



# INVESTOR PRESENTATION

August 2020



# 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, 2019 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020.

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

2019 Sales of \$362.7MM



- 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

- U.S. spirits continue to gain share of total beverage alcohol

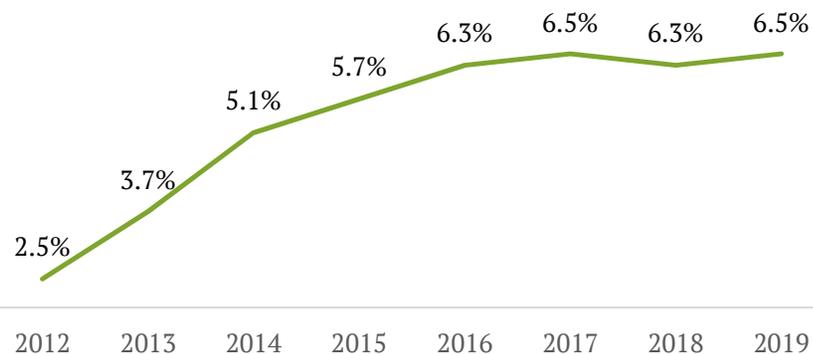
U.S. Spirits Market Share - Revenue



- Total distilled spirits have experienced 10 straight years of market share gains in the U.S.
  - 2019 volume up 3.3% to 239M cases
  - 2019 revenues up 5.3% to \$29B
- Premiumization trends across categories continued to drive U.S. volume growth for high end and super premium brands in 2019
  - Super Premium American Whiskey +22.2%
  - Rye Whiskey +14.7%
  - Super Premium Gin +31.7%

# BULL CASE FOR AMERICAN WHISKEY

- 5-year U.S. volume CAGR remains robust



- Growth of the American Whiskey category continues to outperform overall U.S. distilled spirits industry in 2019

- Volume up 8.4% to 26.6M cases
- Revenues up 10.8% to \$4.0B

- Historical length of trends in the U.S. indicates sustainable growth opportunities

|                  | 9-LTR Case Volume (millions) |             |             |
|------------------|------------------------------|-------------|-------------|
|                  | <u>1970</u>                  | <u>2010</u> | <u>2019</u> |
| American Whiskey | 35.6                         | 15.3        | 26.6        |
| Vodka            | 18.8                         | 62.1        | 74.1        |
| Tequila          | 0.4                          | 11.6        | 20.1        |

- Significant headroom for additional American Whiskey growth in the U.S.

|                        | <u>1970</u> | <u>2010</u> | <u>2019</u> |
|------------------------|-------------|-------------|-------------|
| 9-LTR Case Volume      | 35.6M       | 15.3M       | 26.6M       |
| Per Capita Consumption | 0.69        | 0.16        | 0.26        |
| LDA Population         | 122M        | 221M        | 242M        |
| Share of TDS           | 22.8%       | 8.0%        | 11.1%       |

Note: Data sourced from Distilled Spirits Council

# CAPACITY & CAPABILITY PROVIDE STRONG COMPETITIVE POSITION

- **Scale** provides competitive pricing
- **Capacity** supports long-term growth
- **Capabilities** to meet diverse customer needs
- **Library** of different mash bills and ages
- **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 HAVE LED TO A VERY COMPETITIVE GNS MARKET

## Fuel Ethanol

15.8 Billion<sup>1</sup>

### Market Leaders

- Poet
- ADM
- Green Plains

## Industrial

375 Million<sup>2</sup>

### Market Leaders

- GPC
- ADM
- MGP
- Equistar

## Beverage GNS

74.2 Million<sup>3</sup>

### Market Leaders

- GPC
- MGP
- ADM



## STRONGLY POSITIONED TO SERVE GROWING MARKETS

- Plant based new product launches up 65% since 2012<sup>1</sup>
  - Global sales of alternative meats expected to reach \$100B in the next decade<sup>2</sup>
  - 16% of U.S. consumers eat “meatless” once per week<sup>1</sup>
  - Meat substitute products introduced in the U.S. have increased 84% since 2015<sup>1</sup>
- 85% of consumers regard dietary fiber as a healthy component to their food<sup>3</sup>
  - Starches used for fiber are expected to grow in volume by a CAGR of 6.7% over the next 5 years<sup>4</sup>
- New product launches with non-GMO claims are up 10.2% since 2015<sup>1</sup>

<sup>1</sup>Mintel

<sup>2</sup>CFRA from Sosland Publishing

<sup>3</sup>Foodinsight.org from Sosland Publishing

<sup>4</sup>QYResearch, 2019

# STRATEGIC GROWTH PLAN

MAXIMIZE VALUE

CAPTURE VALUE SHARE

INVEST FOR GROWTH

OPERATIONAL EXCELLENCE



# DRIVING SALES MIX UP THE PROFIT LADDER



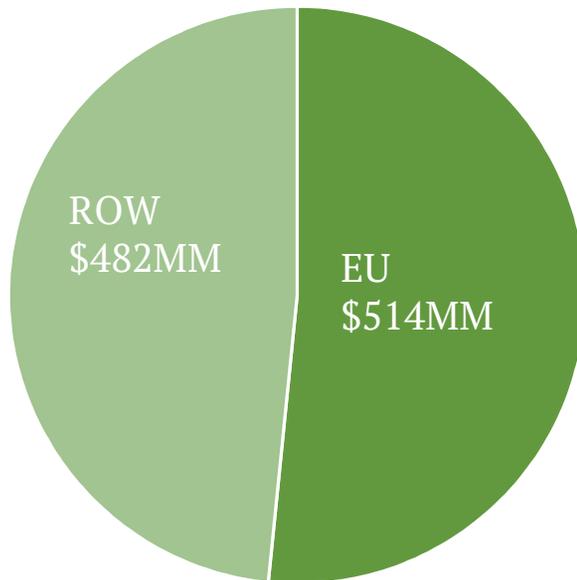
## AGED WHISKEY CUSTOMER ECONOMICS BENEFITS

- Shortens timeline to cash flow
- Reduces working capital investment
- No need to build additional distillation capacity or warehouses
- Enables M&A-related growth and brand expansion
- MGP provides a reliable long-term supply chain solution

# AMERICAN WHISKEY ACCOUNTS FOR 65 PERCENT OF ALL U.S. SPIRITS EXPORTS

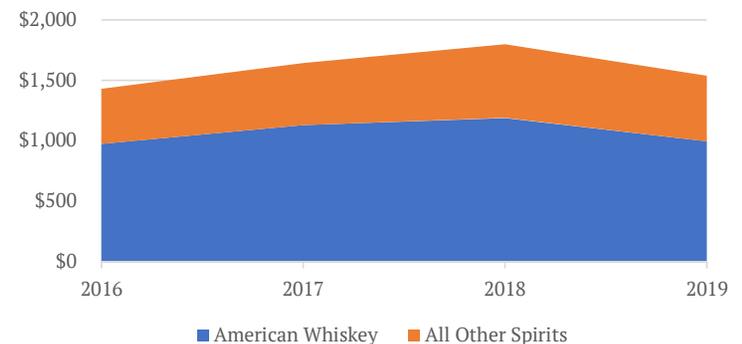
- The European Union is the top export market for American Whiskey

Total American Whiskey Exports (\$996MM)



- American Whiskey is underdeveloped outside the U.S. Despite current tariffs, exports will be a key driver of long-term growth

Global U.S. Spirits and American Whiskey Exports (\$MM)



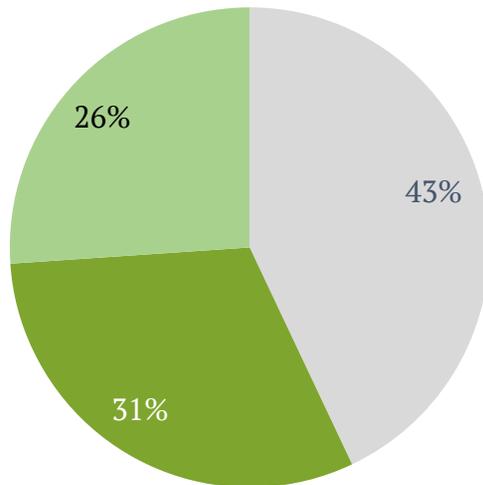
- Geographical expansion potential
  - American Whiskey SOM of Total Whiskey:
    - In U.S. 43%
    - ROW 14%

Note: Data sourced from Distilled Spirits Council, USITC Dataweb and Impact

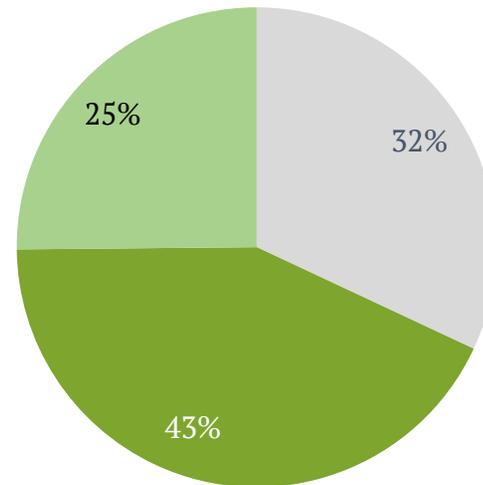
# MIGRATING TO PREMIUM BEVERAGE ALCOHOL: FOCUS ON WHISKEY

% of Total Food Grade Alcohol Sales

2015



2019



 Brown Goods Premium Beverage Alcohol

 White Goods Premium Beverage Alcohol

 Industrial Alcohol

# PORTFOLIO OF AWARD-WINNING BRANDS



**TILL**  
American Wheat Vodka

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

SRP: \$18.99



**GREEN HAT**  
Distilled Gin

**83** | **41.5%**  
PROOF | ALC/VOL

SRP: \$29.99



**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



**REMUS VOLSTEAD RESERVE**  
Straight Bourbon Whiskey

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

SRP: \$199.99



**ROSSVILLE UNION**  
Master Crafted  
Straight Rye Whiskey

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

SRP: \$39.99

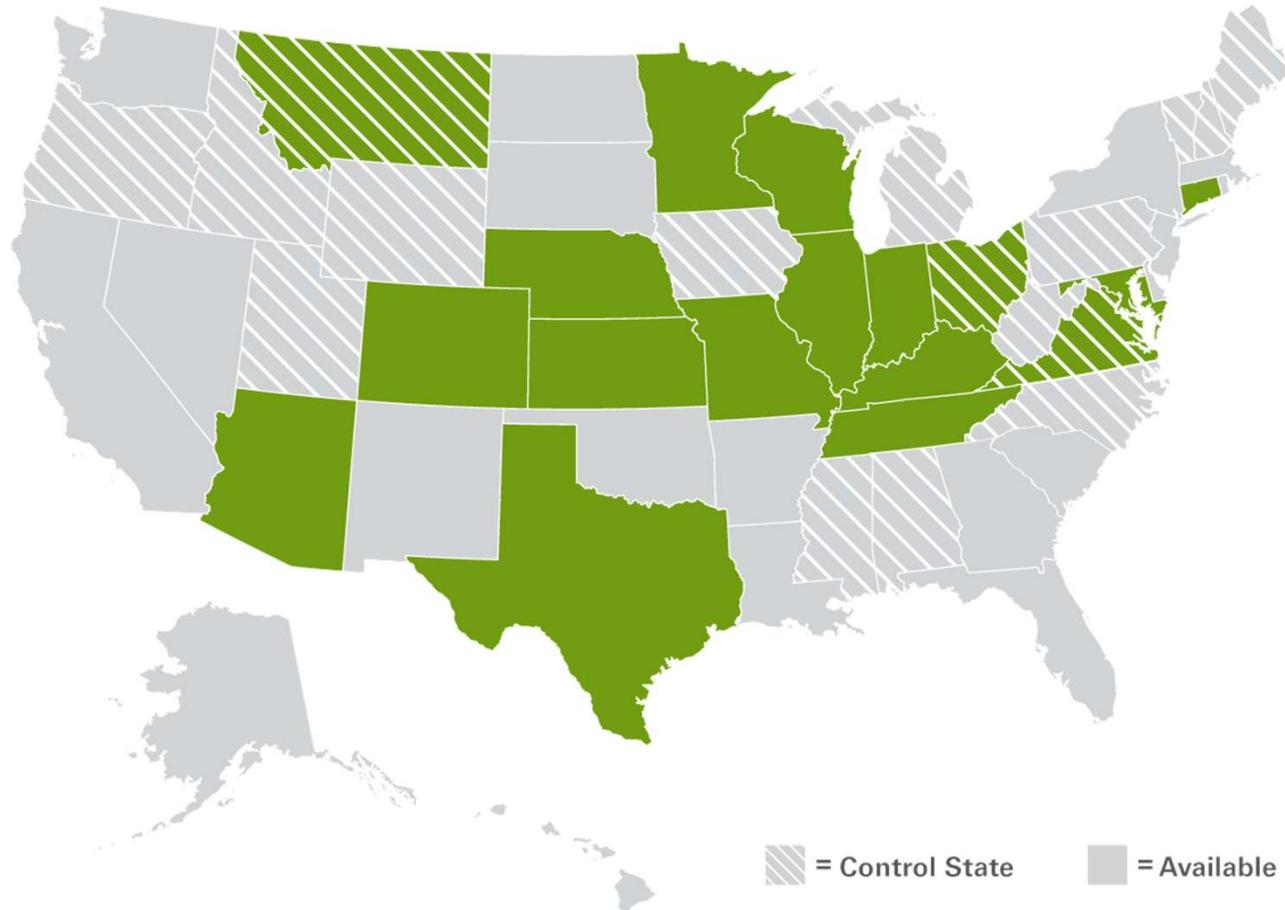


**ROSSVILLE UNION**  
Barrel Proof  
Straight Rye Whiskey

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

SRP: \$69.99

# NARROW AND DEEP MARKET EXPANSION STRATEGY





## INVEST FOR GROWTH

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# STRONG BALANCE SHEET AND CASH FLOWS PROVIDE INVESTMENT FOR GROWTH

- Evaluating M&A opportunities
- Maintaining a broad offering of aging whiskey inventory
- Supporting new distillate growth with adequate barrel warehouse capacity
- Enhancing production capabilities
- Attracting, developing and retaining talent



## OPERATIONAL EXCELLENCE

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# 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
- Launching MGP “House of Zero Loss” operational excellence initiative

# Q2 2020 FINANCIAL RESULTS



# Q2 SALES WERE UP 2.3% WITH BOTH SEGMENTS REPORTING GROWTH

## Consolidated Sales

(quarter ended 6/30/20)

|                        | <u>Fav / (Unfav) vs Prior Year</u> |              |             |
|------------------------|------------------------------------|--------------|-------------|
|                        | <u>\$MM</u>                        | <u>\$MM</u>  | <u>%</u>    |
| Distillery Products    | \$75.2                             | \$1.2        | 1.6%        |
| Ingredient Solutions   | 17.4                               | 0.9          | 5.4%        |
| <b>MGP Ingredients</b> | <b>\$92.6</b>                      | <b>\$2.1</b> | <b>2.3%</b> |

## Key Drivers

- Distillery Products growth primarily due to strong sales of aged brown goods and increase sales of industrial alcohol
- Ingredient Solutions improvement due to optimized sales mix and production toward our highest margin products

# DOUBLE-DIGIT SALES PERCENTAGE GROWTH OF AGED WHISKEY DESPITE PANDEMIC UNCERTAINTY

## Distillery Products Sales

(quarter ended 6/30/20)

|                                  |               | <u>Fav / (Unfav) vs Prior Year</u> |              |
|----------------------------------|---------------|------------------------------------|--------------|
|                                  | <u>\$MM</u>   | <u>\$MM</u>                        | <u>%</u>     |
| Brown Goods                      | \$25.5        | \$(2.1)                            | (7.5)%       |
| White Goods                      | <u>15.0</u>   | <u>0.3</u>                         | 2.4          |
| <b>Premium Beverage</b>          |               |                                    |              |
| <b>Alcohol</b>                   | <b>40.6</b>   | <b>(1.7)</b>                       | <b>(4.1)</b> |
| Industrial Alcohol               | <u>23.0</u>   | <u>2.3</u>                         | 11.2         |
| <b>Food Grade Alcohol</b>        | <b>63.5</b>   | <b>0.6</b>                         | <b>0.9</b>   |
| Fuel Grade Alcohol               | 1.2           | (0.2)                              | (16.0)       |
| Distillers Feed                  | 6.8           | 0.6                                | 9.7          |
| Warehouse Services               | <u>3.7</u>    | <u>0.2</u>                         | 5.8          |
| <b>Total Distillery Products</b> | <b>\$75.2</b> | <b>\$1.2</b>                       | <b>1.6%</b>  |

# SALES GROWTH OF 5.4% REPRESENTS STRONG DEMAND FOR SPECIALTY WHEAT PRODUCTS

## Ingredient Solutions Sales (quarter ended 6/30/20)

|                                   |               | <u>Fav / (Unfav) vs Prior Year</u> |               |
|-----------------------------------|---------------|------------------------------------|---------------|
|                                   | <u>\$MM</u>   | <u>\$MM</u>                        | <u>%</u>      |
| Specialty wheat starches          | \$9.1         | \$1.9                              | 26.5%         |
| Specialty wheat proteins          | 6.0           | 0.7                                | 14.0          |
| Commodity wheat starches          | 1.8           | (1.2)                              | (41.1)        |
| Commodity wheat proteins          | <u>0.5</u>    | <u>(0.5)</u>                       | <u>(52.8)</u> |
| <b>Total Ingredient Solutions</b> | <b>\$17.4</b> | <b>\$0.9</b>                       | <b>5.4%</b>   |

# OPERATING INCOME UP 4.3% AND ADJUSTED OPERATING INCOME UP 11.5% DUE TO STRONG INGREDIENT SOLUTIONS PERFORMANCE

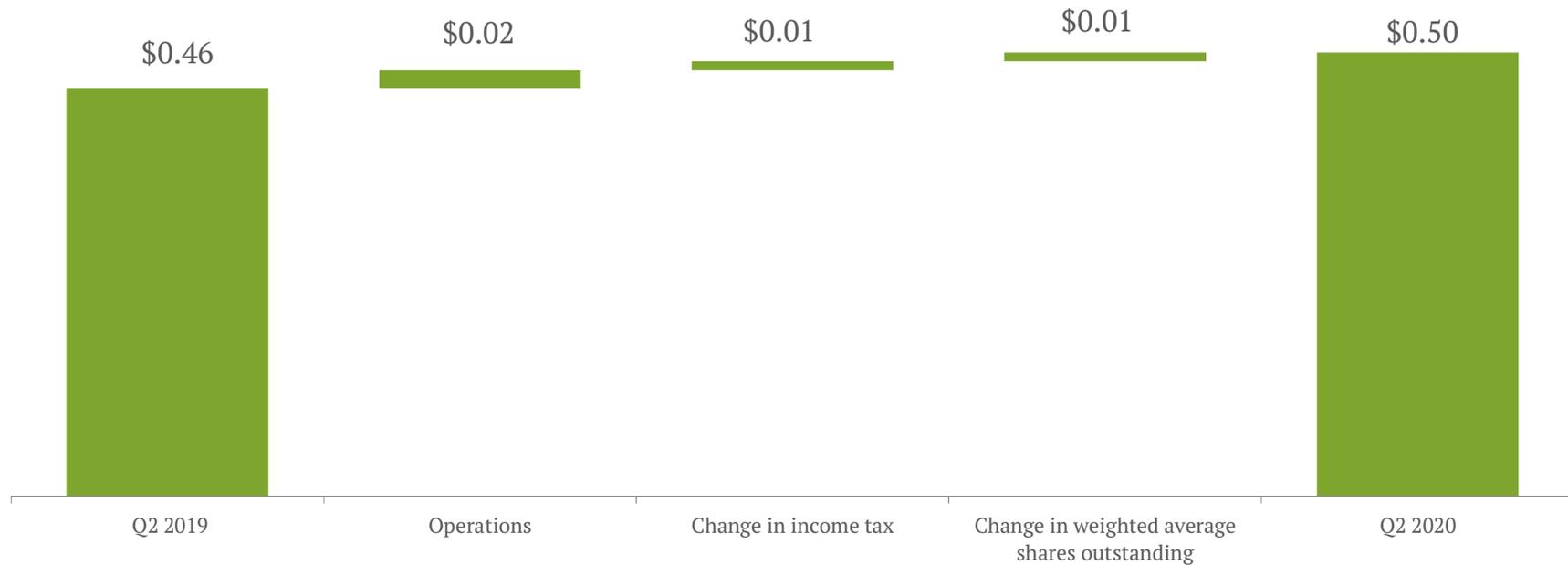
**Operating Income Drivers**  
Second Quarter 2019-20 (\$MM)



# EPS REFLECTS STRONG PERFORMANCE IN OPERATIONS

## Earnings Per Share Drivers

Second Quarter 2019-20



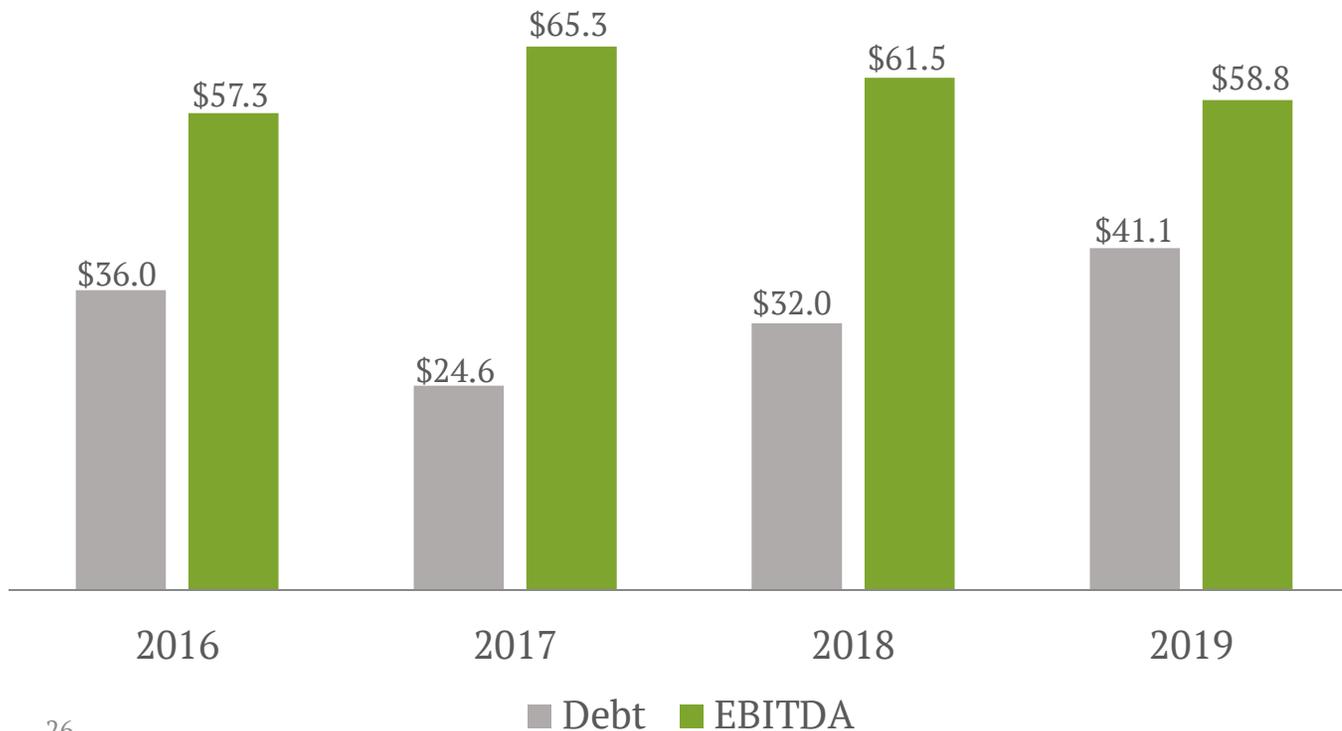
# EXCELLENT ACCESS TO CAPITAL

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

- Access to capital highlights as of 2/26/2020:
  - \$300 million revolving credit facility with a syndicate of lenders led by Wells Fargo
  - \$100 million accordion option subject to lender approval
  - \$20 million term loan with Prudential Capital, maturing 2027
  - \$20 million term loan with Prudential Capital, maturing 2029
  - The Company has \$35 million remaining available that can be issued with Prudential

# BALANCE SHEET REMAINS STRONG

Debt to EBITDA (\$MM)



- 2019 YE Debt to EBITDA ratio of 0.7
- \$300.0MM Credit Facility at 2/14/2020

## CAPITAL ALLOCATION PRIORITIES

### Acquisitions

- May be used to accelerate expansion into brands or other strategic initiatives
- Key criteria for potential acquisitions:
  - Enhance position in growing markets
  - Strong financial returns

### Working capital

- Continue to maintain a broad offering of aging whiskey inventory

### Capital expenditures

- Invest in capabilities
- Warehouse expansion to support customer new distillate growth

### Return funds to shareholders

- Quarterly dividend of \$0.12 per share

## 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
- Continued sales of aged whiskey to provide sales growth and margin expansion opportunities
- Enhancing focus on development of branded platform
- Specialty wheat products post consistent revenue gains and strong gross margin expansion
- Strong balance sheet and cash flow generation capabilities allow for additional investments to deliver long-term shareholder value

# APPENDIX



# U.S. SPIRITS MARKET

|  | 9-Liter Cases (000s) |          |
|--|----------------------|----------|
|  | 2019 Volume          | % Change |
| Total Distilled Spirits (TDS)            | 238,701              | +3.3%    |
| Total Whiskey                            | 69,289               | +4.8%    |
| American Whiskey (Bourbon/Rye/Tennessee) | 26,569               | +8.4%    |
| Super Premium                            | 3,481                | +22.2%   |
| Rye                                      | ~1,200               | +14.7%   |
| Vodka                                    | 74,148               | +2.3%    |
| Super Premium                            | 5,126                | -7.0%    |
| Gin                                      | 9,758                | 0.0%     |
| Super Premium                            | 241                  | +31.7%   |



# RECONCILIATION OF GAAP TO NON-GAAP – OPERATING INCOME

## Reconciliation of GAAP to Non GAAP Measures

Operating Income

(Dollars in Thousands)

|                                    | Quarter Ended June 30, |           |
|------------------------------------|------------------------|-----------|
|                                    | 2020                   | 2019      |
| Reported GAAP Operating Income     | \$ 11,338              | \$ 10,874 |
| Adjusted to remove:                |                        |           |
| CEO Transition Costs (b)           | 783                    | -         |
| Adjusted Non-GAAP Operating Income | \$ 12,121              | \$ 10,874 |

(b) The CEO transition costs are included in Statement of Income within the Selling, general and administrative line item. The adjustment includes additional employee related costs in connection with the transition of CEOs.



# RECONCILIATION OF GAAP TO NON-GAAP

## Reconciliation of GAAP to Non GAAP Measures

EBITDA

(Dollars in Thousands)

|                                 | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---------------------------------|-------------|-------------|-------------|-------------|
| Net Income                      | \$ 38,793   | \$ 37,284   | \$ 41,823   | \$ 31,184   |
| Interest                        | 1,305       | 1,168       | 1,184       | 1,294       |
| Taxes                           | 7,144       | 11,696      | 10,935      | 13,533      |
| Depreciation / Amortization     | 11,572      | 11,362      | 11,308      | 11,253      |
| EBITDA                          | \$ 58,814   | \$ 61,510   | \$ 65,250   | \$ 57,264   |
| Total Debt (See Note 5 of 10-K) | \$ 41,060   | \$ 32,014   | \$ 24,554   | \$ 36,001   |
| Debt to EBITDA                  | 0.70        | 0.52        | 0.38        | 0.63        |