

August 4, 2022



# MGP Ingredients Reports Strong Second Quarter 2022 Results

*Consolidated sales increased 11% from prior year period  
Operating income increased 28%*

ATCHISON, Kan., Aug. 04, 2022 (GLOBE NEWSWIRE) -- **MGP Ingredients, Inc. (Nasdaq:MGPI)**, a leading provider of distilled spirits, branded spirits, and food ingredient solutions, today reported results for the second quarter ended June 30, 2022.

## **2022 second quarter consolidated results compared to 2021 second quarter**

- Sales increased 11% to \$195.0 million, as a result of sales growth in the Distilling Solutions and Ingredient Solutions segments.
- Gross profit increased 4% to \$59.2 million, representing 30.4% of sales. Adjusted gross profit decreased slightly from \$59.4 million.
- Operating income increased 28% to \$35.3 million. Adjusted operating income decreased 4% from \$36.9 million.
- Net income increased 26% to \$25.4 million. Adjusted net income decreased 10% from \$28.1 million.
- Adjusted EBITDA decreased 5% to \$40.1 million.
- Basic and diluted earnings per common share ("EPS") increased to \$1.15 per share from \$0.91 per share. Adjusted basic and diluted EPS decreased to \$1.15 per share from \$1.27 per share.

"We are pleased with our team's performance during the second quarter as we continue to execute against our long-term strategic plan," said David Colo, president and CEO of MGP Ingredients. "Continued strength in the demand for new distillate and aged whiskey resulted in brown goods sales growth of 29% versus the prior year period, driving an overall increase in sales of 19% for premium beverage alcohol. As expected, industrial alcohol and white goods gross profits were negatively impacted by increased commodity costs and additional supply that has entered the market. Consumer demand for our Branded Spirits premium plus offerings, which include premium, super premium and ultra premium brands, remains strong. We also increased our advertising and promotion investment in these brands to support anticipated incremental growth. Our enthusiasm for our Ingredient Solutions segment remains strong, which again delivered record results during the second quarter as we made further progress to optimize segment product mix and align with consumer demand trends. We are confident the marketing platform and go-to-market strategy we have in place will drive further growth in the segment."

## **Distilling Solutions**

In the second quarter 2022, sales for the Distilling Solutions segment increased 19% to \$107.1 million, reflecting a 19% increase in sales of premium beverage alcohol. Gross profit decreased to \$29.8 million or 27.8% of segment sales, compared to \$32.0 million, or 35.4% of segment sales in the second quarter 2021.

### **Branded Spirits**

For the second quarter 2022, sales for the Branded Spirits segment declined 3% to \$58.6 million. Gross profit increased to \$21.0 million, or 35.8% of segment sales compared to \$18.4 million, or 30.5% of segment sales in the second quarter 2021. Excluding the impact of purchase accounting related to the Luxco acquisition, gross margin was 34.7% for the second quarter 2021.

### **Ingredient Solutions**

In the second quarter 2022, sales in the Ingredient Solutions segment increased 21% to a record \$29.3 million. Gross profit increased to \$8.5 million, or 29.0% of segment sales, compared to \$6.4 million, or 26.5% of segment sales in the second quarter 2021.

### **Other**

Advertising and promotion expenses for the second quarter 2022 increased \$2.7 million to \$6.1 million as compared to the second quarter 2021, primarily driven by incremental investment in the ultra premium, super premium and premium price tier spirit brands.

Corporate selling, general and administrative ("SG&A") expenses for the second quarter 2022 decreased \$7.9 million to \$17.9 million as compared to the second quarter 2021, primarily due to the one-time acquisition costs in 2021 related to the Luxco acquisition that did not recur in 2022.

The corporate effective tax rate for the second quarter 2022 was 22.4%, compared with 24.2% from the year ago period.

"As we look ahead to the second half of the year, we are confident in our ability to build on the accomplishments we have made towards our long-term strategic objectives," said Colo. "The expansionary projects we announced earlier this year remain on track and we believe will enable us to meet evolving consumer trends and demand. Our approach to capital allocation remains unchanged, and we will continue to prioritize organic and acquisitive growth. Our excellent performance during the first half of the year has enabled us to revise our full-year guidance upward."

### **2022 Outlook**

MGP is revising upward its previous consolidated guidance for fiscal 2022:

- Sales are projected to be in the range of \$745 million to \$765 million.
- Adjusted EBITDA is expected to be in the range of \$156 million to \$163 million.
- Basic adjusted earnings per common share are forecasted to be in the \$4.41 to \$4.65 range, with basic weighted average shares outstanding expected to be approximately 22.0 million at year end.

Full year 2022 guidance measures of adjusted EBITDA and basic adjusted EPS are provided on a non-GAAP basis without a reconciliation to the most directly comparable GAAP measures because MGP is unable to predict with a reasonable degree of certainty

certain items contained in the GAAP measures without unreasonable efforts. Such items include, but are not limited to, acquisition related expenses, restructuring and related expenses, and other items not reflective of MGP's ongoing operations.

### **Conference Call and Webcast Information**

MGP Ingredients will host a conference call for analysts and institutional investors at 10 a.m. ET today to discuss these results and current business trends. The conference call and webcast will be available via:

Webcast: [ir.mgpingredients.com](http://ir.mgpingredients.com) on the Events & Presentations page

Conference Call: 844-308-6398 (domestic) or 412-717-9605 (international)

### **About MGP Ingredients, Inc.**

MGP Ingredients, Inc. (Nasdaq: MGPI) is a leading producer of premium distilled spirits, branded spirits, and food ingredient solutions. Since 1941, we have combined our expertise and energy aimed at formulating excellence, and bringing product ideas to life collaboratively with our customers.

As one of the largest distillers in the U.S., MGP's offerings include bourbon and rye whiskeys, gins, and vodkas, which are created at the intersection of science and imagination, for customers of all sizes, from crafts to multinational brands. With U.S. distilleries in Kentucky, Indiana, Kansas, and Washington D.C., and bottling operations in Missouri, Ohio, and Northern Ireland, MGP has the infrastructure and expertise to create on any scale.

MGP's branded spirits portfolio covers a wide spectrum of brands in every segment, including iconic brands from Luxco, which was founded in 1958 by the Lux Family. Luxco is a leading producer, supplier, importer and bottler of beverage alcohol products. Our branded spirits mission is to meet the needs and exceed the expectations of consumers, associates and business partners. Luxco's award-winning spirits portfolio includes well-known brands from five distilleries: Bardstown, Kentucky-based Lux Row Distillers, home of Ezra Brooks, Rebel, Blood Oath, David Nicholson and Daviess County; Lebanon, Kentucky-based Limestone Branch Distillery, maker of Yellowstone Kentucky Straight Bourbon Whiskey, Minor Case Straight Rye Whiskey and Bowling & Burch Gin; Jalisco, Mexico-based Destiladora González Lux, producer of 100% agave tequilas, El Mayor, Exotico and Dos Primos; MGP's historic distillery in Lawrenceburg, Indiana, where the George Remus Straight Bourbon Whiskey and Rossville Union Straight Rye Whiskey are produced; and the Washington, D.C.-based Green Hat Distillery, producer of the Green Hat family of gins. The innovative and high-quality brand portfolio also includes Everclear Grain Alcohol, Pearl Vodka, Saint Brendan's Irish Cream, The Quiet Man Irish Whiskey and other well-recognized brands.

In addition, our Ingredient Solutions segment offers specialty proteins and starches that help customers harness the power of plants and provide a host of functional, nutritional and sensory benefits for a wide range of food products.

The transformation of American grain into something more is in the soul of our people, products, and history. We're devoted to unlocking the creative potential of this extraordinary resource. For more information, visit [mgpingredients.com](http://mgpingredients.com).

## **Cautionary Note Regarding Forward-Looking Statements**

The forward-looking statements contained herein include, but are not limited to, statements about the expected effects on MGP Ingredients, Inc. ("the Company") of continuing consumer trends and our announced expansionary projects. 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 forward-looking statements reflect management's current beliefs and estimates of future economic circumstances, industry conditions, Company performance, and Company financial results and financial condition 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 statements. Important factors that could cause actual results to differ materially from our expectations include, (i) disruptions in the operations at any of our facilities, (ii) the availability and cost of grain, flour, and agave, 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 impact of the COVID-19 pandemic, (viii) the effects of inflation and the ability to effectively pass raw material and other price increases on to customers, (ix) our ability to maintain compliance with all applicable loan agreement covenants, (x) increases in interest rates, (xi) our ability to realize operating efficiencies, (xii) actions of governments, and (xiii) consumer tastes and preferences. For further information on these and other risks and uncertainties that may affect our business, including risks specific to our Distilling Solutions, Branded Spirits and Ingredient Solutions segments, see Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2021 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022.

## **Non-GAAP Financial Measures**

In addition to reporting financial information in accordance with U.S. GAAP, the Company provides certain non-GAAP financial measures that are not in accordance with, or alternatives for, GAAP. In addition to the comparable GAAP measures, MGP has disclosed adjusted gross profit, adjusted operating income, adjusted income before taxes, adjusted net income, adjusted MGP earnings, adjusted EBITDA and basic and diluted adjusted earnings per common share. The presentation of non-GAAP financial measures should be reviewed in conjunction with gross profit, operating income, income before income taxes, net income, net income used in earnings per common share calculation and basic and diluted EPS computed in accordance with U.S. GAAP and should not be considered a substitute for these GAAP measures. The non-GAAP adjustments referenced in the section entitled "Reconciliation of Selected GAAP Measures to Non-GAAP Measures," take into account the impacts of items that are not necessarily ongoing in nature and/or predictive of the Company's operating trends. We believe that these non-GAAP measures provide useful information to investors regarding the Company's performance and overall results of operations. In addition, management uses these non-GAAP measures in conjunction with GAAP measures when evaluating the Company's operating results compared to prior periods on a consistent basis, assessing financial trends and for forecasting purposes. Non-

GAAP financial measures may not provide information that is directly comparable to other companies, even if similar terms are used to identify such measures. The attached schedules provide a full reconciliation of these non-GAAP financial measures to their most directly comparable U.S. GAAP financial measure.

### For More Information

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### MGP INGREDIENTS, INC. OPERATING INCOME ROLLFORWARD (Dollars in thousands)

Operating income, quarter versus quarter	Operating Income	Change	
Operating income for quarter ended June 30, 2021	\$ 27,663		
Increase in gross profit - Branded Spirits segment	2,526	9	pp <sup>(a)</sup>
Increase in gross profit - Ingredient Solutions segment	2,076	8	pp
Decrease in gross profit - Distilling Solutions segment	(2,205)	(8)	pp
Increase in Advertising and promotion expenses	(2,694)	(10)	pp
Decrease in SG&A expenses	7,934	29	pp
Increase in Other operating income (expense), net	6	—	pp
<b>Operating income for quarter ended June 30, 2022</b>	<b>\$ 35,306</b>	<b>28%</b>	

Operating income, year to date versus year to date	Operating Income	Change	
Operating income for year to date ended June 30, 2021	\$ 48,163		
Increase in gross profit - Branded Spirits segment	27,222	57	pp <sup>(a)</sup>
Increase in gross profit - Distilling Solutions segment	8,483	17	pp
Increase in gross profit - Ingredient Solutions segment	6,214	13	pp
Increase in Advertising and promotion expenses	(7,345)	(15)	pp
Decrease in SG&A expenses	2,614	5	pp
Increase in Other operating income (expense), net	35	—	pp
<b>Operating income for year to date June 30, 2022</b>	<b>\$ 85,386</b>	<b>77%</b>	

(a) Percentage points ("pp").

### MGP INGREDIENTS, INC. EARNINGS PER COMMON SHARE ("EPS") ROLLFORWARD

<b>Change in basic and diluted EPS, quarter versus quarter</b>	<b>Basic and Diluted EPS</b>	<b>Change</b>	
Basic and diluted EPS for quarter ended June 30, 2021	\$ 0.91		
Increase in Operating income <sup>(b)</sup>	0.26	28	pp <sup>(a)</sup>
Increase in other income (expense), net <sup>(b)</sup>	(0.03)	(3)	pp
Tax: Change in effective tax rate	0.04	4	pp
Change in income allocated to participating securities	(0.01)	(1)	pp
Change in interest expense, net <sup>(b)</sup>	(0.02)	(2)	pp
<b>Basic and diluted EPS for quarter ended June 30, 2022</b>	<b>\$ 1.15</b>	<b>26%</b>	

<b>Change in basic and diluted EPS, year to date versus year to date</b>	<b>Basic and Diluted EPS</b>	<b>Change</b>	
Basic and diluted EPS for year to date ended June 30, 2021	\$ 1.81		
Increase in Operating income <sup>(b)</sup>	1.60	88	pp <sup>(a)</sup>
Change in interest expense, net <sup>(b)</sup>	(0.07)	(4)	pp
Increase in other income (expense), net <sup>(b)</sup>	(0.03)	(1)	pp
Tax: Change in effective tax rate	0.04	2	pp
Change in weighted average shares outstanding	(0.51)	(28)	pp
<b>Basic and diluted EPS for year to date ended June 30, 2022</b>	<b>\$ 2.84</b>	<b>57%</b>	

(a) Percentage points ("pp").

(b) Items are net of tax based on the effective tax rate for the base year (2021).

**MGP INGREDIENTS, INC.**  
**SALES BY OPERATING SEGMENT**  
(Dollars in thousands)

<b>DISTILLING SOLUTIONS SALES</b>				
	<b>Quarter Ended</b>		<b>Quarter versus Quarter Sales Change</b>	
	<b>June 30,</b>		<b>Increase/(Decrease)</b>	
	<b>2022</b>	<b>2021</b>	<b>\$ Change</b>	<b>% Change</b>
Brown goods	\$ 56,331	\$ 43,766	\$ 12,565	29%
White goods	17,441	18,205	(764)	(4)
	73,772	61,971	11,801	19
<b>Premium beverage alcohol</b>				
Industrial alcohol	12,885	14,770	(1,885)	(13)

<b>Food grade alcohol</b>	<b>86,657</b>	76,741	9,916	13
Fuel grade alcohol	<b>3,312</b>	4,753	(1,441)	(30)
Distillers feed and related co-products	<b>11,267</b>	4,672	6,595	141
Warehouse services	<b>5,902</b>	4,182	1,720	41
<b>Total Distilling Solutions</b>	<b>\$107,138</b>	\$ 90,348	\$ 16,790	19%

#### BRANDED SPIRITS SALES

	Quarter Ended		Quarter versus Quarter	
	June 30,		Sales Change	
	2022	2021	Increase/(Decrease)	
			\$ Change	% Change
Ultra premium	\$ 9,435	\$ 8,002	\$ 1,433	18%
Super premium	<b>3,226</b>	3,184	42	1
Premium	<b>5,775</b>	5,303	472	9
Mid	<b>23,301</b>	25,407	(2,106)	(8)
Value	<b>12,908</b>	13,228	(320)	(2)
Other	<b>3,921</b>	5,302	(1,381)	(26)
<b>Total Branded Spirits</b>	<b>\$ 58,566</b>	\$ 60,426	\$ (1,860)	(3)%

#### INGREDIENT SOLUTIONS SALES

	Quarter Ended		Quarter versus	
	June 30,		Quarter Sales	
	2022	2021	Increase / (Decrease)	
			\$ Change	% Change
Specialty wheat starches	\$ 16,001	\$ 12,598	\$ 3,403	27%
Specialty wheat proteins	<b>10,109</b>	8,352	1,757	21
Commodity wheat starches	<b>3,130</b>	2,663	467	18
Commodity wheat proteins	<b>38</b>	552	(514)	(93)
<b>Total Ingredient Solutions</b>	<b>\$ 29,278</b>	\$ 24,165	\$ 5,113	21%

#### MGP INGREDIENTS, INC. SALES BY OPERATING SEGMENT (Dollars in thousands)

#### DISTILLERY PRODUCTS SALES

Year to Date Ended June 30,	Year to Date versus Year to date Sales
	Change Increase/(Decrease)

	<b>2022</b>	<b>2021</b>	<b>\$ Change</b>	<b>% Change</b>
Brown goods	<b>\$118,476</b>	\$ 86,807	\$ 31,669	36%
White goods	<b>37,527</b>	34,862	2,665	8
<b>Premium beverage alcohol</b>	<b>156,003</b>	121,669	34,334	28
Industrial alcohol	<b>24,380</b>	32,106	(7,726)	(24)
<b>Food grade alcohol</b>	<b>180,383</b>	153,775	26,608	17
Fuel grade alcohol	<b>6,594</b>	7,270	(676)	(9)
Distillers feed and related co-products	<b>20,184</b>	9,644	10,540	109
Warehouse services	<b>11,486</b>	8,283	3,203	39
<b>Total Distilling Solutions</b>	<b>\$218,647</b>	<b>\$178,972</b>	<b>\$ 39,675</b>	<b>22%</b>

#### BRANDED SPIRITS SALES

	<b>Year to Date Ended June 30,</b>	<b>Year to Date versus Year to date Sales Change Increase/(Decrease)</b>	
	<b>2022</b>	<b>2021</b>	<b>\$ Change    % Change</b>
Ultra premium	<b>\$ 22,032</b>	\$ 8,128	\$ 13,904    171%
Super premium	<b>6,172</b>	3,595	2,577    72
Premium	<b>11,915</b>	5,329	6,586    124
Mid	<b>42,574</b>	25,407	17,167    68
Value	<b>24,207</b>	13,228	10,979    83
Other	<b>7,417</b>	5,309	2,108    40
<b>Total Branded Spirits</b>	<b>\$114,317</b>	<b>\$ 60,996</b>	<b>\$ 53,321    87%</b>

#### INGREDIENT SOLUTIONS SALES

	<b>Year to Date Ended June 30,</b>	<b>Year to Date versus Year to date Sales Change Increase/(Decrease)</b>	
	<b>2022</b>	<b>2021</b>	<b>\$ Change    % Change</b>
Specialty wheat starches	<b>\$ 31,204</b>	\$ 22,820	\$ 8,384    37%
Specialty wheat proteins	<b>19,528</b>	14,398	5,130    36
Commodity wheat starches	<b>6,483</b>	4,946	1,537    31
Commodity wheat proteins	<b>38</b>	1,130	(1,092)    (97)
<b>Total Ingredient Solutions</b>	<b>\$ 57,253</b>	<b>\$ 43,294</b>	<b>\$ 13,959    32%</b>



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

	Quarter Ended June 30,		Year to Date Ended June 30,	
	2022	2021	2022	2021
Sales	\$ 194,982	\$ 174,939	\$ 390,217	\$ 283,262
Cost of sales	135,758	118,112	259,172	194,136
<b>Gross profit</b>	<b>59,224</b>	<b>56,827</b>	<b>131,045</b>	<b>89,126</b>
Advertising and promotion expenses	6,065	3,371	11,569	4,224
Selling, general and administrative expenses	17,859	25,793	34,125	36,739
Other operating (income) expense, net	(6)	—	(35)	—
<b>Operating income</b>	<b>35,306</b>	<b>27,663</b>	<b>85,386</b>	<b>48,163</b>
Interest expense, net	(1,543)	(1,104)	(3,141)	(1,592)
Other income (expense), net	(1,062)	(88)	(1,008)	(58)
<b>Income before income taxes</b>	<b>32,701</b>	<b>26,471</b>	<b>81,237</b>	<b>46,513</b>
Income tax expense	7,339	6,412	18,504	11,027
<b>Net income</b>	<b>25,362</b>	<b>20,059</b>	<b>62,733</b>	<b>35,486</b>
Net (income) loss attributable to noncontrolling interest	198	76	264	76
<b>Net income attributable to MGP Ingredients, Inc.</b>	<b>25,560</b>	<b>20,135</b>	<b>62,997</b>	<b>35,562</b>
Income attributable to participating securities	(217)	(150)	(535)	(299)
<b>Net income used in earnings per common share calculation</b>	<b>\$ 25,343</b>	<b>\$ 19,985</b>	<b>\$ 62,462</b>	<b>\$ 35,263</b>
<b>Basic and diluted weighted average common shares</b>	<b>22,002,385</b>	<b>21,916,721</b>	<b>21,995,779</b>	<b>19,436,143</b>
<b>Basic and diluted earnings per common share</b>	<b>\$ 1.15</b>	<b>\$ 0.91</b>	<b>\$ 2.84</b>	<b>\$ 1.81</b>

**MGP INGREDIENTS, INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
**(Dollars in thousands)**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 37,415	\$ 21,568
Receivables, net	105,393	92,537
Inventory	272,948	245,944
Prepaid expenses	6,768	1,510
Refundable income taxes	—	5,539
<b>Total Current Assets</b>	<b>422,524</b>	<b>367,098</b>
Property, plant, and equipment	418,040	404,149
Less accumulated depreciation and amortization	(206,055)	(196,863)
<b>Property, Plant, and Equipment, net</b>	<b>211,985</b>	<b>207,286</b>
Operating lease right-of-use assets, net	15,559	9,671
Investment in joint ventures	5,792	4,944
Intangible assets, net	217,803	218,838
Goodwill	226,294	226,294
Other assets	6,663	7,336
<b>TOTAL ASSETS</b>	<b>\$ 1,106,620</b>	<b>\$ 1,041,467</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Current maturities of long-term debt	\$ 4,189	\$ 3,227
Accounts payable	60,572	53,712
	7,673	6,992
Federal and state excise taxes payable		
Income taxes payable	141	—
Accrued expenses and other	20,681	24,869
<b>Total Current Liabilities</b>	<b>93,256</b>	<b>88,800</b>
Long-term debt, less current maturities	32,698	35,266
Convertible senior notes	195,066	194,906
Long-term operating lease liabilities	12,206	6,997
Other noncurrent liabilities	4,095	5,132
Deferred income taxes	66,226	66,101
<b>Total Liabilities</b>	<b>403,547</b>	<b>397,202</b>
Total equity	703,073	644,265
<b>TOTAL LIABILITIES AND TOTAL EQUITY</b>	<b>\$ 1,106,620</b>	<b>\$ 1,041,467</b>

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

	<b>Year to Date Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
Cash Flows from Operating Activities		
Net income	<b>\$ 62,733</b>	<b>\$ 35,486</b>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	<b>10,924</b>	<b>8,425</b>
Share-based compensation	<b>2,131</b>	<b>4,767</b>
Deferred income taxes, including change in valuation allowance	<b>125</b>	<b>(1,568)</b>
Other, net	<b>82</b>	<b>(69)</b>
Changes in operating assets and liabilities, net of effects of acquisition:		
Receivables, net	<b>(13,142)</b>	<b>7,531</b>
Inventory	<b>(27,508)</b>	<b>(408)</b>
Prepaid expenses	<b>266</b>	<b>(897)</b>
Income taxes payable	<b>141</b>	<b>1,017</b>
Accounts payable	<b>11,438</b>	<b>(12,996)</b>
Accrued expenses and other	<b>(4,791)</b>	<b>7,987</b>
Federal and state liquor excise payable	<b>681</b>	<b>716</b>
Other, net	<b>(61)</b>	<b>(2,537)</b>
<b>Net cash provided by operating activities</b>	<b>43,019</b>	<b>47,454</b>
Cash Flows from Investing Activities		
Additions to property, plant, and equipment	<b>(18,087)</b>	<b>(18,336)</b>
Purchase of business, net of cash acquired	<b>—</b>	<b>(149,599)</b>
Contributions to equity method investment	<b>(1,028)</b>	<b>(988)</b>
Other, net	<b>(369)</b>	<b>(1,312)</b>
<b>Net cash used in investing activities</b>	<b>(19,484)</b>	<b>(170,235)</b>
Cash Flows from Financing Activities		
Payment of dividends and dividend equivalents	<b>(5,322)</b>	<b>(4,707)</b>
Purchase of treasury stock	<b>(713)</b>	<b>(765)</b>
Loan fees paid related to borrowings	<b>—</b>	<b>(666)</b>
Principal payments on long-term debt	<b>(1,614)</b>	<b>—</b>
Proceeds from credit agreement - revolver	<b>—</b>	<b>242,300</b>
Payments on credit agreement - revolver	<b>—</b>	<b>(10,306)</b>
Payment on assumed debt as part of the Merger	<b>—</b>	<b>(87,497)</b>
<b>Net cash provided by (used in) financing activities</b>	<b>(7,649)</b>	<b>138,359</b>

Effect of exchange rate changes on cash	(39)	3
Increase in cash and cash equivalents	15,847	15,581
Cash and cash equivalents, beginning of period	21,568	21,662
Cash and cash equivalents, end of period	\$ 37,415	\$ 37,243

**MGP INGREDIENTS, INC.**  
**RECONCILIATION OF SELECTED GAAP MEASURES TO ADJUSTED NON-GAAP**  
**MEASURES (UNAUDITED)**  
(in thousands)

Quarter Ended June 30, 2022						
	Gross Profit	Operating Income	Income before Taxes	Net Income	MGP Earnings <sup>(a)</sup>	Basic and Diluted EPS
<b>Reported GAAP Results</b>	\$ 59,224	\$ 35,306	\$ 32,701	\$ 25,362	\$ 25,343	\$ 1.15
No adjustments for the period	—	—	—	—	—	—
<b>Adjusted Non-GAAP results</b>	\$ 59,224	\$ 35,306	\$ 32,701	\$ 25,362	\$ 25,343	\$ 1.15
Quarter Ended June 30, 2021						
	Gross Profit	Operating Income	Income before Taxes	Net Income	MGP Earnings <sup>(a)</sup>	Basic and Diluted EPS
<b>Reported GAAP Results</b>	\$ 56,827	\$ 27,663	\$ 26,471	\$ 20,059	\$ 19,985	\$ 0.91
Adjusted to remove:						
Inventory step-up - Branded Spirits (b)	2,529	2,529	2,529	2,529	2,510	0.11
Business acquisition costs (c)	—	6,738	6,738	5,535	5,473	0.25
<b>Adjusted Non-GAAP results</b>	\$ 59,356	\$ 36,930	\$ 35,738	\$ 28,123	\$ 27,968	\$ 1.27
Year to Date Ended June 30, 2022						
	Gross Profit	Operating Income	Income before Taxes	Net Income	MGP Earnings <sup>(a)</sup>	Basic and Diluted EPS
<b>Reported GAAP Results</b>	\$131,045	\$ 85,386	\$ 81,237	\$ 62,733	\$ 62,462	\$ 2.84

No adjustments for the period

<b>Adjusted Non-GAAP results</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	\$131,045	\$ 85,386	\$ 81,237	\$ 62,733	\$ 62,462	\$ 2.84
	<b>Year to Date Ended June 30, 2021</b>					
	<b>Gross Profit</b>	<b>Operating Income</b>	<b>Income before Income Taxes</b>	<b>Net Income</b>	<b>MGP Earnings<sup>(a)</sup></b>	<b>Basic and Diluted EPS</b>
<b>Reported GAAP Results</b>	\$ 89,126	\$ 48,163	\$ 46,513	\$ 35,486	\$ 35,263	\$ 1.81
Adjusted to remove:						
Inventory step-up - Branded Spirits (b)	2,529	2,529	2,529	2,529	2,510	0.13
Business acquisition costs(c)	—	8,628	8,628	7,303	7,241	0.37
<b>Adjusted Non-GAAP results</b>	\$ 91,655	\$ 59,320	\$ 57,670	\$ 45,318	\$ 45,014	\$ 2.31

(a) MGP Earnings has been defined as "Net income used in Earnings Per Common Share calculation."

(b) The finished goods Inventory valuation step-up costs are included in the Condensed Consolidated Statement of Income within Cost of goods by the Branded Spirits segment. The adjustment includes the purchase accounting adjustment to value the finished goods inventory acquired in the Luxco acquisition at its estimated fair value.

(c) The Business acquisition costs are included in the Condensed Consolidated Statement of Income within the Selling, general and administrative line item. The adjustment includes transaction and integration costs associated with the merger with Luxco.

**MGP INGREDIENTS, INC.**  
**RECONCILIATION OF SELECTED GAAP MEASURES TO ADJUSTED NON-GAAP MEASURES - BRANDED SPIRITS SEGMENT (UNAUDITED)**  
(in thousands)

	<b>Quarter Ended June 30, 2022</b>		
	<b>Revenue</b>	<b>Gross Profit</b>	<b>Gross Margin</b>
<b>Reported GAAP Results - Branded Spirits segment</b>	\$ 58,566	\$ 20,960	35.8%
No adjustments for the period	<u>—</u>	<u>—</u>	<u>—</u>
<b>Adjusted Non-GAAP results - Branded Spirits segment</b>	\$ 58,566	\$ 20,960	35.8%
	<b>Quarter Ended June 30, 2021</b>		

	<b>Revenue</b>	<b>Gross Profit</b>	<b>Gross Margin</b>
<b>Reported GAAP Results - Branded Spirits segment</b>	\$ 60,426	\$ 18,434	30.5%
Inventory step-up (a)	—	2,529	4.2 pp(b)
<b>Adjusted Non-GAAP results - Branded Spirits segment</b>	\$ 60,426	\$ 20,963	34.7%

(a) The finished goods Inventory valuation step-up costs are included in the Condensed Consolidated Statement of Income within Cost of goods by the Branded Spirits segment. The adjustment includes the purchase accounting adjustment to value the finished goods inventory acquired in the Luxco acquisition at its estimated fair value.

(b) Percentage points ("pp").

**MGP INGREDIENTS, INC.**  
**RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA**  
(UNAUDITED)  
(in thousands)

	<b>Quarter Ended June 30,</b>		<b>Year to Date Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Net Income	\$ 25,362	\$ 20,059	\$ 62,733	\$ 35,486
Interest expense	1,543	1,104	3,141	1,592
Income tax expense	7,339	6,412	18,504	11,027
Depreciation and amortization	5,303	5,115	10,924	8,425
Equity method investment	574	334	180	334
Inventory step-up - Branded Spirits	—	2,529	—	2,529
Business acquisition costs	—	6,738	—	8,628
<b>Adjusted EBITDA</b>	<b>\$ 40,121</b>	<b>\$ 42,291</b>	<b>\$ 95,482</b>	<b>\$ 68,021</b>

The non-GAAP adjusted EBITDA measure is defined as earnings before interest, taxes, depreciation and amortization, equity method investment and business acquisition costs. See section "reconciliation of selected GAAP measure to non-GAAP measures" for further details on each of these non-GAAP Items.



Source: MGP Ingredients