</sup>
Brown goods	(3)%	8%	(11)%

Other Financial Information				
	Quarter Ended March 31,		Quarter versus Quarter Increase / (Decrease)	
	2024	2023	\$ Change	% Change
Gross profit	\$ 34,083	\$ 33,028	\$ 1,055	3 %
Gross margin %	40.2 %	29.2 %		11.0 pp <sup>(d)</sup>

(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. The product is then divided by prior period sales dollars.

(c) Net 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. The product is then divided by prior period sales dollars.

(d) Percentage points ("pp").

Total sales of the Distilling Solutions segment for the quarter ended March 31, 2024 decreased by \$28,371, or 25 percent, compared to the prior year quarter. The decrease in sales of the Distilling Solutions segment is primarily related to the decrease in sales volume of white goods and other co-products, which was primarily due to the closure of the Atchison Distillery during December 2023. Additionally, the decrease in sales of brown goods was primarily driven by decreased Net Price/Mix (as defined in table above), and the temporary shut-down of the Lux Row Distillery in Bardstown, Kentucky during the quarter to complete the distillation expansion. These decreases were partially offset by increased sales volume of brown goods and increased sales of warehouse services.

Gross profit increased quarter versus quarter by \$1,055, or 3 percent. Gross margin for the quarter ended March 31, 2024 increased to 40.2 percent from 29.2 percent for the prior year quarter. The increase in gross profit was primarily due to the positive impact the closure of the Atchison Distillery had on white goods and other co-products' gross profit. The increase was also due to an increase in warehouse service sales.

## Branded Spirits

The following tables show selected financial information for the Branded Spirits segment for the quarters ended March 31, 2024 and 2023.

	BRANDED SPIRITS SALES				
	Quarter Ended March 31,		Quarter versus Quarter Sales Change Increase/(Decrease)		
	2024	2023	\$ Change	% Change	
Premium plus	\$ 20,906	\$ 18,746	\$ 2,160	12 %	
Mid	14,761	20,835	(6,074)	(29)	
Value	10,009	13,421	(3,412)	(25)	
Other	4,470	3,881	589	15	
<b>Total Branded Spirits</b>	<b>\$ 50,146</b>	<b>\$ 56,883</b>	<b>\$ (6,737)</b>	<b>(12) %</b>	

	Change in Quarter versus Quarter Sales Attributed to:		
	Total <sup>(a)</sup>	Volume <sup>(b)</sup>	Net Price/Mix <sup>(c)</sup>
Total Branded Spirits	(12)%	(27)%	15%

	Other Financial Information				
	Quarter Ended March 31,		Quarter versus Quarter Increase / (Decrease)		
	2024	2023	\$ Change	% Change	
Gross profit	\$ 22,532	\$ 24,593	\$ (2,061)	(8) %	
Gross margin %	44.9 %	43.2 %		1.7 pp <sup>(d)</sup>	

(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. The product is then divided by prior period sales dollars.

(c) Net 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. The product is then divided by prior period sales dollars.

(d) Percentage points ("pp").

Total sales of the Branded Spirits segment for the quarter ended March 31, 2024 decreased by \$6,737, or 12 percent compared to the prior year quarter. The decrease was driven by sales of brands within the mid and value price tiers, partially offset by an increase in sales of brands within the premium plus price tier. The decreased sales of brands within the mid and value price tiers was due to a decrease in sales volume primarily as a result of the distributor realignment in 2023 which resulted in increased sales volume in these price tiers during the prior year quarter. The increase in sales of brands within the premium plus price tier was primarily due to the acquisition of Penelope, partially offset by a planned decrease in allocated single barrel premium plus offerings.

Gross profit decreased quarter versus quarter by \$2,061, or 8 percent. Gross margin for the quarter ended March 31, 2024 increased to 44.9 percent from 43.2 percent for the prior year quarter due primarily to continued portfolio premiumization. The decrease in gross profit was primarily driven by a decrease in sales volume in the mid and value price tiers as well as an increase in costs incurred in connection with the completion of the Lux Row distillery expansion. These decreases were partially offset by increased gross profit due to additional brands acquired as part of the acquisition of Penelope.

## Ingredient Solutions

The following tables show selected financial information for the Ingredient Solutions segment for the quarters ended March 31, 2024 and 2023.

	INGREDIENT SOLUTIONS SALES					
	Quarter Ended March 31,		Quarter versus Quarter Sales Change Increase / (Decrease)			
	2024	2023	\$ Change		% Change	
Specialty wheat starches	\$ 22,271	\$ 14,686	\$ 7,585			52 %
Specialty wheat proteins	9,995	11,890	(1,895)			(16)
Commodity wheat starches	3,262	3,807	(545)			(14)
Commodity wheat proteins	37	521	(484)			(93)
<b>Total Ingredient Solutions</b>	<b>\$ 35,565</b>	<b>\$ 30,904</b>	<b>\$ 4,661</b>			<b>15 %</b>

	Change in Quarter versus Quarter Sales Attributed to:		
	Total <sup>(a)</sup>	Volume <sup>(b)</sup>	Net Price/Mix <sup>(c)</sup>
	Total Ingredient Solutions	15%	29%

	Other Financial Information			
	Quarter Ended March 31,		Quarter versus Quarter Increase / (Decrease)	
	2024	2023	\$ Change	% Change
Gross profit	\$ 6,180	\$ 12,203	\$ (6,023)	(49)%
Gross margin %	17.4 %	39.5 %		(22.1) pp <sup>(d)</sup>

(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. The product is then divided by prior period sales dollars.

(c) Net 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. The product is then divided by prior period sales dollars.

(d) Percentage points ("pp").

Total sales of the Ingredient Solutions segment for the quarter ended March 31, 2024 increased by \$4,661, or 15 percent, compared to the prior year quarter. The increase was primarily driven by higher sales volume of specialty wheat starches. This increase was partially offset by a decrease in sales volume of specialty and commodity wheat proteins and a decrease in average selling price of commodity wheat starches.

Gross profit decreased quarter versus quarter by \$6,023, or 49 percent. Gross margin for the quarter ended March 31, 2024 decreased to 17.4 percent from 39.5 percent for the prior year quarter. The decrease in gross profit was primarily driven by higher input costs across all product categories. The increase in input costs is driven primarily by the removal of the intercompany credit for the waste starch slurry by-product since the closure of the Atchison Distillery, as well as other costs incurred to ready the waste starch for commercial sale. Additionally, we incurred incremental costs for the new extrusion manufacturing facility during the quarter.



## 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 borrowings through our Credit Agreement, Convertible Senior Notes, and Note Purchase Agreement (see Note 5, Corporate Borrowings) provide the primary sources of cash to fund operating needs and capital expenditures. These same sources of cash are used to fund stockholder 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 to be adequate to provide for budgeted capital expenditures, potential mergers or acquisitions, and anticipated operating requirements for the next 12 months and beyond.

### Cash Flow Summary

	Quarter to Date Ended March 31,		Changes, year versus year Increase / (Decrease)
	2024	2023	
Net cash provided by operating activities	\$ 24,623	\$ 5,021	\$ 19,602
Net cash used in investing activities	(27,266)	(16,945)	(10,321)
Net cash provided by (used in) financing activities	3,767	(4,270)	8,037
Effect of exchange rate changes on cash	(15)	33	(48)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>\$ 1,109</b>	<b>\$ (16,161)</b>	<b>\$ 17,270</b>

Cash increased \$1,109 for the quarter ended March 31, 2024, compared to a decrease of \$16,161 for the quarter ended March 31, 2023, for a net increase in cash of \$17,270, period versus period.

**Operating Activities.** Cash provided by operating activities for the quarter ended March 31, 2024 was \$24,623. The cash provided by operating activities resulted primarily from net income of \$20,584, adjustments for non-cash or non-operating charges of \$11,603, including depreciation and amortization, the change in fair value of contingent consideration, and share-based compensation, partially offset by cash used in operating assets and liabilities of \$7,564. The primary drivers of the changes in operating assets and liabilities were \$10,380 use of cash related to accrued expenses and other, which related to the incentive compensation payout during the quarter, and \$10,207 use of cash related to a decrease in accounts payable due to timing of payments. These uses of cash were offset by \$11,257 of cash provided by a decrease in accounts receivables net, due to the timing of sales and customer payments during the quarter.

Cash provided by operating activities for the quarter ended March 31, 2023 was \$5,021. The cash provided by operating activities resulted primarily from net income of \$31,032, adjustments for non-cash or non-operating charges of \$7,318, including depreciation and amortization, and share-based compensation, partially offset by cash used in operating assets and liabilities of \$33,329. The primary drivers of the changes in operating assets and liabilities were \$19,227 use of cash related to increased accounts receivables, net, due to timing of sales and customer payments during the quarter, \$18,707 use of cash related to an increase in inventories, primarily due to an increase in finished goods inventory and barreled distillate, and \$10,208 use of cash related to a decrease in accrued expenses and other, primarily due to the incentive compensation payout during the quarter. These uses of cash were partially offset, primarily by \$9,043 cash provided by income taxes payable, and \$6,498 cash provided by an increase in accounts payable.

**Investing Activities.** Cash used in investing activities for the quarter ended March 31, 2024 was \$27,266, which primarily resulted from additions to property, plant, and equipment of \$27,026 (see "Capital Spending"). Cash used in investing activities for the quarter ended March 31, 2023 was \$16,945, which primarily resulted from additions to property, plant, and equipment of \$16,237 (see "Capital Spending").

**Capital Spending.** We manage capital spending to support our business growth plans. We have incurred \$13,134 and \$9,824 of capital expenditures and have paid \$27,026 and \$16,237 for capital expenditures for the quarters ended March 31, 2024 and 2023, respectively. The difference between the amount of capital expenditures incurred and amount paid is due to the change in capital expenditures in accounts payable. We expect approximately \$85,800 in capital expenditures in 2024, which includes capital expenditures for facility improvement and expansion, facility sustaining projects, and environmental health and safety projects.

**Financing Activities.** Cash provided by financing activities for the quarter ended March 31, 2024 was \$3,767, due to net proceeds on debt of \$13,400 (see “Long-Term and Short-Term Debt”), partially offset by repurchases of Common Stock of \$6,961 (see “Treasury Purchases” and “Share Repurchase”), and payments of dividends and dividend equivalents of \$2,672 (see “Dividends and Dividend Equivalents”).

Cash used in financing activities for the quarter ended March 31, 2023 was \$4,270, due to payments of dividends and dividend equivalents of \$2,669 (see “Dividends and Dividend Equivalents”), repurchase of Common Stock of \$801 (see “Treasury Purchases”), and net payments on debt of \$800 (see “Long-Term and Short-Term Debt”).

**Treasury Purchases.** 73,230 RSUs vested and converted to shares of Common Stock for employees during the quarter ended March 31, 2024, of which we withheld and purchased for treasury 22,885 shares valued at \$1,961 to cover payment of associated withholding taxes.

22,592 RSUs vested and converted to shares of Common Stock for employees during the quarter ended March 31, 2023, of which we withheld and purchased for treasury 8,437 shares valued at \$801 to cover payment of associated withholding taxes.

**Share Repurchase.** On February 29, 2024, we announced that our Board of Directors approved a \$100,000 share repurchase program. Under the share repurchase program, we can repurchase Common Stock from time to time for cash in open market purchases, privately negotiated transactions, or by other means, in accordance with applicable securities laws and other legal requirements. The repurchase program has no expiration date and may be modified, suspended, or discontinued at any time by the Company without prior notice. During the quarter ended March 31, 2024, we repurchased 59,084 shares of Common Stock for approximately \$5,000, resulting in approximately \$95,000 remaining under the share repurchase program.

#### Dividends and Dividend Equivalents

##### Dividend and Dividend Equivalent Information (per Share and Unit)

Declaration date	Record date	Payment date	Declared <sup>(c)</sup>	Paid <sup>(c)</sup>	Dividend payment	Dividend equivalent payment <sup>(a)(b)</sup>	Total payment <sup>(b)</sup>
<b>2024</b>							
February 22, 2024	March 15, 2024	March 29, 2024	\$ 0.12	\$ 0.12	\$ 2,641	\$ 31	\$ 2,672
<b>2023</b>							
February 23, 2023	March 10, 2023	March 24, 2023	\$ 0.12	\$ 0.12	\$ 2,640	\$ 29	\$ 2,669

(a) Dividend equivalent payments on unvested participating securities.

(b) Includes estimated forfeitures.

(c) Per share amount.

On May 2, 2024, we announced a dividend payable to stockholders of record of our Common Stock, resulting in dividend equivalents payable to RSU holders, of \$0.12 per share and per RSU. The dividend and dividend equivalent are payable on May 31, 2024 to stockholders of record and RSU holders on May 17, 2024.

**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, merger and acquisition, and share repurchase activities), and the overall cost of capital. Total debt was \$300,823 (net of unamortized loan fees of \$6,427) at March 31, 2024, and \$287,249 (net of unamortized loan fees of \$6,601) at December 31, 2023.

**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 and potential mergers and acquisitions. 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 various debt agreements. Under our debt agreements, we must meet certain financial covenants and restrictions, and at March 31, 2024, we met those covenants and restrictions.

At March 31, 2024, our current assets exceeded our current liabilities by \$426,661, largely due to our inventories, at cost, of \$348,934. At March 31, 2024, our cash balance was \$19,497 and we have used our various debt agreements for liquidity purposes, with \$322,000 available under our Credit Agreement for additional borrowings and \$222,000 available under the Note Purchase Agreement (see Note 5, Corporate 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. We utilize short-term and long-term debt to fund discretionary items, such as capital investments, dividend payments, and potential mergers and acquisitions. Subject to market conditions, we could also fund future mergers and acquisitions through the issuance of additional shares of Common Stock. In addition, we have strong operating results such that we believe financial institutions should provide sufficient credit funding to meet short-term financing requirements, if needed.

### 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 with the goal to reduce the potentially adverse effects that the volatility of these markets may have on our operating results and financial condition.

**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 Lawrenceburg facility, 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 815, *Derivatives and Hedging*, because the quantities involved are for amounts to be consumed within the normal expected production process.

**Interest Rate Exposures.** Our various debt agreements (see Note 5, Corporate Borrowings) 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 under our variable interest rate debt 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 under variable interest rate debt during the reporting period following an increase in market interest rates. Based on weighted average outstanding variable-rate borrowings at March 31, 2024, a 100 basis point increase over the current rates actually in effect at such date would increase our interest expense on an annual basis by \$780. Based on weighted average outstanding fixed-rate borrowings at March 31, 2024, a 100 basis point increase in market rates would result in a decrease in the fair value of our outstanding fixed-rate debt of \$18,826, 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 \$11,336.

### ITEM 4. CONTROLS AND PROCEDURES

**Evaluation of Disclosure Controls and Procedures.** As of March 31, 2024, 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 Securities Exchange Act of 1934 (as amended, 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 SEC 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 our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

**Changes in Internal Control.** There were no changes in our internal control over financial reporting during the fiscal quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Reference is made to Part I, Item 3, Legal Proceedings of our Annual Report on Form 10-K for the year ended December 31, 2023, and Note 8 in this Report for information on certain proceedings to which we are subject.

### ITEM 1A. RISK FACTORS

Risk factors are described in “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2023.

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

#### Issuer Purchases of Equity Securities

	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (in thousands) <sup>(2)</sup>
January 1, 2024 through January 31, 2024	—	\$ —	—	—
February 1, 2024 through February 29, 2024	—	—	—	100,000
March 1, 2024 through March 31, 2024	59,084 <sup>(1)</sup>	84.62	59,084	95,000
<b>Total</b>	<b>59,084</b>		<b>59,084</b>	

(1) All shares were repurchased were under the share repurchase program announced on February 29, 2024.

(2) On February 29, 2024, we announced that our Board of Directors approved a \$100,000 share repurchase program. The repurchase program has no expiration date and may be modified, suspended, or discontinued at any time by the Company without prior notice.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

**Director and Officer Trading Arrangements.** On March 12, 2024, Karen L. Seaberg, Chairman of our Board of Directors, entered into a Rule 10b5-1 trading plan which provides for the sale of up to \$8,735 in net proceeds from the sale of Common Stock until May 31, 2025. On March 12, 2024, Lori L.S. Mingus, member of our Board of Directors, entered into a Rule 10b5-1 trading plan which provides for the sale of up to \$643 in net proceeds from the sale of Common Stock until May 31, 2025.

**ITEM 6. EXHIBITS**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
*31.1	<a href="#">CEO Certification pursuant to Rule 13a-14(a)</a>
*31.2	<a href="#">CFO Certification pursuant to Rule 13a-14(a)</a>
**32.1	<a href="#">CEO Certification furnished pursuant to Rule 13a-14(b) and 18 U.S.C. 1350</a>
**32.2	<a href="#">CFO Certification furnished pursuant to Rule 13a-14(b) and 18 U.S.C. 1350</a>
*101	The following financial information from MGP Ingredients, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in iXBRL (Inline Extensible Business Reporting Language) includes: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Income, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows, (v) Condensed Consolidated Statements of Changes in Stockholders' Equity, and (vi) the Notes to Unaudited 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	
**Furnished herewith	

**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: May 2, 2024

By

/s/ David S. Bratcher

David S. Bratcher, Chief Executive Officer and President

Date: May 2, 2024

By

/s/ Brandon M. Gall

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

**CERTIFICATION**

I, David S. Bratcher, 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: May 2, 2024

/s/ David S. Bratcher

David S. Bratcher, Chief Executive Officer and President

**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: May 2, 2024

/s/ Brandon M. Gall

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



**CERTIFICATION**  
**OF**  
**PERIODIC REPORT**

I, David S. Bratcher, Chief Executive Officer and President 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 March 31, 2024 (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: May 2, 2024

/s/ David S. Bratcher

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David S. Bratcher

Chief Executive Officer and President

[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 March 31, 2024 (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: May 2, 2024

/s/ Brandon M. Gall

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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.]