



# INVESTOR PRESENTATION

May 2019



Create Exceptional™

# FORWARD LOOKING STATEMENTS

Certain of the comments made in this presentation and in the question and answer session that follows may contain forward-looking statements in relation to operations, financial condition and operating results of MGP Ingredients, Inc. and such statements involve a number of risks and uncertainties. Forward looking statements are usually identified by or are associated with such words as "intend," "plan," "believe," "estimate," "expect," "anticipate," "hopeful," "should," "may," "will," "could," "encouraged," "opportunities," "potential" and/or the negatives or variations of these terms or similar terminology.

These statements reflect management's current beliefs and estimates of future economic circumstances, industry conditions, Company performance, and Company financial results and are not guarantees of future performance. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others: (i) disruptions in operations at our Atchison facility or our Indiana facility, (ii) the availability and cost of grain and flour, and fluctuations in energy costs, (iii) the effectiveness of our grain purchasing program to mitigate our exposure to commodity price fluctuations, (iv) the effectiveness or execution of our strategic plan, (v) potential adverse effects to operations and our system of internal controls related to the loss of key management personnel, (vi) the competitive environment and related market conditions, (vii) the ability to effectively pass raw material price increases on to customers, (viii) our ability to maintain compliance with all applicable loan agreement covenants, (ix) our ability to realize operating efficiencies, (x) actions of governments, and (xi) consumer tastes and preferences.

For further information on these and other risks and uncertainties that may affect our business, including risks specific to our Distillery Products and Ingredient Solutions segments, see Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2018.

# A LEADING SUPPLIER OF PREMIUM DISTILLED SPIRITS AND SPECIALTY WHEAT PROTEINS AND STARCHES

2018 Sales of \$376.1MM



- Distillery Products
  - Leading supplier of premium bourbons, rye whiskeys, distilled gins, and vodkas
  - Largest U.S. supplier of rye whiskey
  - Largest U.S. supplier of distilled gin
- Ingredient Solutions
  - Largest U.S. supplier of specialty wheat proteins and starches

# UNIQUE CAPABILITIES AND CAPACITIES

## Atchison, KS Operations

- Company HQ
- Distillery
  - Gin
  - Grain Neutral Spirits/Vodka
  - Industrial alcohol
- Proteins & Starches
  - Specialty wheat protein
  - Specialty wheat starch
  - Commodity wheat protein
  - Commodity wheat starch
- Research & Development

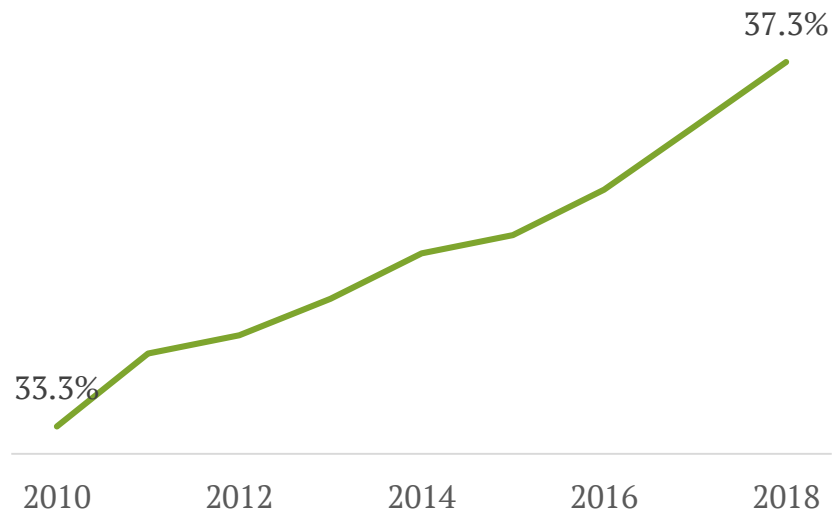
## Lawrenceburg, IN Operations

- Distillery
  - Top-5 American Whiskey producer
  - Largest supplier of rye whiskey
  - Bourbon
  - Gin
  - Grain Neutral Spirits/Vodka
- Warehouses
  - Whiskey aging capabilities
- Research & Development
  - Standard and custom mash bills
  - Blending capabilities

# STRONGLY POSITIONED IN GROWING MARKETS

- Spirits continue to gain share of total beverage alcohol

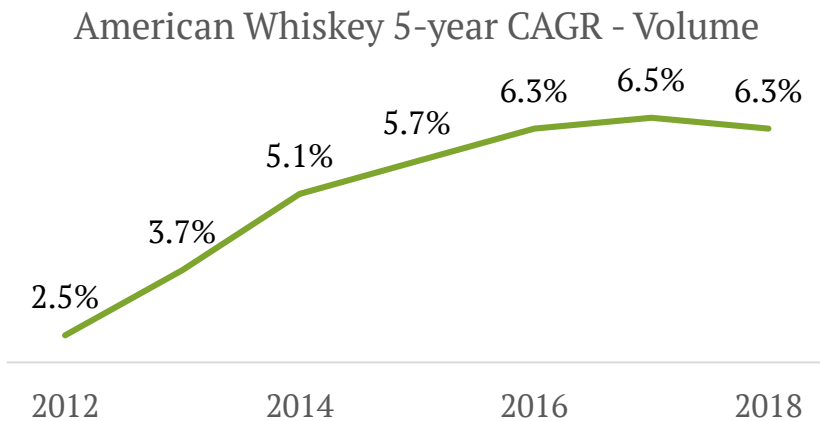
Spirits Market Share - Revenue



- Growth of the American Whiskey category continues to outperform overall distilled spirits industry in 2018
  - Volume up 5.9% to 24.5M cases
  - Revenues up 6.6% to \$3.6B
- American Whiskey is underdeveloped outside the U.S. Despite current tariffs, exports will be key driver of long-term growth
- Premiumization trends across categories continued to drive volume growth for high end and super premium brands in 2018
  - Super Premium American Whiskey +16.9%
  - Rye Whiskey +15.9%
  - Super Premium Gin +14.7%

# BULL CASE FOR AMERICAN WHISKEY

- 5-year volume CAGR remains robust



- Geographical expansion potential
  - American Whiskey SOM of Total Whiskey:
    - In U.S. 42%
    - ROW 12%

- Historical length of trends indicates sustainable growth opportunities

	9-LTR Case Volume (millions)		
	<u>1970</u>	<u>2010</u>	<u>2018</u>
American Whiskey	35.6	15.3	24.5
Vodka	18.8	62.1	72.5
Tequila	0.4	11.6	18.5

- Significant headroom for additional American Whiskey growth

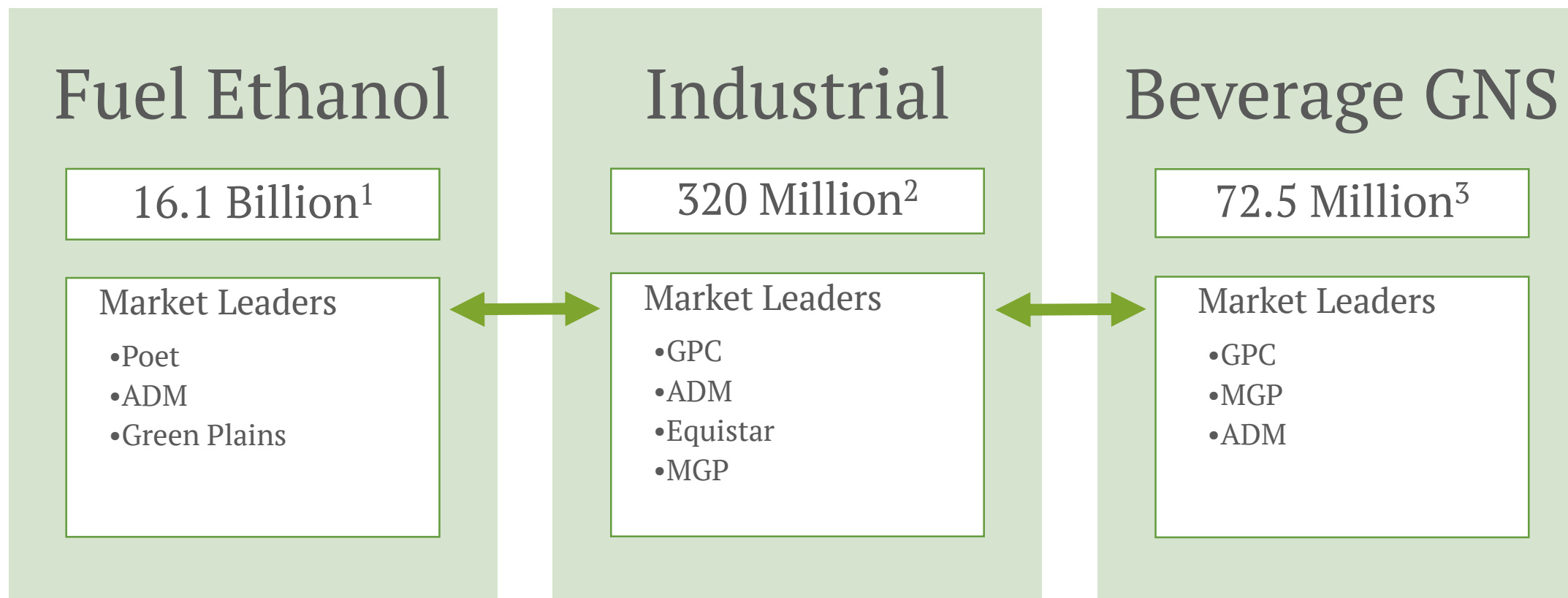
	<u>1970</u>	<u>2010</u>	<u>2018</u>
9-LTR Case Volume	35.6M	15.3M	24.5M
Per Capita Consumption	0.69	0.16	0.24
LDA Population	122M	221M	241M
Share of TDS	22.8%	8.0%	10.6%

# CAPACITY & CAPABILITY PROVIDE STRONG COMPETITIVE POSITION

- Industry is adding capacity
  - Existing producers to support growth of existing brands
  - New producers to support growth of new brands
- Customers building capacity
  - To expand product offerings and marketing efforts
  - Continue to understand our value and role as their brands grow
- Strengthening our position
  - **Scale** provides competitive pricing
  - **Capacity** supports long-term growth
  - **Capabilities** to meet diverse customer needs
  - **Broad base** of premium beverage offerings
  - **Leveraging aged whiskey** to retain and attract new customers
  - **Partnership approach** to our core business

# INDUSTRIAL ALCOHOL MARKET DYNAMICS

Chronic oversupply of ethanol and industrial has led to a very competitive GNS market



<sup>1</sup>Source: Renewable Fuels Association

<sup>2</sup>Source: Internal Estimate  
Volumes in wine gallons

<sup>3</sup>Source: Distilled Spirits Council





## STRONGLY POSITIONED TO SERVE GROWING MARKETS

- Plant based new product launches up 63% since 2012
  - Meat substitutes growing at 6.4% CAGR; \$5.2B by 2020
  - 38% of U.S. consumers eat “meatless” once per week
  - More than 120M U.S. consumers are considered “flexitarian”
- Non-GMO category sales growing at 12.9% CAGR
- Total dietary fiber projected to grow at 13.1% CAGR
- Consumer importance related to clean and simple labels is up 72% from prior year

# STRATEGIC GROWTH PLAN

MAXIMIZE VALUE

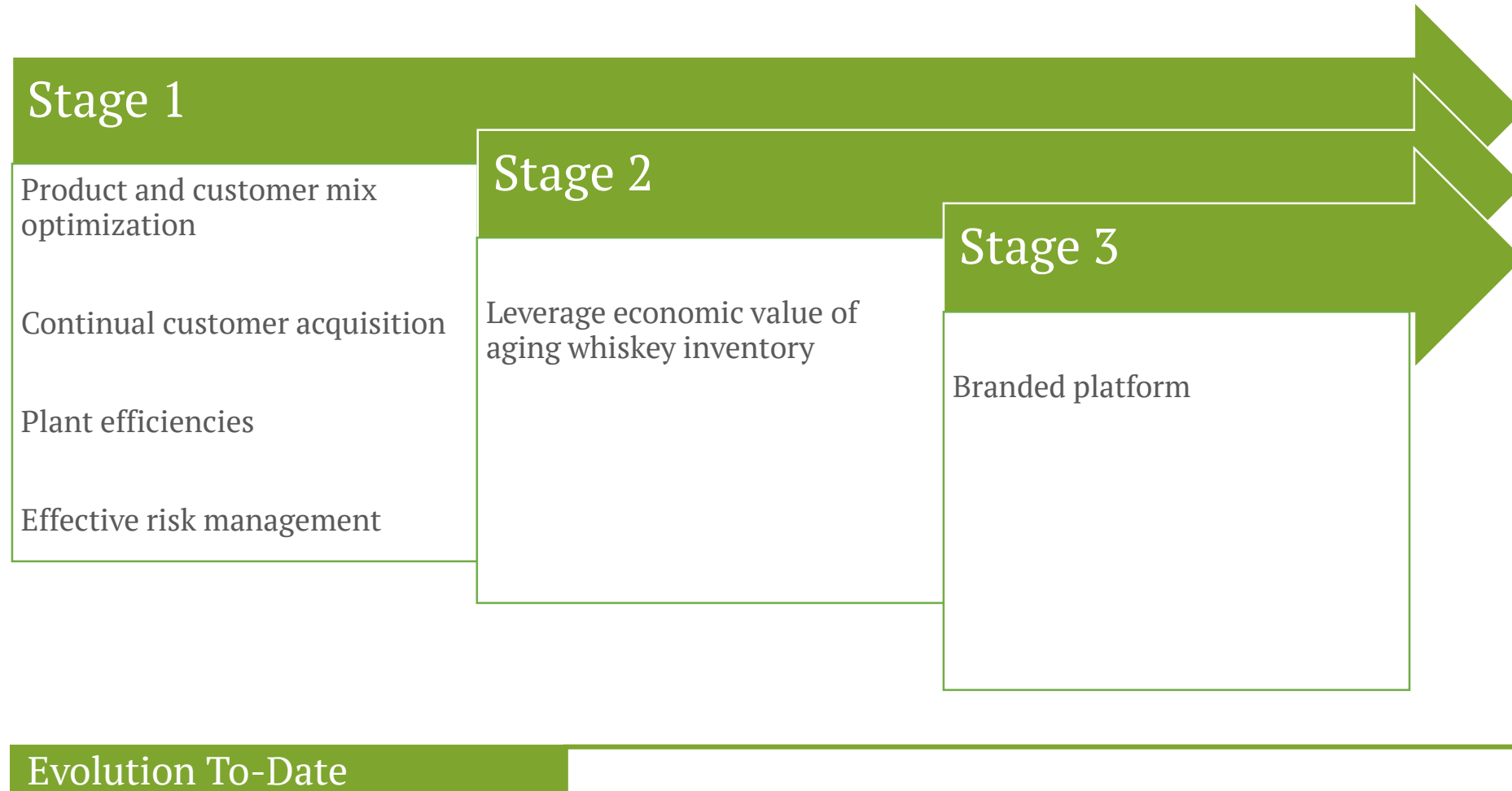
CAPTURE VALUE SHARE

INVEST FOR GROWTH

OPERATIONAL EXCELLENCE



# AGED WHISKEY SALES AND BRANDED PLATFORM DESIGNED TO DRIVE FUTURE GROSS MARGIN EXPANSION

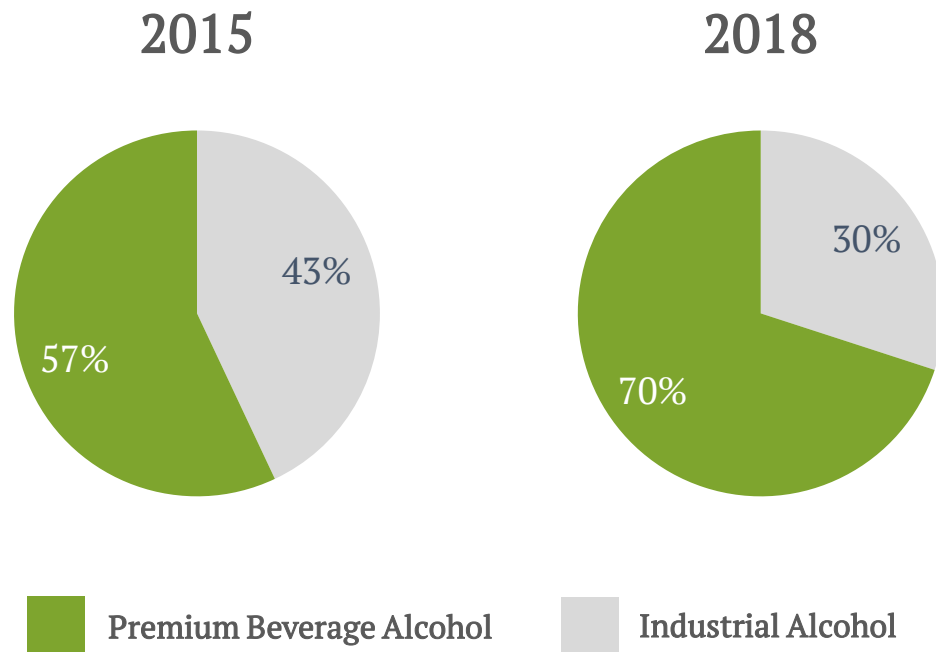


# DRIVING SALES MIX UP THE MARGIN LADDER



# MIGRATING TO PREMIUM BEVERAGE ALCOHOL: FOCUS ON WHISKEY

% of Total Food Grade Alcohol Sales

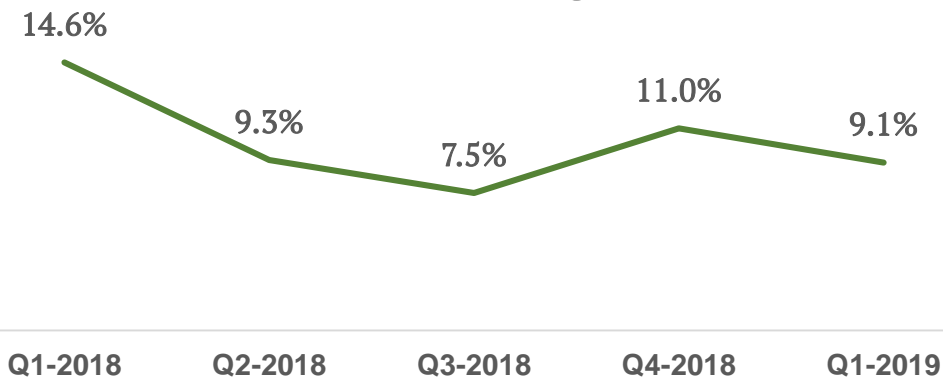


- Strong 2018 sales growth for MGP brown goods reflects robust American Whiskey category

Brown Goods	+11.0%
White Goods	(3.1)%
Premium Beverage Alcohol	+5.9%

- MGP continues to grow share in a growing category

Total Brown Sales – Trailing Twelve Month % Change



# PORTFOLIO OF AWARD-WINNING BRANDS



**TILL**  
American Wheat Vodka

**80** | **40%**  
PROOF | ALC/VOL

SRP: \$18.99



**TANNER'S CREEK**  
Blended Bourbon Whiskey

**85** | **42.5%**  
PROOF | ALC/VOL

SRP: \$34.99



**EIGHT & SAND**  
Blended Bourbon Whiskey

**88** | **44%**  
PROOF | ALC/VOL

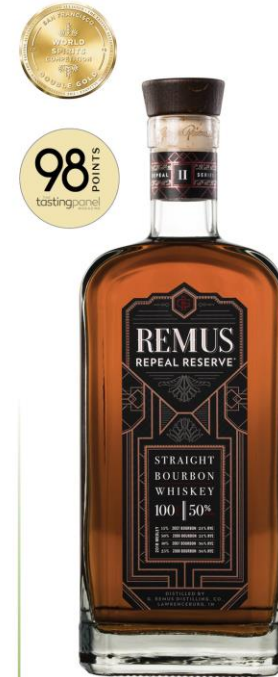
SRP: \$29.99



**GEORGE REMUS**  
Straight Bourbon Whiskey

**94** | **47%**  
PROOF | ALC/VOL

SRP: \$39.99



**REMUS**  
**REPEAL RESERVE**  
Straight Bourbon Whiskey

**100** | **50%**  
PROOF | ALC/VOL

SRP: \$84.99



**ROSSVILLE UNION**  
Master Crafted  
Straight Rye Whiskey

**94** | **47%**  
PROOF | ALC/VOL

SRP: \$39.99

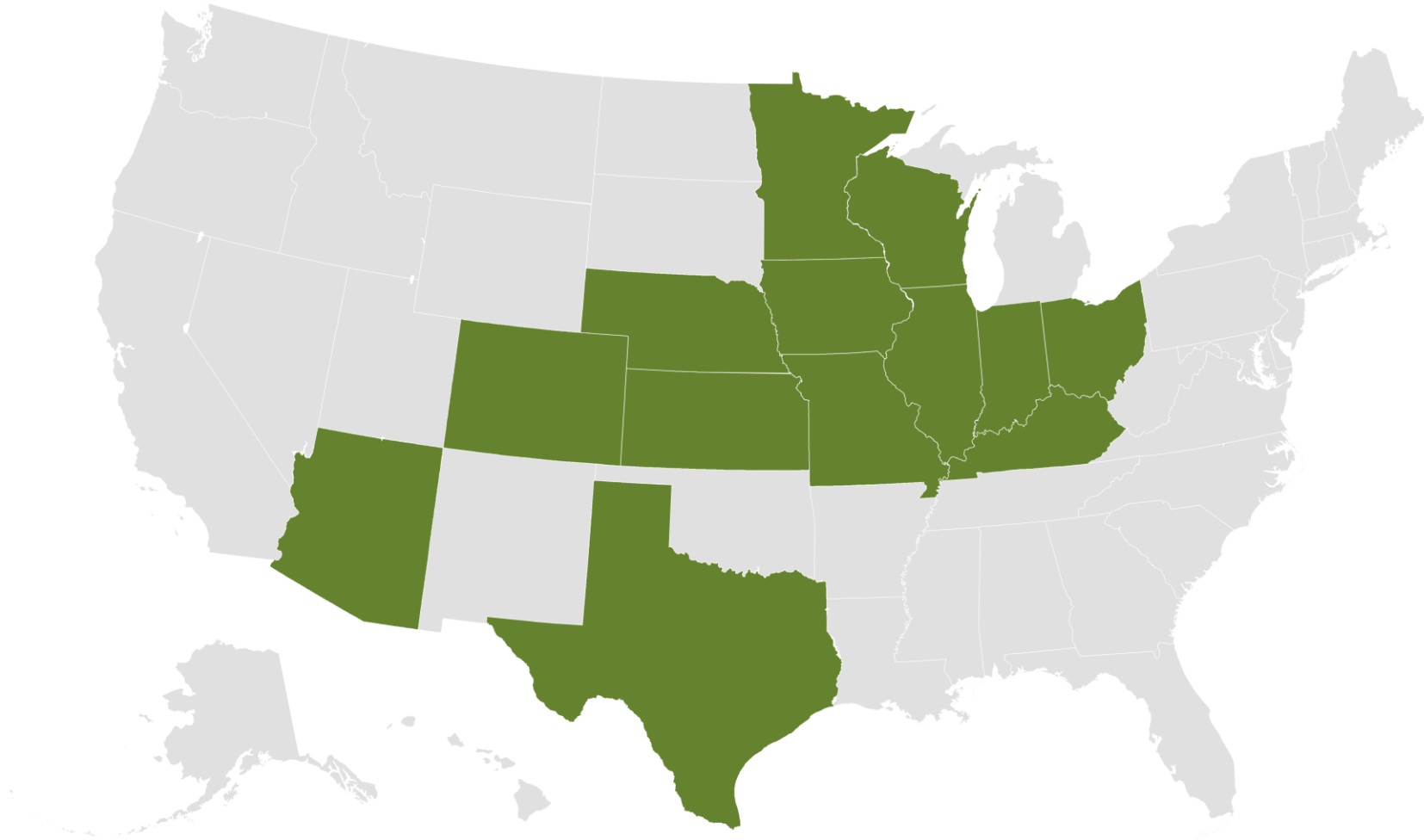


**ROSSVILLE UNION**  
Barrel Proof  
Straight Rye Whiskey

**112.6** | **56.3**  
PROOF | ALC/VOL

SRP: \$69.99

# NARROW AND DEEP MARKET EXPANSION STRATEGY





## STRONG BALANCE SHEET AND CASH FLOWS PROVIDE INVESTMENT FOR GROWTH

- Building aging whiskey inventory
  - Investment of \$79.5 million, at cost, as of 3/31/2019
  - Will continue to increase inventory level through 2019
- Expanding barrel warehouse capacity
  - Incurred approx. \$45 million of the \$51.8 million expansion program
- Enhancing production capabilities
- Attracting, developing and retaining talent





# A CULTURE OF CONTINUOUS IMPROVEMENT

- Improving throughput while maintaining consistency of high quality products
- Managing commodity cost risks
  - Formula-driven pricing
  - Locking in margins
  - Passing through significant swings in cost
- Implementing new safety initiative – Safety Up
- BRC audit Grade AA ratings (highest rating) at all facilities
- Ongoing sustainability efforts
  - 100% of electricity sourced from renewable wind energy
  - Elimination of all single use plastics and styrofoam
- MGP University: Developing the talent to support our growth

# 2018 FINANCIAL RESULTS



# GROWTH IN PREMIUM BEVERAGE AND SPECIALTY INGREDIENTS LED TO SALES GROWTH OF 8.2%

## Sales (year ended 12/31/18)

	<u>Fav / (Unfav) vs Prior Year</u>		
	<u>\$MM</u>	<u>\$MM</u>	<u>%</u>
Distillery Products	\$314.1	\$23.0	7.9%
Ingredient Solutions	<u>62.0</u>	<u>5.6</u>	9.9%
MGP Ingredients	\$376.1	\$28.6	8.2%

## Key Drivers

- Distillery Products growth primarily driven by an 11.0% increase in brown goods
- Ingredient Solutions improvement due to gains in specialty wheat protein and starch businesses

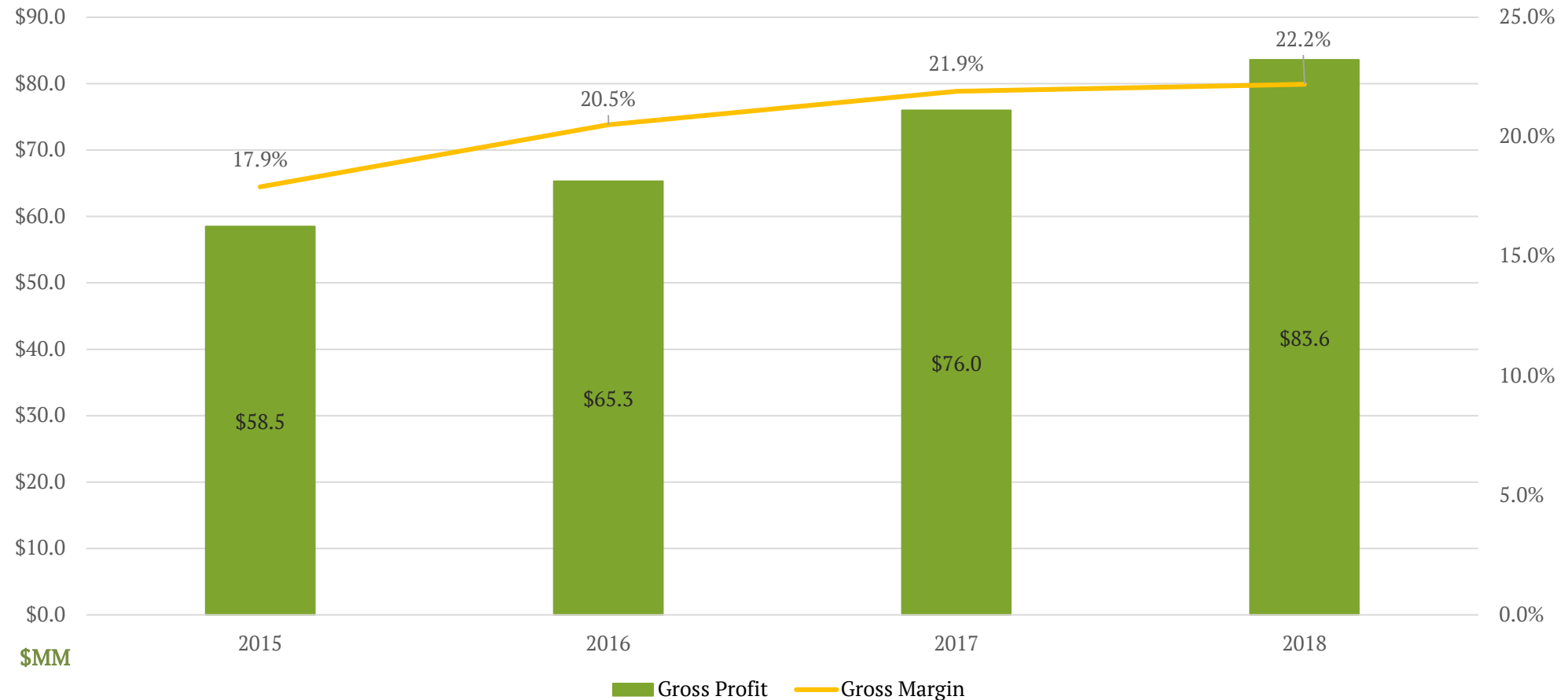
# DISTILLERY SALES MIX SHIFTED TO HIGHER VALUE PREMIUM BEVERAGE ALCOHOL DRIVEN BY BROWN GOODS

## Sales (year ended 12/31/18)

	<u>Fav / (Unfav) vs Prior Year</u>		
	\$MM	\$MM	%
Brown Goods	\$125.9	\$12.4	11.0%
White Goods	62.6	\$(2.0)	(3.1)
Premium Beverage Alcohol	188.4	\$10.4	5.9
Industrial Alcohol	80.7	4.0	5.2
Food Grade Alcohol	\$269.1	\$14.4	5.7
Fuel Grade Alcohol	6.3	-	(0.3)
Distillers Feed	25.7	6.4	32.9
Warehouse Services	12.9	2.3	21.1
<b>Total Distillery Products</b>	<b>\$314.1</b>	<b>\$23.0</b>	<b>7.9%</b>

# MIX SHIFT IS DRIVING PROFITABILITY AND MARGIN GROWTH

## Consolidated Gross Profit and Margins



# DISTILLERY GROSS PROFIT A KEY DRIVER OF OPERATING INCOME GROWTH

## Operating Income Drivers

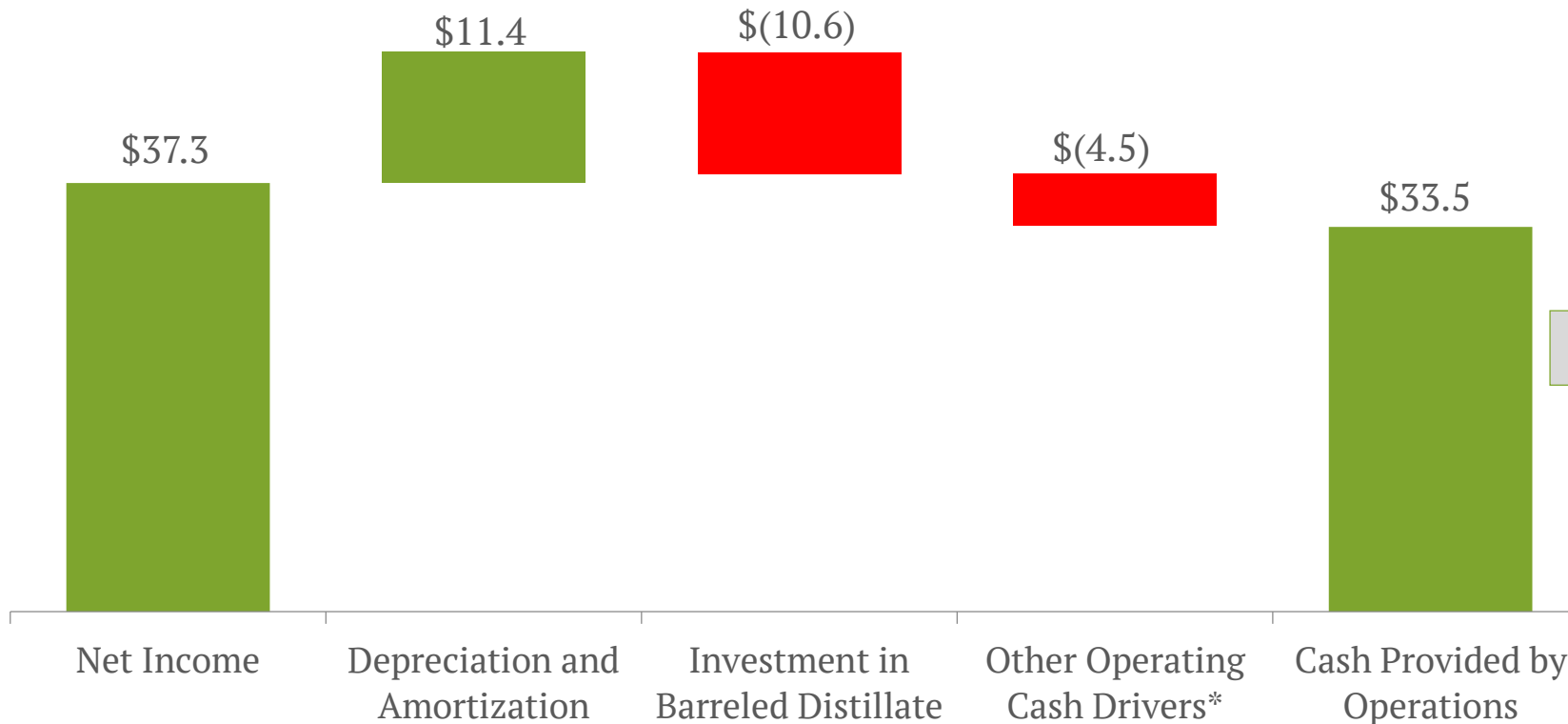
2017-18 (\$MM)



# STRONG OPERATING CASH FLOWS ENABLE GROWTH INVESTMENT OPPORTUNITIES

## Operating Cash Flow Drivers

Year Ended 2018 (\$MM)

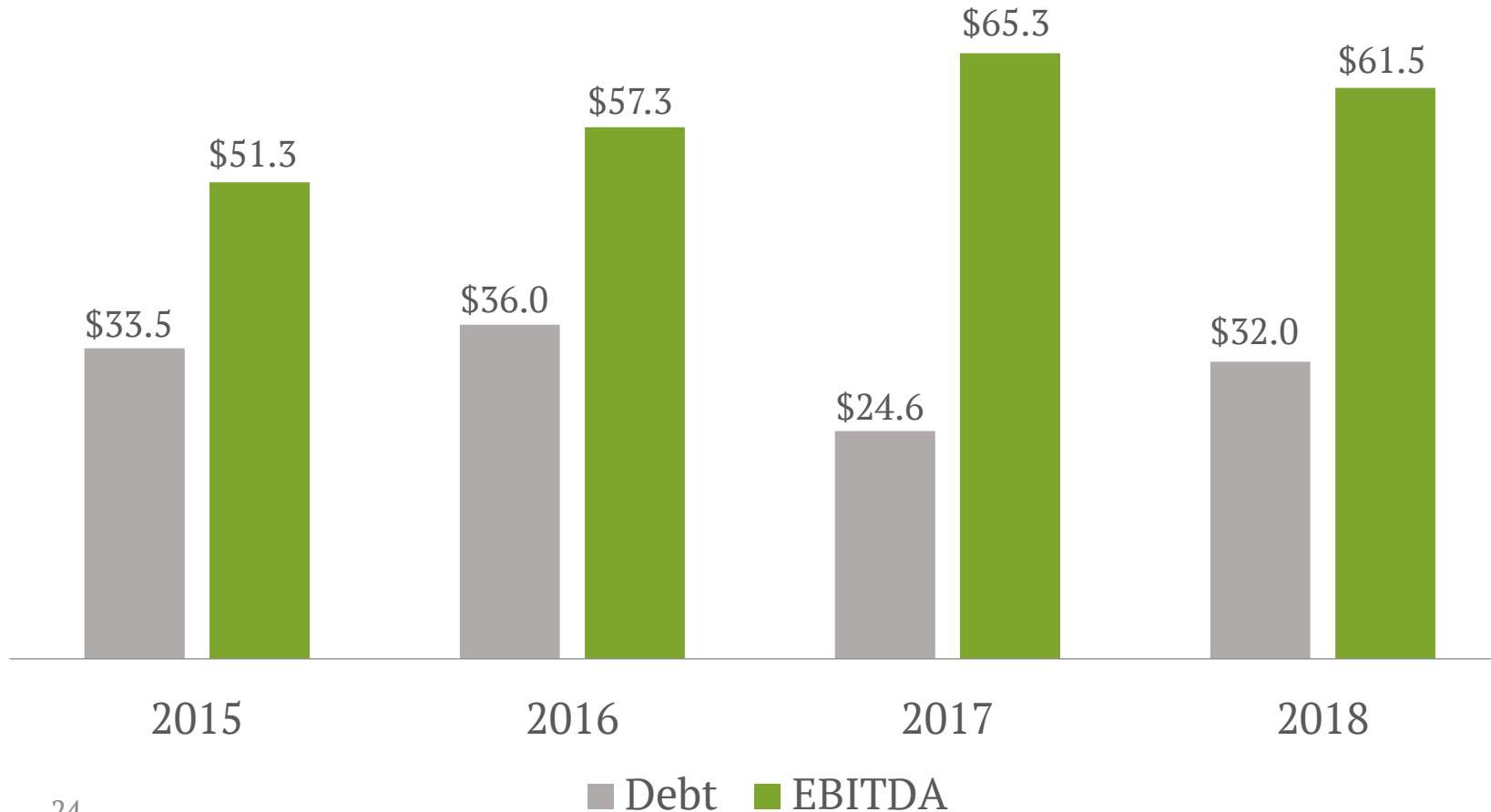


## INVESTING ACTIVITIES (\$MM)

Source / (Use)	Amount
PP&E additions	<u>\$(31.0)</u>
Net cash provided by investing activities	<u>\$(31.0)</u>
Remaining Cash Flow	\$2.4

# BALANCE SHEET REMAINS STRONG

Debt to EBITDA (\$MM)



- 2018 YE Debt to EBITDA ratio of 0.52
- \$139.0MM available on Credit Facility at 12/31/2018



# Q1 2019 FINANCIAL RESULTS



# Q1 SALES WERE UP 1.3% WITH BOTH SEGMENTS REPORTING GROWTH

## Sales (quarter ended 3/31/19)

	<u>\$MM</u>	<u>Fav / (Unfav) vs Prior Year</u>	
		<u>\$MM</u>	<u>%</u>
Distillery Products	\$74.6	\$0.2	0.3%
Ingredient Solutions	<u>14.5</u>	<u>0.9</u>	6.9%
<b>MGP Ingredients</b>	<b>\$89.1</b>	<b>1.1</b>	<b>1.3%</b>

## Key Drivers

- Distillery Products growth primarily driven by an 8.3% increase in white goods
- Ingredient Solutions improvement due to gains in specialty and commodity starches

# INCREASED WHITE GOODS & INDUSTRIAL SALES GROWTH OFFSET BY BROWN GOODS QUARTERLY VOLATILITY

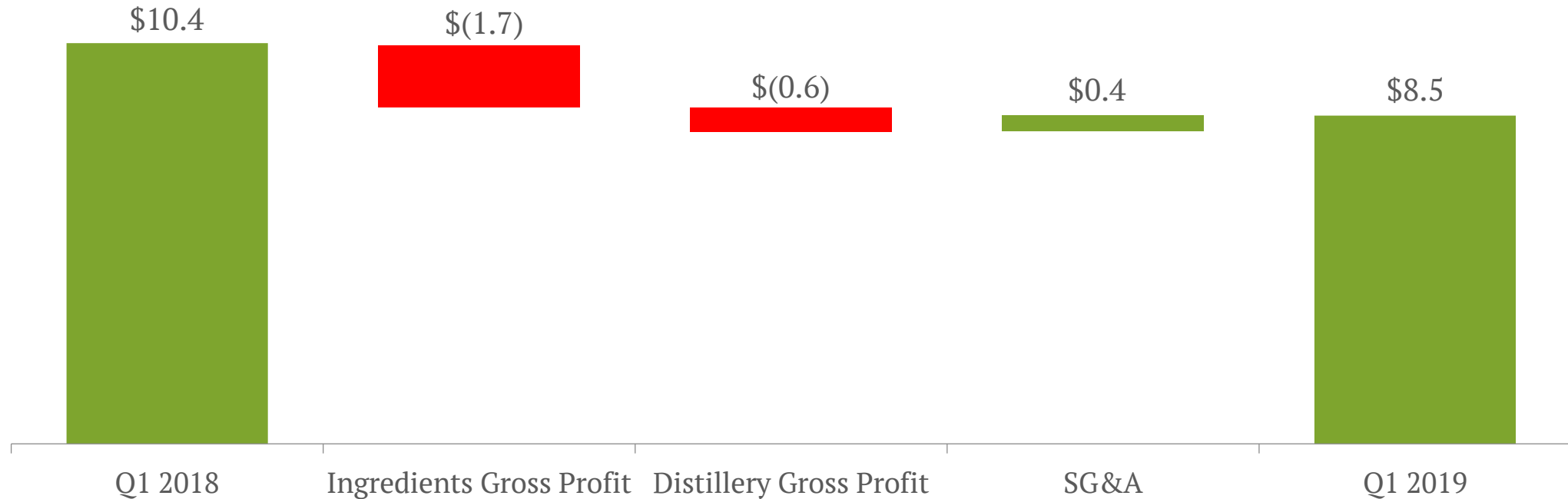
## Sales (quarter ended 3/31/19)

	<u>\$MM</u>	<u>Fav / (Unfav) vs Prior Year</u>	
		<u>\$MM</u>	<u>%</u>
Brown Goods	\$24.8	\$(3.4)	(12.0)%
White Goods	<u>17.2</u>	1.3	8.3
Premium Beverage Alcohol	42.0	\$(2.1)	(4.7)
Industrial Alcohol	<u>20.4</u>	<u>1.1</u>	5.7
Food Grade Alcohol	\$62.5	\$(1.0)	(1.5)
Fuel Grade Alcohol	1.5	(0.4)	(19.4)
Distillers Feed	7.1	0.9	14.0
Warehouse Services	<u>3.5</u>	<u>0.7</u>	22.7
<b>Total Distillery Products</b>	<b>\$74.6</b>	<b>\$0.2</b>	<b>0.3%</b>

# BUSINESS SEGMENT PERFORMANCE KEY DRIVER OF OPERATING INCOME RESULTS

## Operating Income Drivers

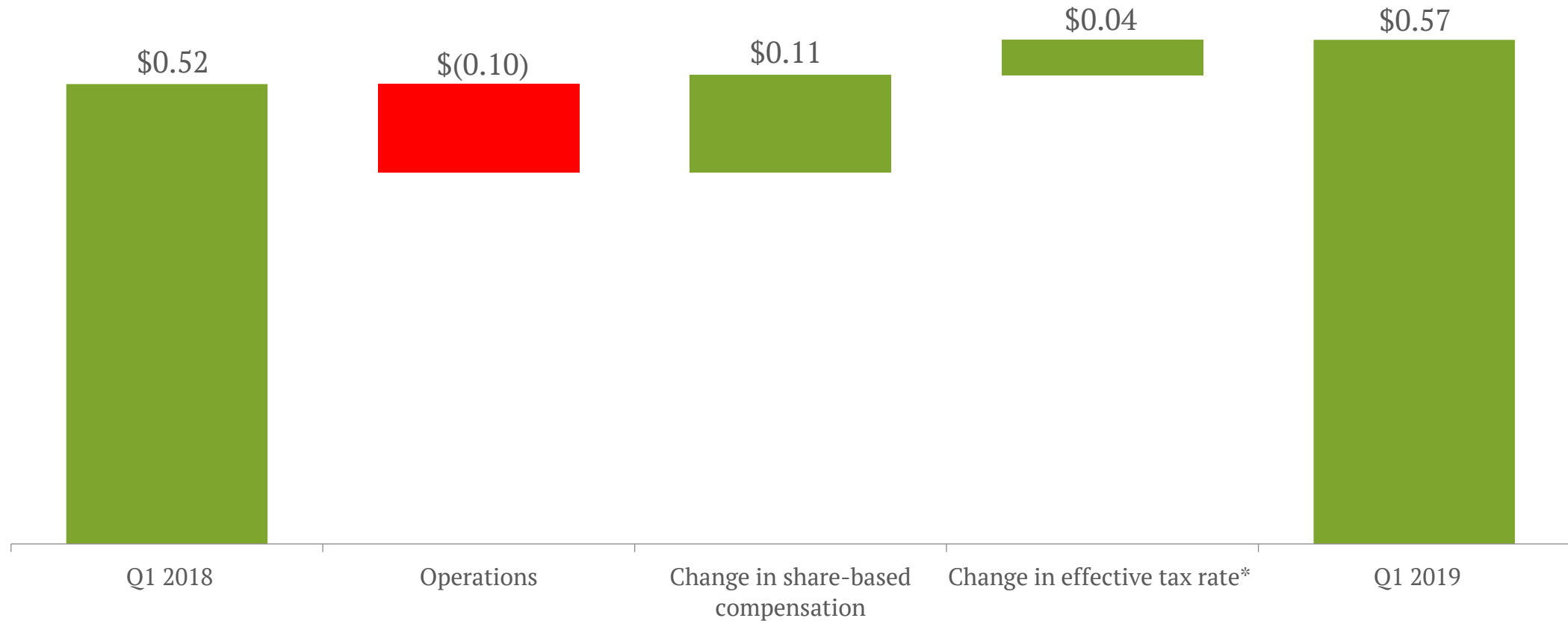
First Quarter 2018-19 (\$MM)



# EPS INCREASE REFLECTS A TAX BENEFIT

## Earnings Per Share Drivers

First Quarter 2018-19



# GUIDANCE

MGP confirmed on May 1, 2019 the following guidance for fiscal 2019:

- 2019 sales growth is projected in the mid-single-digit percentage range versus 2018, subject to some volatility due to the current conditions in the industrial alcohol market.
- 2019 gross margins are expected to increase modestly as compared to 2018.
- The Company's estimate of growth in operating income in 2019 is 15% to 20% off of the higher than expected 2018 results.
- 2019 effective tax rate is forecasted to be approximately 21%, and shares outstanding are expected to be approximately 17 million at year end.
- Earnings per share are forecasted to be in the \$2.55 to \$2.65 range.

# EXCELLENT ACCESS TO CAPITAL

Credit agreement provides greater access to capital, improved flexibility and reduced rate risk

- Agreement highlights as of 3/31/2019:
  - \$150 million revolving credit facility with Wells Fargo
  - \$20 million 10-year term loan with Prudential Capital at 3.53% fixed rate
  - Acquisition limit of \$100 million per year

# CAPITAL ALLOCATION PRIORITIES

## Working capital

- Continue to increase aging whiskey inventory through 2019 year-end

## Capital expenditures

- Warehouse expansion
- Invest in capabilities

## Acquisitions

- May be used to accelerate expansion into brands or other strategic initiatives
- Key criteria for premium beverage brands:
  - Super premium brands
  - Product MGP can produce
  - Strong financial returns

## Return funds to shareholders

- Increased quarterly dividend by 25% to \$0.10 from \$0.08 per share
- Announced 3-year \$25 million share repurchase plan



# WHY INVEST

- Proven success of implementing long-term strategy to maximize growth and expand margins
- Well positioned against favorable macro trends with a strong, competitive position
- Sales of aged whiskey sales begin second stage of meaningful sales growth and margin expansion
- Third growth stage of branded platform in early stages
- Strong cash flows allow for additional investments to deliver long-term shareholder value
- Accolades:
  - Selected for S&P SmallCap 600 index
  - Named Distiller of the Year by Whisky Advocate
  - Honored as Supplier of the Year by largest distilled spirits company
  - EY Entrepreneur of the Year award winner

# APPENDIX



# U.S. SPIRITS MARKET

9-Liter Cases (000s)

	2018 Volume	% Change
Total Distilled Spirits (TDS)	231,136	+2.2%
Total Whiskey	66,098	+3.2%
American Whiskey (Bourbon/Rye/Tennessee)	24,516	+5.9%
Super Premium	2,848	+16.9%
Rye	~1,100	+15.9%
Vodka	72,472	+1.6%
Super Premium	5,514	-2.6%
Gin	9,762	-1.1%
Super Premium	183	+14.7%

# RECONCILIATION OF GAAP TO NON-GAAP

## Reconciliation of GAAP to Non GAAP Measures

### EBITDA

(Dollars in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Income	\$ 37,284	\$ 41,823	\$ 31,184	\$ 26,191
Interest	1,168	1,184	1,294	534
Taxes	11,696	10,935	13,533	12,227
Depreciation / Amortization	11,362	11,308	11,253	12,382
EBITDA	<u>\$ 61,510</u>	<u>\$ 65,250</u>	<u>\$ 57,264</u>	<u>\$ 51,334</u>
Total Debt (See Note 5 of 10-K)	\$ 32,014	\$ 24,554	\$ 36,001	\$ 33,460
Debt to EBITDA	0.52	0.38	0.63	0.65

# CASH FLOW DETAILS

	<u>YTD Ended December 31, 2018</u>
<b>Other operating cash drivers</b>	
Gain on Insurance Recoveries	
Loss (gain) on sale of assets	
Share based compensation	3,100
Excess tax benefits related to share based compensation	
Equity in (earnings) loss	
Receipt of dividends from JV	
Deferred income taxes	1,665
Gain on sale of Bioplastics	
Gain on sale of joint venture interest	
Post retirement curtailment gain	
Release of Valuation Allowance	
Other, net	(1)
<b>Changes in working capital items:</b>	
Receivables/receivables from affiliate	(4,450)
Inventory (excluding aged barrel inventory)	(4,972)
Prepaid Expenses	862
Income taxes payable/receivable	1,268
Accounts payable	(2,542)
Accounts payable to affiliate	-
Accrued expenses	551
Deferred credit	(586)
Accrued retiree benefits/other non-current liabilities	588
Other (Deposits and change in LTIP)	
	<u>(4,517)</u>