MGP Ingredients, Inc.

| Nasdaq: MGPI |

INVESTMENT RESEARCH REPORT

"Over A Barrel"

RECOMMENDATION: *Strong Sell*

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CAPITAL MANAGEMENT

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Executive Summary

Strong Sell Opinion On MGP Ingredients (Nasdaq: MGPI) With 35% - 55% Downside Risk

MGP Ingredients Inc. (Nasdaq: MGPI or "the Company") is a producer and supplier of distilled and branded spirits, and food ingredients. In 2017, Spruce Point warned about accounting issues and excessive stock promotion around MGPI's transformation to a liquor company. Subsequent to our report, MGPI's CEO and CFO departed, it exited its problematic JV where we identified accounting issues, it revised its liquor business expectations downward, and ceased disclosing financial disclosures we questioned. Under new leadership, MGPI is in the final leg of its transformation by entering the branded liquor market through a $445m levered merger with Luxco in April 2021. After a forensic examination of the transaction, Spruce Point finds substantial evidence that the merger is failing to meet its promoted benefits despite potentially spring-loaded results, and that MGPI is making unusual cash flow and reporting revisions that point to historical financial misstatement. Spruce Point believes that history will repeat and that MGPI will again disappoint investors with an unexpected revision to forecasts. We see 35%–55% downside ($45.70 - $66.00) as investors recalibrate their expectations for declining profits and the justification for giving MGPI an expanded multiple in recent years.

Final Leg or Catalyst For MGPI's Multi-Year Evolution Is Over

MGPI has long promised investors it would diversify away from commodity ingredient solutions, into a leading distiller of whiskies, bourbons, and premium spirits. Stage one of its multi-year transformation involved improving the operations of its aged Lawrenceburg facility, while optimizing its product and customer mix. Stage two involved producing, storing, and leveraging the value of its aged whiskey. Finally, in stage three MGPI would become a branded platform of spirits. In our report from 2017, Spruce Point argued that MGPI's grand ambitions would fail as whiskey supply caught up with demand, and the category would be become saturated much like the craft and premium vodka market had become years earlier. In fact, we have sourced unique industry data showing that Bulleit, a key brand contract-distilled by MGPI for its material customer Diageo, has been slowing and losing market share. Spruce Point's predictions proved accurate resulting in the Company cutting its long-term expectations for the distillery business. In addition, we stressed that MGPI's evolution into branded spirits sales would be at high risk of failing. For a time, MGPI was vague on its actual branded spirit sales.

We Believe It Is Failing

Insiders Often Know Best, Look Who Just Left

With growth of barreled distillate declining, in January 2021 MPGI announced it would merge with Luxco, Inc, a branded beverage company with approximately $202 million of revenue and a portfolio that it claimed had 46% of sales tied to premium brands. Among other claims, Luxco would enhance the long-term profitability and free cash flow generation of MGPI. With the deal having closed on April 1, 2021, and now with the benefit of five subsequent reporting quarters, Spruce Point believes the Luxco merger has been an abysmal failure. In fact, Luxco sales were declining between January and April 1st when the deal was in its closing period. Our analysis shows that Luxco has lost premium spirit sales, and new reporting disclosures now definitively show that MGPI's legacy branded spirit sales were a bust. By unravelling the contribution from Luxco in 2021, we also show that MGPI's core business has been under increasing margin pressures. Our price checks indicate many of Luxco's branded spirits are being sold 5% to 50% below suggested retail price. By our assessment, MGPI can't possibly succeed in branded spirits given its spends just 3% of sales on marketing vs. 9% to 17% by peers and reports no R&D expense that would enable it to innovate with new products to meet changing customer preferences. Best disclosure practices are to include inorganic contributions from merger targets for 12 months post transaction close. However, MGPI ceased further disclosure of Luxco's revenue and earnings before tax (EBT) contribution after

Strong Sell Opinion On MGP Ingredients (Nasdaq: MGPI) With 35% - 55% Downside Risk

Errors and Restatements Starting To Occur Notably Around Cash Flow **Financial Stress Is Mounting** **Key Executive Departure and Hiring Also Signals Trouble**	MGPI recently restated Q2'2021 branded spirit segment results that affected all line items except the "other" account. In addition, it noted an immaterial error and correction to gross PP&E, amortization and accumulated depreciation. Even more concerning, MGPI recently made two retroactive SEC disclosure changes to its prior year operating cash flow discussion. Of note, it now says that Q2'2021 results excluded changes in Luxco's operating assets and liabilities. This is a highly unusual revision that goes opposite management's claim that Luxco was cash flow accretive and the deal having closed on April 1, 2021. As such Q2'2021 should have included all contributions from Luxco. Secondly, MGPI changed language to say that inventories increased in Q1'2021 when in fact the reported results show a decrease. This leads us to believe that MGPI is signaling a financial misstatement tied to inventory. Our suspicions of financial misstatement are corroborated by MGPI's rapidly declining earnings quality. We compare operating cash flow to its GAAP Net Income and find that it was >200% in late 2020 but has been in steady decline and hit a low of 59% in Q1 2022. The Q2'2022 operating cash flow discussion recently added caveats about timing of collections of customer payments, and an increase in finished goods inventory. If sales were as robust as described, why would collections be an issue and finished inventory increase? MGPI's VP, General Counsel and Secretary mysteriously left some time after October 2021. The only hint that he even disappeared was the fact that MGPI announced the hiring of a new Chief Legal Officer in September 2022. Despite the CEO's claims of successful integration, MGPI just hired in September a Director of Business Development and Integration, who "*will collaborate with the company's finance and IT departments to facilitate finance system integration, implementation and improvement following mergers and acquisitions*." Our interpretation is that there are problems to be fixed.
Unexplainable Valuation Expansion In The Face of Mounting Challenges **Poor Risk / Reward With 35% - 55% Downside Risk**	MGPI's valuation multiple has expanded materially in the face of increasing evidence that its branded spirits ambitions are not living up to management's claims, and consumers are trading down to value spirits, away from MGPI's premium offering. In our view, a telling sign of MGPI's share over-valuation is its own decision not to renew a $25m share repurchase program in February 27, 2022. This corresponds with the approximate closing of Q1'2022 where MGPI started making financial restatements, and revisions to last year's cash flow discussion. We believe investors should not put reliance on overly optimistic statements made by CEO David Colo. In his prior value creation role at SunOpta, he blindsided investors with rapid gross margin disappointment, and was unexpectedly terminated. Also, MGPI's Chairman and family members continue to sell stock and meaningfully diluted their exposure to the Company through the merger with Luxco. In 2022, their reported ownership hit an all-time low of 18%, down from 31% in 2015. We believe MGPI currently trades at a premium to its sum-of-the-parts of its alcohol and specialty ingredients businesses at 3.3x and 15.1x, 2022E sales and EBITDA. We estimate fair value at $45.70 – $66.00 per share or 35% - 55% downside risk.

Spruce Point Capital Management

Many of Spruce Point's Prior Predictions About MGPI Came True

We believe MGPI investors should heed our recent warnings and conclusions carefully. After our initial report in 2017, many of our criticisms and predictions came to fruition.

	Spruce Point's Concerns In 2017	What Actually Happened
1	We think investors should question its relationship with ICP, an entity which it owns 30% and produces ethanol related products with Seacor, another publicly traded company. Sales figures aren't adding up and something doesn't make sense	June 2017: MGPI reached agreement to sell its equity ownership interest in ICP to Pacific Ethanol
2	As another subtle indicator of potential financial issues, we suggest investors look closely at MGPI's revenue recognition disclosures of customer paid freight costs included in sales. The YTD 2016 results are not adding up, and 2015 results are retroactively being revised higher	**Last disclosure**: "*Sales include customer paid freight costs billed to customers of $14,761, $13,974, and $14,498 for 2017, 2016, and 2015, respectively.*" Post 2017 10-K, MGPI has stopped altogether disclosing freight costs (2018 10-K)
3	MGPI's foray into branded liquor sales have shown de minimis results, and are likely to disappoint	As part of the Luxco transaction, we can finally estimate MGPI's branded spirits sales. Prior to the transaction close in April 1, 2021 it achieved only $4.1m of sales in 2020, and in the two quarters leading up to the close, sales declined by *-30.6%* and *-66.5%*, respectively
4	We don't believe investors should assume that management is correct, and its whiskey will magically appreciate 3x in value. Based on our recent channel checks, we believe there is an abundance of wholesale whiskey / bourbon available….As substantial new supply comes into the market, we would not be surprised to see prices begin to decline	For 2019, revises sales estimates to mid-single digits, vs. high single digits the prior year. Notes, "*While we are pleased with the improved results for most parts of our business, sales of aged whiskey have lagged our expectations*." Widens forecast for operating income growth to 10%-20% from 15%-20% and does not discuss impact from liquor
5	MGPI has a history of operational disasters (fires and chemical explosions) which could harm earnings	In 2020, a dryer explosion occurred at the Atchison facility causing a fire, resulting in an interruption to operations. Significant property damage occurred
6	As a producer of commodity products and ingredients, MGPI has to constantly innovate to maintain a competitive advantage against its larger peers that have substantially more resources and can easily outspend it. R&D expenditures have been in perpetual decline	**Last disclosure:** 2016 10-K: "*During 2016, 2015, and 2014, we incurred $916, and $748, and $1,622 respectively, on research and development activities.*" Subsequent to our report, MGPI's 2017 10-K stopped disclosing R&D expense.
7	Concerns about management and ability to achieve lofty goals	CEO: Gus Griffin, Retires effective May 2020 CFO: Tom Piggot, Resigned March 2019
8	Shares worth $16.90 - $21.30 per share	Stock hit $21.64 per share in March 2020

1) Spruce Point report on MGPI, Jan 12, 2017

Warning: MGPI's CEO Was Unexpectedly Terminated As CEO At This Prior Company

We believe MGPI investors should not put undue reliance on CEO Colo's generally optimistic statements. In his prior role at SunOpta (Nasdaq/TSX: STKL) he was hired as part of its Value Creation Plan in its food and beverage businesses. Despite ringing an optimistic tone, Mr. Colo was unexpectedly terminated when margins eventually tanked.

David Colo At SunOpta

Feb 6, 2017: *"I'm honored and grateful to the Board for the opportunity to lead SunOpta," said David Colo. "Having worked in the industry for many years, I have long respected SunOpta's business and talented employees.* ***The Company has tremendous potential*** *and I look forward to continuing the value creation plan set forth by the Board*

Nov 7, 2018: *"****I am pleased to report that as expected, we returned to adjusted revenue growth during the third quarter and we expect this trend to continue into the fourth quarter****. We continue to make progress with the Value Creation Plan, which we believe is reflected by the solid sales growth and gross margin expansion within our beverages and snack platforms. Additionally, during the third quarter, we commercialized approximately 100 broth and frozen fruit SKUs.* ***The results across the beverage, snack and organic ingredient platforms as well as a significant amount of sales opportunity in pipeline conversions gives us confidence in our ability to deliver long-term shareholder value****….I look forward to speaking with you in the future and updating you each quarter on our progress as we unlock the opportunity and value in SunOpta. Have a great day."*

Feb 26, 2019: *"SunOpta Inc. ("SunOpta" or the "Company"), a leading global company focused on organic, non-genetically modified and specialty foods,* ***announced the termination of David J. Colo as President, Chief Executive Officer. Mr. Colo's service as a member of SunOpta's Board of Directors is also terminated.****"*

SunOpta's Stock Price Under David Colo

$ mm	2017			2018			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue *% YoY growth*	$336.5 *-3.4%*	$320.7 *-8.0%*	$292.4 *-1.7%*	$312.7 *-5.3%*	$319.3 *-5.1%*	$308.4 *-3.8%*	$320.5 *9.6%*
Gross Profit	12.4%	11.4%	9.7%	10.8%	11.0%	11.6%	6.9%

Source: Bloomberg

Warning: MGPI's CFO Was Groomed Under The Former CFO During The Period of Our Prior Concerns

We believe MGPI investors should have continued concerns about its financial leadership, led by CFO Brandon Gall. Mr. Gall was Corporate Controller, Director of Financial Planning & Analysis, and Director of Supply Chain Finance from 2012 – 2018. In our first report on MGPI, we pointed out certain financial reporting concerns tied to its JV and revenue recognition tied to freight costs included in sales. **Warning**: MGPI no longer discloses freight costs and it divested the JV.

CFO Gall's Appointment

ATCHISON, Kan., March 14, 2019 – MGP Ingredients, Inc. (Nasdaq:MGPI), a leading supplier of premium distilled spirits and specialty wheat proteins and starches, is pleased to announce that Brandon Gall, corporate controller, will be appointed vice president of finance and chief financial officer, effective April 1, 2019. Gall's appointment follows Tom Pigott's decision to resign from his role as vice president of finance and chief financial officer to pursue other career opportunities. Pigott will remain with the Company through the end of the month to assist through this transition period.

Gall has served as MGP's Corporate Controller since June of 2018. During his seven-year tenure with the Company, Gall has advanced through a steady progression of leadership roles, including Director of Financial Planning & Analysis, Director of Supply Chain Finance, Director of Business Development and most recently, Corporate Controller. Gall has been instrumental in supporting the Company's growth in each of these roles. He holds a bachelor's degree of business administration from Miami University and an MBA from the University of Chicago. Gall is also a certified CPA. He will report to Gus Griffin, president and CEO, and will continue to be based in Atchison, Kansas.

"We are very excited to welcome Brandon to our executive leadership team as our new CFO," said Gus Griffin, president and CEO of MGP Ingredients. "He has been an integral part of our recent growth and has excelled in several key finance roles. His financial acumen, industry knowledge and extensive company experience make him well prepared for his new responsibilities. We are confident in Brandon's ability to provide financial leadership and look forward to his continued contributions to our long-term growth."

"We are grateful to Tom for his leadership and dedicated service," continued Griffin. "Thanks to his work strengthening the finance team, we have an accomplished internal successor in place. Tom was instrumental in helping MGP further develop its investor relations program, financing strategy, and commodity risk management program. His methodical and process-oriented approach has provided the Company with very good access to capital and a strong balance sheet, allowing for additional opportunities to invest to grow, as well as enhance shareholder value. We wish Tom the very best with all his future endeavors."

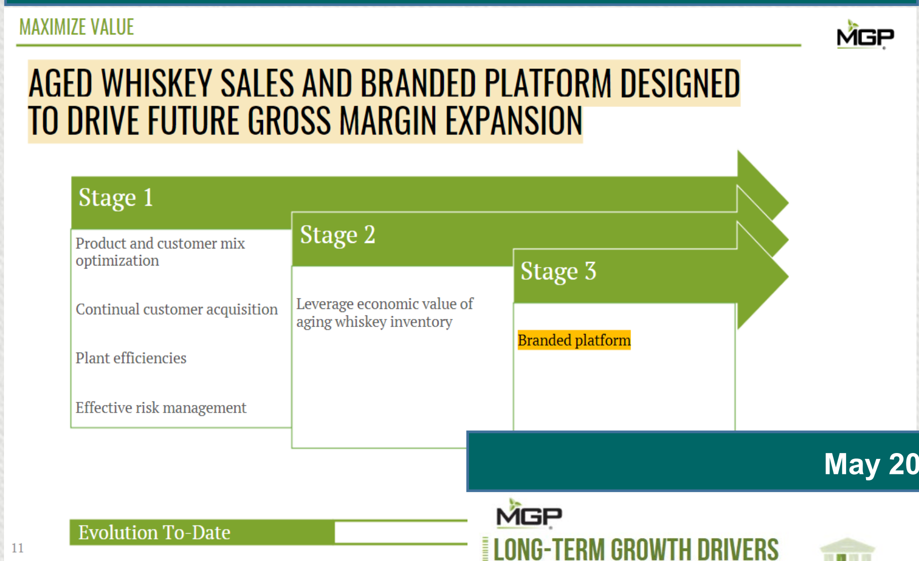
Source: MGPI press release

Why We Believe The Final Leg of MGPI's Liquor Transformation Is Already Failing

MGPI's Has Long Touted Branded Spirits As The Final Leg of Its Growth Story

Now that MGPI is at its final "*Stage 3*" of its "*Long-Term Growth Drivers*" by entering branded spirits, we believe there are no more growth catalysts left for investors. In fact, we will illustrate why we believe its branded spirits business is already failing after MGPI levered itself with the $445 million Luxco merger announced Jan 2021 and closed April 1, 2021.[1]

May 2019



Sept 2020

May 2018

1) Deal announcement and close and MGPI investor presentations, with Spruce Point orange color highlights

Stage 2 Failing: MGPI's Largest Customer Showing Slowing Brand Growth

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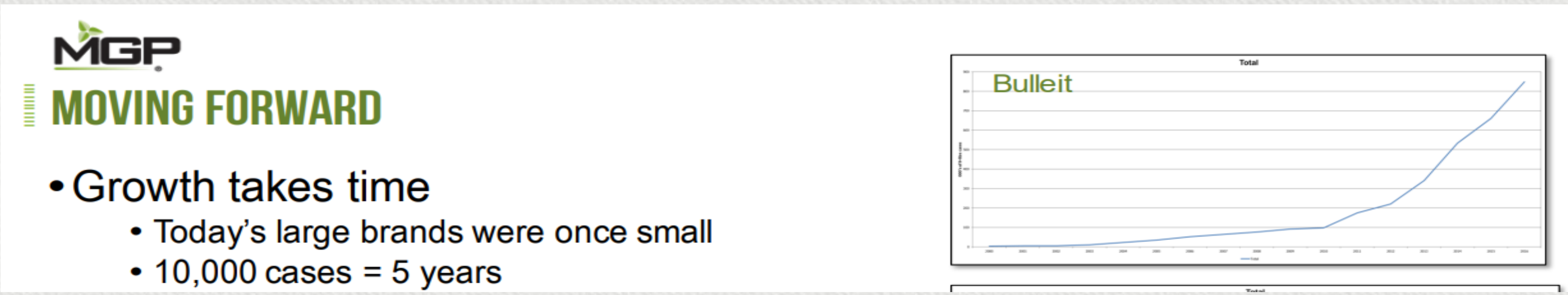
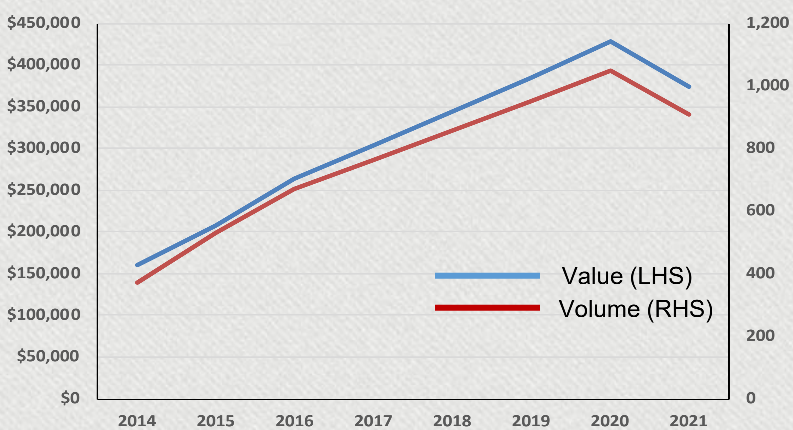
It's known by analyzing MGPI's recent credit agreement that a "Material Contract" is with Diego.[(1)] Materiality is generally defined as impacting >10% of revenues. It's also fairly well known, and documented on various public blogs, that MGPI is the contract distiller behind Diageo's successful brands like Bulleit Rye.[(2)] As recently as 2018, MGPI was showing a chart of Bulleit's rapid growth (see below), but has since discontinued displaying the chart. Spruce Point has sourced updated data from IWSR that shows Bulleit's Bourbon case volume declined in 2021, while its Rye growth was just 3.6%, well below the entire category growth of 9%.

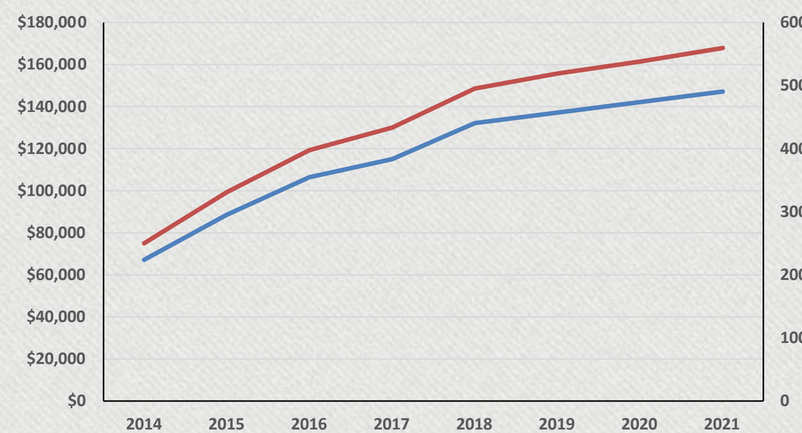
MGPI Showing Bulleit Growth In June 2018



Bulleit Bourbon: 2014-2021



Bulleit Rye: 2014-2021



Source: IWSR, U.S. Market Data on Whiskey 1) MGPI Credit Agreement 2) "*The Delicious Secret Behind Your Favorite Whiskey*", SeriousEats.com
Includes on/off premise

Spruce Point Capital Management

Market Share Loss of Bulleit Brands

Spruce Point believes that Diego's Bulleit brands were a major driver of MGPI's early distillery success. However, industry data shows that Bulleit is losing market share in the premium segment of its market. In 2021, Bulleit Bourbon case volume declined for the first time.

Bulleit Brands Market Share Declining…

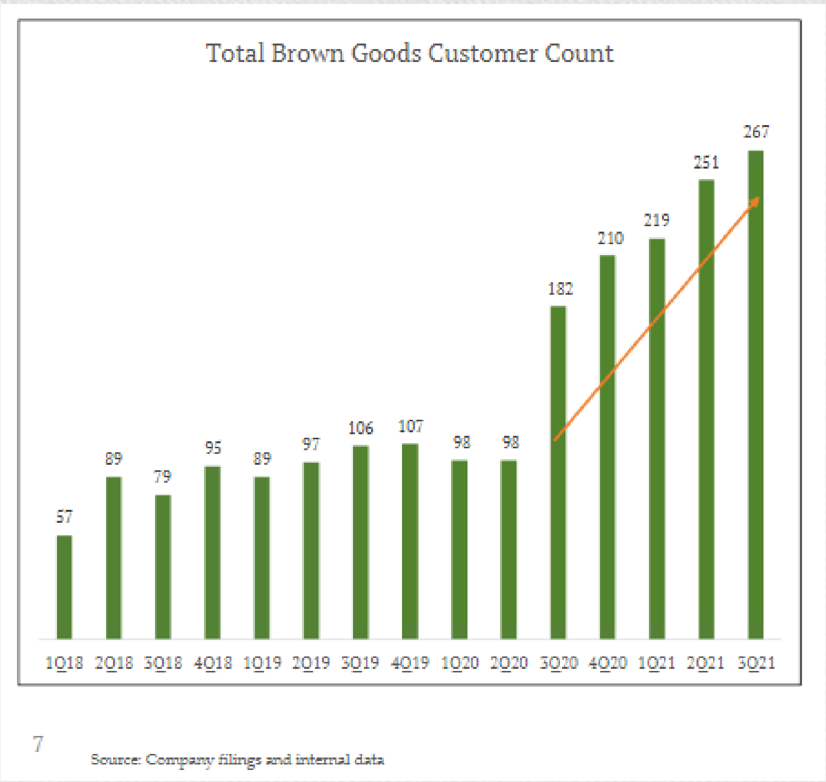
	2014	2015	2016	2017	2018	2019	2020	2021	CAGR
Premium Rye Industry Case Volume	328 --	441 *34.7%*	537 *21.6%*	606 *12.8%*	683 *12.8%*	780 *14.1%*	835 *7.1%*	911 *9.1%*	15.7%
Bulleit Rye Volume % growth	224 --	296 *32.3%*	355 *20.3%*	385 *9.0%*	441 *14.5%*	459 *4.5%*	475 *3.9%*	492 *3.9%*	12.8%
Bulleit Rye Market Share	**68%**	**67%**	**66%**	**64%**	**65%**	**59%**	**57%**	**54%**	
Premium U.S. Whiskey Bourbon Case Volume	3,163 --	3,565 *12.7%*	4,051 *13.7%*	4,528 *11.8%*	5,020 *10.9%*	5,656 *12.7%*	6,067 *7.3%*	6,326 *4.3%*	10.4%
Bulleit Bourbon Volume	429 --	554 *29.0%*	704 *27.1%*	809 *14.9%*	917 *13.4%*	1,025 *11.8%*	1,140 *11.2%*	**998** ***-12.5%***	12.8%
Bulleit Bourbon Market Share	**14%**	**16%**	**17%**	**18%**	**18%**	**18%**	**19%**	**16%**	

Source: IWSR

Declining Market Share

Stage Two Failing: Brown Spirits Average Customer Spend In Sharp Decline

MGPI's stage two objective was "*to leverage the economic value of ageing whiskey inventory*." That is represented by its brown goods revenue, the key driver of within its Distilling Solutions segment. MGPI no longer discloses its total brown goods customer count chart (bottom left). Based on our analysis, the average revenue per customer has been in sharp decline.



Source: MGPI Investor Day, Nov 2021

Average Revenue Per Brown Spirits Customer

$ mm	2020			2021		
	Q2	Q3	Q4	Q1	Q2	Q3
Brown Sales	$25.5	$32.1	$34.7	$43.0	$43.8	$42.8
LTM Brown Sales (a)	$106.4	$111.8	$121.4	$135.4	$153.6	$164.3
Brown Customers	98	182	210	219	251	267
LTM Average Brown Customers (b)	100	121	147	177	216	237
LTM Sales per Customer (a/b)	**$1.06**	**$0.92**	**$0.82**	**$0.76**	**$0.71**	**$0.69**

Source: MGPI SEC filings and Spruce Point analysis

Inventory Also Signals Challenges

Barreled distillate, a key component of MGPI's ability to age and sell premium liquor, was in sharp decline ahead of its announcement to merge with Luxco. We observe that upon merger, MGPI acquired significant finished goods from Luxco that it appears were worked down over the subsequent three quarters. **As cautionary signs, finished goods are now starting to rise, and barreled distillate growth is starting to slow again**.

MGPI Inventory Analysis

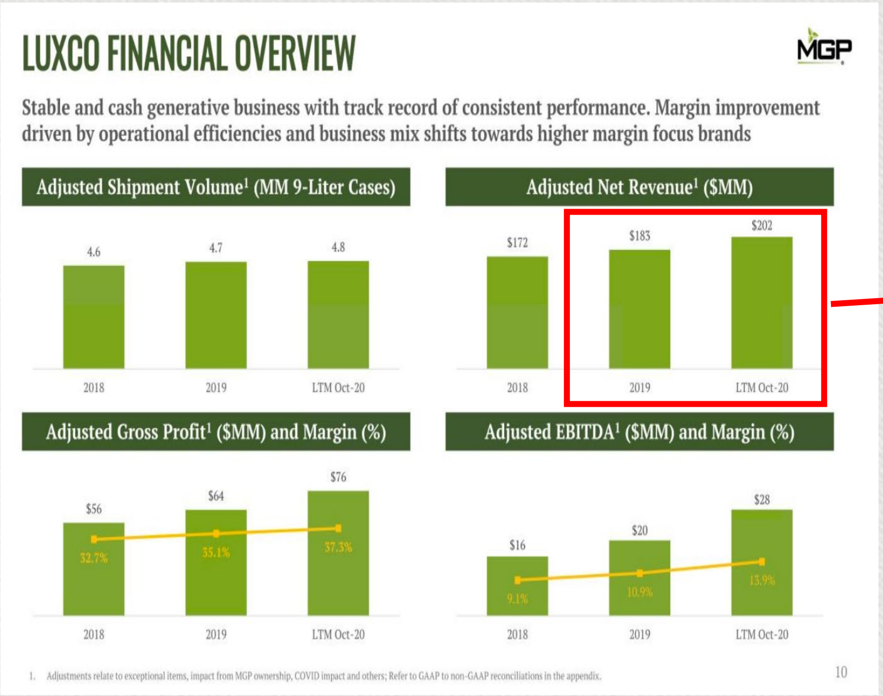
$ in mm	Pre-Merger Legacy MGPI			Pro Forma Luxco and MGPI				
	2020		2021				2022	
	Q3	Q4	Q1	Q2(1)	Q3	Q4	Q1	Q2
Barreled Distillate	$108.4	$105.4	$98.7	$151.4	$159.9	$174.1	$180.1	$184.9
QoQ Growth	***-4.2%***	***-2.7%***	***-6.4%***	*53.4%*	*5.6%*	*8.9%*	*3.4%*	***2.7%***
Inventory Composition								
Finished Goods	12.0%	11.6%	13.8%	20.4%	18.7%	14.4%	15.7%	**17.2%**
Barreled Distillate	75.9%	74.8%	72.6%	65.2%	66.8%	70.8%	69.4%	**67.8%**
Raw Materials	3.7%	4.9%	4.5%	9.4%	9.5%	10.2%	10.1%	10.3%
WIP	1.7%	1.3%	1.5%	0.7%	0.4%	0.5%	0.5%	0.8%
Machine Materials	5.6%	6.1%	6.5%	3.8%	3.9%	3.7%	3.6%	3.5%
Other	1.0%	1.2%	1.1%	0.5%	0.6%	0.4%	0.6%	0.5%
Total Inventory	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

1) Luxco Acquired 4/1/2021
Source: MGPI SEC filings

Over-Promoting Luxco: Revenues Declining Into The Merger Close

MGPI promoted Luxco's revenue as $202 million through October 2020 when announcing the transaction in January 2021. However, as a cautionary warning, the results were unaudited results. Between October 2020 and Dec 31, 2020 Luxco's LTM revenues declined from $202 million (bottom left), to $198.4 million. The audited financials, not filed until June 2021, also show historical revenue overstatement from 2019 of $183 million (unaudited) to $172 million (audited). Lastly, we point out Luxco's 2017 revenue results were touted to the local media at $280 million, which shows that the company shrunk.[2] However, it may not be apples-to-apples as it sold Meier's wine cellars business in early 2018.[3]

Unaudited Promoted Numbers By MGPI At Deal Announcement, Jan 2021



Source: MGPI Investor Presentation

Audited Luxco Numbers Filed By MGPI in June 2021

Combined Statements of Income and Comprehensive Income

Years Ended December 31, 2020 and 2019

(In Thousands)

	2020	2019
Gross Sales	$ 320,647	$ 285,251
Less federal excise taxes	122,251	113,141
Net Sales	198,396	172,110
Cost of Goods Sold	124,775	115,925
Gross Profit	73,621	56,185
Impairment Loss	5,035	3,630
Operating Expenses	44,704	40,392
Operating Income	23,882	12,163
Other Income (Expenses)		
Interest income	46	106
Interest expense	(2,399)	(3,368)
Donations	(467)	(328)
Other	(139)	(574)
	(2,959)	(4,164)
Income Before Income Taxes	20,923	7,999

Source: MGPI 8-K/A

1) St Louis Business Journal
2) Luxco Press Release

Spruce Point Capital Management

Additional Evidence of Declining Sales Ahead of The Luxco Merger

Spruce Point provides more evidence that Luxco and MGPI's branded spirits business was declining post transaction announcement. Pro forma Branded Spirits sales were revised from $186 to $184 million.

Branded Spirits: $186m At M&A Announcement Jan 2021, Pro Forma 2019

MGP OVERVIEW[1]

MGP

Post-transaction, MGP will have a portfolio of highly attractive business units centered around its historic core

DISTILLERY PRODUCTS

Sales: $294MM
(54% of Total)
GP Margin: 22%

- Leading supplier of distilled spirits, facilitating the creation of bourbons, rye whiskeys, distilled gins and vodkas
- Continued strategic position within MGP as legacy producer of food grade alcohol
- Capacity and capability provide key competitive advantage
- Shifting business mix towards higher margin opportunities as a supplier to our increasingly diverse range of customers
- Becoming a "solutions provider" to our customers

BRANDED SPIRITS

Adj. Sales: $186MM
(34% of Total)
Adj. GP Margin: 35%

- Attractive and growing portfolio of spirit brands in fastest growing categories
- A natural evolution to leverage MGP's expertise in production to target the highly attractive branded spirits market
- Combination with Luxco provides step change in scale and a platform
- Core portfolio positioned at affordable price points and provides stable cash flows
- Award winning premium and super premium brands offer a significant long-term upside

SOLUTIONS

Sales: $66MM
(12% of Total)
GP Margin: 16%

- Largest U.S. supplier of specialty wheat proteins and starches
- Rapidly growing category with significant long-term upside
- Aligned with several important consumer trends (e.g. clean label, better for you)
- Particular focus on specialty starches and proteins
- MGP's history affords unique know-how in the specialty ingredient category and we are widely regarded as experts in the industry

1. All financials based on pro forma combined 2019 results.

20

Branded Spirits: $184m Through Merger 4/1/21

MGP OVERVIEW – AS OF DECEMBER 31, 2021

MGP

MGP has a portfolio of highly attractive business units centered around its historic core

DISTILLING

Sales: $353MM
(56% of Total)
GP Margin: 32.4%

- Leading supplier of distilled spirits, facilitating the creation of bourbons, rye whiskeys, distilled gins and vodkas
- Continued strategic position within MGP as legacy producer of food grade alcohol
- Capacity and capability provide key competitive advantage
- Shifting business mix towards higher margin opportunities as a supplier to our increasingly diverse range of customers
- Becoming a "solutions provider" to our customers

BRANDED SPIRITS[(1)]

Sales: $184MM
(29% of Total)
Adj. GP Margin[(2)]: 35.5%

- Attractive and growing portfolio of spirit brands in fastest growing categories
- A natural evolution to leverage MGP's expertise in production to target the highly attractive branded spirits market
- Combination with Luxco provides step change in scale and a platform for future growth
- Diversified standard and value portfolio positioned at affordable price points and provides stable cash flows
- Award winning premium and super premium brands offer a significant long-term upside

INGREDIENT SOLUTIONS

Sales: $91MM
(15% of Total)
GP Margin: 24.5%

- Leading U.S. producer of specialty wheat proteins and starches
- Rapidly growing category with significant long-term upside
- Aligned with several important consumer trends (e.g. clean label, better for you)
- Particular focus on specialty starches and proteins
- MGP's history affords unique know-how in the specialty ingredient category and we are widely regarded as experts in the industry

1. Branded Spirits segment includes Luxco results from date of acquisition (4/1/2021) through year end
2. See appendix for GAAP to Non-GAAP Reconciliation

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Source: MGPI M&A Investor Presentation

Source: MGPI Investor Presentation, Aug 2022

Spruce Point Capital Management

Growing Problems In Premium Branded Spirits

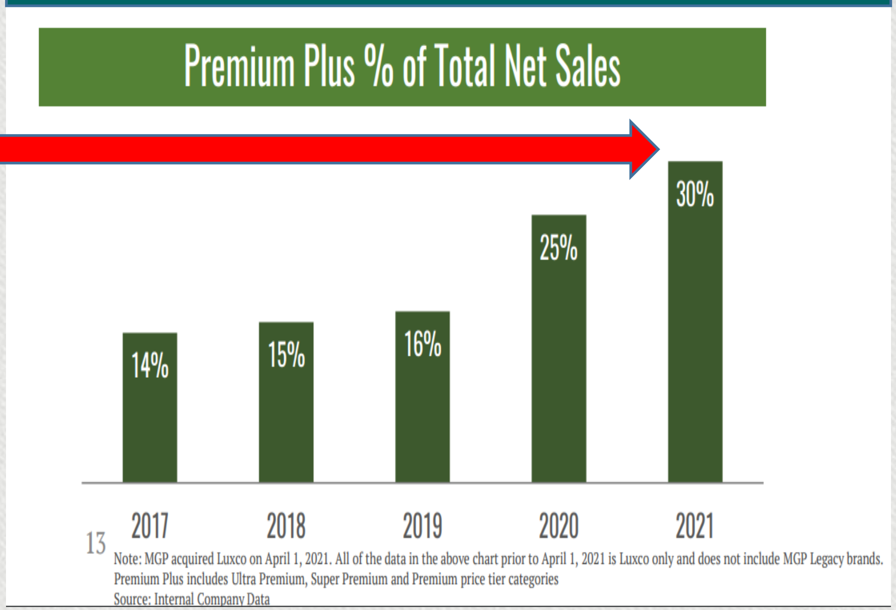
Spruce Point observes that MGPI changed its claims about Luxco's "premium" product sales. As clearly articulated by the CFO on the deal conference call, premium brands presented 46% of net revenues. Now it talks about premium plus brands (also Ultra, Super and Premium), which amount to only 30% of net branded sales.

CFO MGP / Luxco M&A Call Jan 2021	*"But there is a slide within the presentation that's on our website, where it does speak to with regard to as **the focus brands. So those are the more premium, super premium type brands**. There's about a dozen or so that are listed there in the Luxco portfolio. **And those represent about 46% of total revenue**. So that should give you a pretty reasonable starting point there."*

As Presented At Deal Announcement
Premium = Focus Brands = 46% of Net Revenue

Source: [MGPI M&A Investor Presentation]

Now Presented Aug 2022
Premium Plus = 30% of Net Revenue



Source: MGPI Investor Presentation, Aug 2022

Growing Problems In Premium Branded Spirits (cont'd)

Spruce Point observes serious growth challenges with MGPI's branded spirits sales. Prior to the merger with Luxco in late 2020 / early 2021, its sales were declining materially QoQ. On the M&A deal call, MGPI described Luxco's portfolio as "*fast-growing*" and that premium brands represented 46% of its net revenue. Fast forward to today, we find the opposite to be true. We find a mysterious bump in Luxco sales post-close and then flat growth. Furthermore, premium sales now only account for 31% of total sales, much lower than the 46% claim in early 2021. **Additionally, as a major red flag warning, we observe that MGPI just started reclassifying historical results**.

MGP / Luxco M&A Call Jan 2021	*"Luxco has an attractive portfolio of **fast-growing premium distilled spirits brands** as well as strong cash flow generating legacy brands. Their products cover a wide range of price points with the **premium brands representing approximately 46% of Luxco's net revenue.**"*

MGPI's Branded Spirits Segment Reporting

$ in mm	Pre-Merger Legacy MGPI					Pro Forma Luxco and MGPI							
	2019	2020			2021							2022	
	Total FY	Q3	Q4	Total FY	Q1	Q1 Luxco(1)	Q2(2) Original	Q2 Revised	Q3	Q4	Total FY	Q1	Q2
Ultra	$2.6	$2.4	$1.4	$3.8	$0.1	--	$10.1	$8.0	$13.1	$10.7	$34.0	$12.6	$9.4
Super	--	--	--	--	0.4	--	--	3.2	--	--	--	2.9	3.2
Premium	0.4	0.1	0.3	0.3	0.01	--	6.3	5.3	6.3	7.0	19.7	6.1	5.8
Mid	--	--	--	--	--	--	17.8	25.4	17.1	17.0	51.9	19.3	23.3
Value	--	--	--	--	--	--	20.9	13.2	19.1	18.5	58.5	11.3	12.9
Other	--	--	--	0.01	0.007	--	5.3	5.3	6.0	7.8	19.5	3.5	3.9
Total Branded Sales (a)	**$3.0**	**$2.5**	**$1.7**	**$4.1**	**$0.6**	**$44.3**	**$60.4**	**$60.4**	**$61.6**	**$61.0**	**$183.6**	**$55.8**	**$58.6**
QoQ Growth	--	--	*-30.6%*	--	*-66.5%*	--	--	--	*1.9%*	*-0.9%*	--	*-8.6%*	*5.0%*
YoY Growth	--	--	--	*38.2%*	--	--	--	--	--	--	--	--	*-3.1%*
Luxco Sales (b)	**--**	**--**	**--**	**--**	**--**	**$44.3**	**$59.3**	**$59.3**	**$59.1**	**$59.3**	**$177.6**	**--**	**--**
Implied Legacy MGPI (a-b)	$3.0	$2.5	$1.7	$4.1	$0.6	--	$1.1	$1.1	$2.5	$1.8	$6.0	--	--
Premium Sales(3)							**$16.4**	**$16.5**	**$19.4**	**$17.7**	**$53.7**	**$21.7**	**$18.4**
% of Total							*27%*	*27%*	*32%*	*29%*	*29%*	*39%*	*31%*

1) Pro forma result in 8-K, filed 11/4/2021
2) Luxco acquired 4/1/2021
3) Includes the sum of Ultra, Super, and Premium categories

Abnormal sales increase upon deal close, then sales are flat

Spruce Point Finds Many MGPI Branded Spirits Selling At Heavy Discounts To SRP

Spruce Point Capital Management

Do you recognize any of these brands? Spruce Point finds many of MGPI's promoted branded spirts selling at approximately 5%-50% of suggested retail price. If these product were in hot demand, we believe it unlikely retailers would offer such steep discounts.

Source: MGPI Investor Presentation – August 2022 and Spruce Point Channel Checks

Gross Margins Forecasted To Expand, Actually Shrinking

We believe Luxco's gross margins aren't as exciting as advertised, and will likely contract as consumer shift away from premium brands. Notice that pre-merger, MGPI's craft brands carried margins in excess of 50%. For comparison, companies such as Constellation Brands and Brown Foreman report gross margins of 52% and 61%, respectively. However, Luxco's margins are in the mid 30% range. In fact, absent the abnormal Q1 2022 result of 44.5%, gross margins since the merger have averaged 35.9% vs. 37.0% promoted at the time of the merger. **The CFO's prediction of improving margins have to date failed to materialize**.

CFO Comments on Gross Margins **MGP / Luxco M&A Call Jan 2021**	*"Luxco's recent financial metrics for the 12 months ended October 31, 2020, which are included in the presentation deck, show adjusted annual net revenue of $202 million. **Gross profit for the same period of approximately $76 million. Gross margin percentage of approximately 37%**."* *"So said another way, they've been investing, as Dave mentioned, quite heavily to reposition their portfolio towards the higher margin on trend focused brands that we've discussed. **So we definitely do view that there's still room for margin improvement** as we focus not only on the portfolio mix, but also on cost structure efficiencies."*

MGPI's Branded Spirits Segment Reporting

$ in mm	Pre-Merger Legacy MGPI					Pro Forma Luxco and MGPI							
	2019	2020			2021							2022	
	Total FY	Q3	Q4	Total FY	Q1	Q1[1] Luxco	Q2[2] Original	Q2 Revised	Q3	Q4	Total FY [3]	Q1[4]	Q2
Ultra	$2.6	$2.4	$1.4	$3.8	$0.1	--	$10.1	$8.0	$13.1	$10.7	$34.0	$12.6	$9.4
Super	--	--	--	--	0.4	--	--	3.2	--	--	--	2.9	3.2
Premium	0.4	0.1	0.3	0.3	0.01	--	6.3	5.3	6.3	7.0	19.7	6.1	5.8
Mid	--	--	--	--	--	--	17.8	25.4	17.1	17.0	51.9	19.3	23.3
Value	--	--	--	--	--	--	20.9	13.2	19.1	18.5	58.5	11.3	12.9
Other	--	--	--	0.01	0.007	--	5.3	5.3	6.0	7.8	19.5	3.5	3.9
Total Branded Sales	**$3.0**	**$2.5**	**$1.7**	**$4.1**	**$0.6**	**$44.4**	**$60.4**	**$60.4**	**$61.6**	**$61.0**	**$183.6**	**$55.8**	**$58.6**
Gross Profit	**$1.5**	**$1.4**	**$0.8**	**$2.2**	**$0.1**	**$18.2**	**$18.4**	**$18.4**	**$23.2**	**$20.9**	**$62.6**	**$24.8**	**$21.0**
% margin	*51.5%*	*56.7%*	*46.9%*	*52.7%*	*15.1%*	*41.1%*	*30.5%*	*30.5%*	*37.7%*	*34.3%*	*34.1%*	*44.5%*	*35.8%*

1) Pro forma result in 8-K, filed 11/4/2021
2) Luxco acquired 4/1/2021. Adjusted gross profit and margin for purchase accounting was $21.6m (35.7%).
3) Full year gross profit and margin adjusted for purchase accounting was $65.2 (35.5%)
4) Abnormal margin explained by sales of premium plus American Whiskey

Spruce Point Capital Management

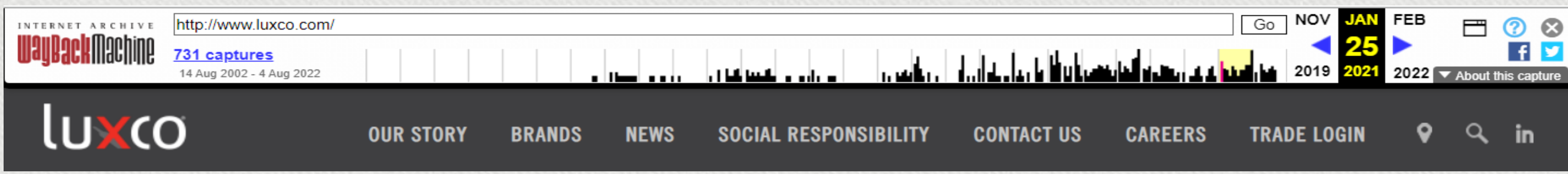
MGPI Appears To Have Spring-Loaded Luxco's Results

Spruce Point finds evidence that MGPI may have spring-loaded results by making changes to Luxco's go-to-market strategy immediately after deal announcement. We observe it launched a "Shop Now" feature and partnerships with online retailers. Luxco's sales spiked from $44.4 to $59.3 million from Q1 to Q2 2021. The CFO proudly stated results, "*exceeded our expectations*," but made no mention of a change to Luxco's sales distribution model.(1)

CFO Q2'2021 Conf Call	*"I wanted to share an update on the financials related to the Luxco acquisition. As Dave mentioned, the Branded Spirits segment results exceeded our expectations, with strong top line growth, especially within the on-premise channel, which does not have as robust of a gross margin profile as compared to the off-premise channel."*

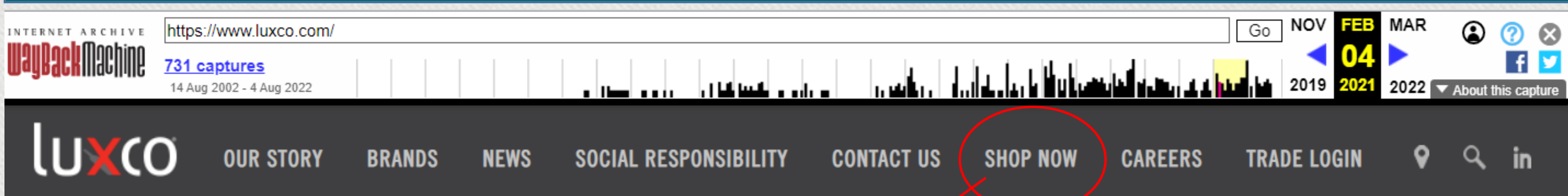
Source: Conf Call

Luxco's Website On The Day Of The Merger Announcement With MGPI



Source: Wayback Machine

Luxco's Website More Than A Week Later



Source: Wayback Machine

1) **According to Drizly**, "*Consumers not only ordered more frequently, but also at a larger quantity per order. Average order size shot up to an average of 50% higher than baseline going in that second week (week of 3/16),* ***indicating that consumers were exhibiting a "stock up" mentality***."

1): Q2'2021 Conf Call

Source: Luxco Shop Now

Both MGPI And Luxco Pre-Tax Margins Suffering

Based on our analysis, both core MGPI and Luxco's profitability suffered throughout 2021. Best disclosure practices are to include inorganic contributions from merger targets for 12 months post transaction close. However, MGPI ceased further disclosure of Luxco's revenue and earnings before tax (EBT) contribution in 2022.

$ in mm	Pre-Merger 2020	Pro Forma Luxco and MGPI					
		2021				2022	
	Q1	Q2	Q3	Q4	Total FY	Q1	Q2
Total Revenues (a)	$108.3	$174.9	$176.6	$166.8	$626.7		
Less: Luxco Revenues (b)	--	($59.3)	($59.1)	($59.3)	($177.6)	**No Disclosure**	
Core MGPI Revenues (c)	**$108.3**	**$115.6**	**$117.5**	**$107.5**	**$449.1**		
GAAP Income Before Income Tax	$20.0	$26.5	$31.3	$43.2	$121.1		
Less: Insurance Recoveries	--	--	--	($16.3)	($16.3)		
Plus: Luxco Inventory Step-Up	--	$2.5	--	--	$2.5		
Plus: Acquisition Costs	$1.9	$6.7	$0.3	$0.0	$8.9		
Non-GAAP Income Before Income Tax (d)	**$21.9**	**$35.7**	**$31.6**	**$26.9**	**$116.2**		
Less: Luxco Contribution (e)	--	($6.5)	($6.0)	($4.5)	($17.0)	**No Disclosure**	
Core MGPI Income Before Income Tax (f)	**$21.9**	**$29.2**	**$25.6**	**$22.4**	**$99.2**		
Luxco EBT margin = (e/b)	**--**	***11.0%***	***10.2%***	***7.5%***	***9.6%***		
Core MGPI EBT margin = (f/c)	***20.2%***	***25.3%***	***21.8%***	***20.9%***	***22.1%***		

Quarter	Luxco Contribution Disclosure
Q2 2021	*The operating results of Luxco were consolidated with the Company's operating results subsequent to the merger date. During the quarter and year to date ended June 30, 2021, the Company recorded $59,298 of Sales and $6,520 of Income before income taxes, attributable to Luxco on it's Condensed Consolidated Statement of Income.*
Q3 2021	*The operating results of Luxco were consolidated with the Company's operating results subsequent to the merger date. During the quarter and year to date ended September 30, 2021, the Company recorded $59,057 and $118,355, respectively, of Sales and $6,038 and $12,559, respectively, of Income before income taxes, attributable to Luxco on it's Condensed Consolidated Statement of Income.*
FY 2021	*The operating results of Luxco were consolidated with the Company's operating results subsequent to the merger date. During the year ended December 31, 2021, the Company recorded $177,607 and $17,027, of Sales and Income before income taxes, respectively, attributable to Luxco on it's Consolidated Statement of Income.*

Hard To Succeed In A Marketing Intensive Industry With Abnormally Low Spend

Spruce Point believes that MGPI is wildly underspending for advertising and promotion in order to achieve its lofty ambitions of being a successful branded spirit company. Based on recent disclosures, we observe it is spending approximately 3.0% of sales on advertising and promotion. However, large and established industry competitors routinely spend between 9.0% – 17.5% of sales on marketing and advertising. **For a small player like MGPI to succeed and gain share from established players, we believe it should be outspending the competition, not underspending**.

MGPI's Advertising and Promotion Expenditures

$ in mm	Pre- Merger Legacy MGPI	Pro Forma Luxco and MGPI						
	2020	2021					2022	
	Total FY	Q1	Q2[1]	Q3	Q4	Total FY	Q1	Q2
Total Net Sales	$395.5	$108.3	$174.9	$176.6	$166.8	$626.7	$195.2	$195.0
Advertising and Promotion	$2.7	$0.9	$3.4	--	--	$16.1	$5.5	$6.1
% margin	*0.7%*	*0.8%*	*1.9%*	--	--	*2.6%*	*2.8%*	*3.1%*

Source: MGPI SEC filings
1) Luxco Acquired 4/1/2021

Competitor Advertising Spend

Company	$mm, ex Diageo in bn	2020	2021	2022
Diageo	Sales	£11.8	£12.7	£15.5
	Marketing	£1.8	£2.2	£2.7
	% margin	*15.3%*	*17.3%*	*17.4%*
Constellation Brands	Total Net Sales	$8,344	$8,615	$8,821
	Advertising and Promotion	$770	$805	$826
	% margin	*9.2%*	*9.3%*	*9.4%*
Brown Foreman	Total Net Sales	$3,363	$3,461	$3,933
	Advertising and Promotion	$383	$399	$438
	% margin	*11.4%*	*11.5%*	*11.1%*

Source: Peer SEC Filings

Market Data Points To Slowdown In Premium Spirits

SPRUCE POINT CAPITAL MANAGEMENT

MGPI's own Nielsen data, and color commentary from global spirits leader Beam Suntory, suggest a recent slowdown in premium spirits sales, a trend that MGPI's CEO recently glossed over (next slide).

Beam Suntory CEO[1] Aug 10, 2022

"(Beam) is starting to see "a little bit of tempering" of the super premium and ultra-super premium categories."

June 2021

Growth across spirits categories continues to outperform in the High-End

AMERICAN WHISKEY	9L Case Volume	52 Weeks Trend
Ultra Premium	900,236	+53%
Super Premium	3,869,518	+30%
Premium	4,548,232	+16%
Mid	5,869,205	+5%
Value	858,420	-5%

TEQUILA	9L Case Volume	52 Weeks Trend
Ultra Premium	571,251	+84%
Super Premium	1,338,101	+56%
Premium	2,562,952	+45%
Mid	2,472,850	+9%
Value	464,969	+27%

GIN	9L Case Volume	52 Weeks Trend
Ultra Premium	134,256	+73%
Super Premium	357,557	+40%
Premium	1,492,883	+18%
Mid	1,252,157	+3%
Value	403,314	-5%

IRISH WHISKEY	9L Case Volume	52 Weeks Trend
Ultra Premium	62,807	+40%
Super Premium	96,980	+23%
Premium	1,686,931	+18%
Mid	127,947	+3%
Value	100	+19%

11 Source: Nielsen 52 weeks 9L Volume Growth Trend by Spirits Category thru April 24, 2021

Source: MGPI Investor Presentation, June 2021

Aug 2022

Growth Across Spirits Categories Continues to Outperform in the High-End

BOURBON WHISKEY	9L Case Volume	52 Weeks Trend
Ultra Premium	818,962	+10%
Super Premium	2,830,8044	-2%
Premium	1,286,683	-4%
Mid	3,767,325	-8%
Value	396,505	-7%

TEQUILA	9L Case Volume	52 Weeks Trend
Ultra Premium	745,822	+25%
Super Premium	1,531,302	+9%
Premium	2,698,903	+7%
Mid	2,195,532	-8%
Value	477,653	+4%

GIN	9L Case Volume	52 Weeks Trend
Ultra Premium	140,836	+3%
Super Premium	336,188	-6%
Premium	1,306,162	-9%
Mid	1,025,867	-16%
Value	382,717	-6%

RYE WHISKEY	9L Case Volume	52 Weeks Trend
Ultra Premium	154,882	+1%
Super Premium	382,647	-2%
Premium	59,423	-18%
Mid	2,029	-19%
Value	4,357	-2%

12 Source: Nielsen 52 weeks 9L Volume Growth Trend by Spirits Category thru May 21, 2022

Source: MGPI Investor Presentation, Aug 2022

1) CNBC Interview

SPRUCE POINT CAPITAL MANAGEMENT

More Evidence of Premium Slow Down

The CEO recently claimed he's not seen any trade down by consumers in their spirits choices and cites 12% growth of premium sales. Yet, how can this possibly be true? While the YoY growth was in fact 12%, the QoQ change and mix clearly shows an abrupt shift from premium to non-premium sales.

CEO Q2 Aug 2022[3]	*"I think your read right through the second quarter of this year. Actually, if you look at what we call our premium plus price tier brands, they actually **grew close to 12% in revenue for the quarter. So we really haven't seen to date any trade down by consumers in their spirits choices**"*

MGPI's Branded Spirits Segment Reporting

$ in mm	Pre-Merger Legacy MGPI				Pro Forma Luxco and MGPI							
	2019	2020			2021						2022	
	Total FY	Q3	Q4	Total FY	Q1	Q2[1] Original	Q2 Revised	Q3	Q4	Total FY	Q1	Q2
Ultra	$2.6	$2.4	$1.4	$3.8	$0.1	$10.1	$8.0	$13.1	$10.7	$34.0	$12.6	$9.4
Super	--	--	--	--	0.4	--	3.2	--	--	--	2.9	3.2
Premium	0.4	0.1	0.3	0.3	0.01	6.3	5.3	6.3	7.0	19.7	6.1	5.8
Mid	--	--	--	--	--	17.8	25.4	17.1	17.0	51.9	19.3	23.3
Value	--	--	--	--	--	20.9	13.2	19.1	18.5	58.5	11.3	12.9
Other	--	--	--	0.01	0.007	5.3	5.3	6.0	7.8	19.5	3.5	3.9
Total Branded Sales	**$3.0**	**$2.5**	**$1.7**	**$4.1**	**$0.6**	**$60.4**	**$60.4**	**$61.6**	**$61.0**	**$183.6**	**$55.8**	**$58.6**
QoQ Growth			*-30.6%*		*-66.5%*	N.M.	*0.0%*	*1.9%*	*-0.9%*	N.M.	*-8.6%*	*5.0%*
YoY Growth				*38.2%*							N.M.	*-3.1%*
Premium Sales[2]						**$16.4**	**$16.5**	**$19.4**	**$17.7**	**$53.7**	**$21.7**	**$18.4**
% of Total						*27%*	*27%*	*32%*	*29%*	*29%*	*39%*	*31%*
QoQ Growth								*19%*	*-9%*		*22%*	***-15%***
YoY Growth												***+12%***
Non-Premium Sales						**$44.0**	**$43.9**	**$42.1**	**$43.7**	**$129.9**	**$34.1**	**$40.1**
% of Total						*73%*	*73%*	*68%*	*72%*	*71%*	*61%*	*69%*
QoQ Growth								*-4%*	*4%*		*-22%*	***+18%***
YoY Growth												*-9%*

1) Luxco Acquired 4/1/2021
2) Includes the sum of Ultra, Super, and Premium categories
3) Q2'22 Conf Call. He reiterated this comment a month later at the Well Fargo Conf, Sept 21, 2022 that MGPI hadn't seen any trade down from its premium plus priced spirits

"Increasing" Guidance Has Substantial Warning Signs

Spruce Point Capital Management

We believe investor enthusiasm around MGPI's recent upward revision to its 2022 outlook appears misplaced. First, notice carefully that the Company actually retracted fully diluted EPS guidance earlier in the year. Why can't MGPI accurately forecast diluted shares anymore? Secondly, the recent increase to guidance was actually margin dilutive, which detracts from the quality of the guidance increase.

Q4 2021 Feb 26, 2022	***MGP is offering the following increased consolidated guidance for fiscal 2022:*** • *Sales are projected to be in the range of $690 million to $715 million.* • *Adjusted EBITDA is expected to be in the range of $150 million to $157 million.* • *Basic adjusted earnings per share are forecasted to be in the $4.15 to $4.35 range, with basic weighted average shares outstanding expected to be approximately 22.0 million at year end.* • *Fully diluted adjusted earnings per share are forecasted to be in the $3.95 to $4.10 range, with fully diluted weighted average shares outstanding expected to be approximately 24.1 million at year end.*
Q1 2022 May 5, 2022	***MGP is confirming the following consolidated guidance for fiscal 2022:*** • *Sales are projected to be in the range of $690 million to $715 million.* • *Adjusted EBITDA is expected to be in the range of $150 million to $157 million.* • *Basic adjusted earnings per share are forecasted to be in the $4.15 to $4.35 range, with basic weighted average shares outstanding expected to be approximately 22.0 million at year end.*
Q2 2022 Aug 4, 2022	***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*

$ mm	Initial		Revised	
	Low	High	Low	High
Sales	$690	$715	$745	$765
Adjusted EBITDA	$150	$157	$156	$163
Implied Margin	21.7%	22.0%	**20.9%**	**21.3%**

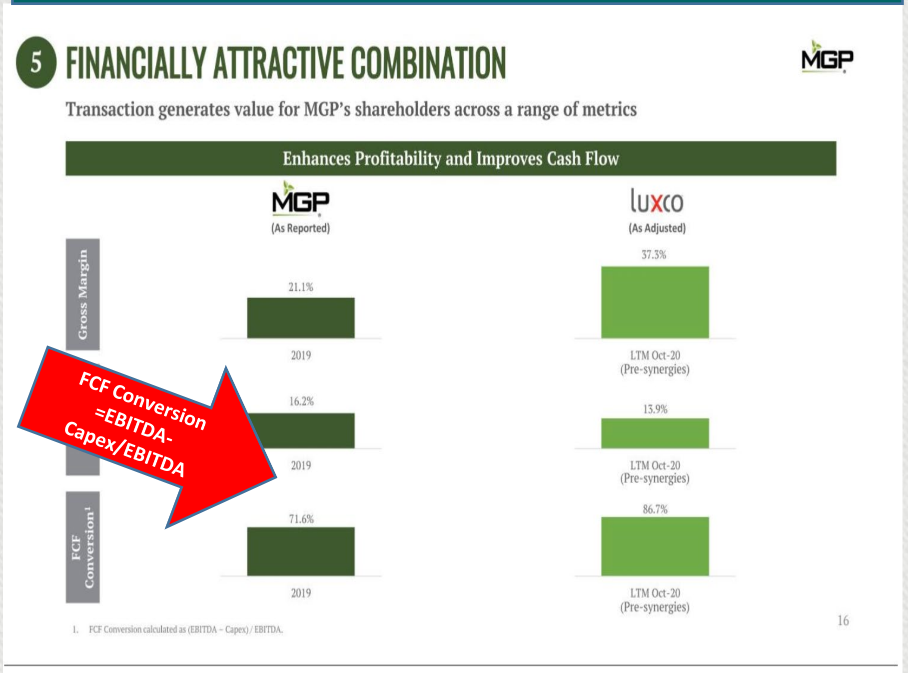
Source: Q4'21, Q1'22, Q2'22

Earnings Quality Deterioration And Signs of Financial Misstatement Recently Appearing

Warning: MGPI Uses A Non-Standard Cash Flow Conversion

While touting that Luxco would be immediately free cash flow accretive, MGPI showed a metric called "FCF Conversion" which positioned Luxco as producing a conversion ratio of 86.7%, well in excess of MGPI's at 71.6%. However, bear-in-mind that MGPI never produced an audited cash flow statement for Luxco and its definition of FCF Conversion is non-standard. MGPI defines it in the fine-print as EBITDA minus Capex divided by EBITDA. Spruce Point believes a more commonly accepted definition of FCF conversion to be Cash from operations minus Capex and divided by revenues.

Jan 2021: Luxco Deal Announcement Presentation



August 2022: Investor Presentation

RECONCILIATION OF SELECTED GAAP TO NON-GAAP MEASURES

NET INCOME TO ADJUSTED EBITDA AND FREE CASH FLOW

($ in thousands)	2018	2019	2020	2021
Net Income	$37,284	$38,793	$40,345	$90,817
Interest	1,168	1,305	2,267	4,037
Taxes	11,696	7,144	12,256	30,279
Depreciation and Amortization	11,362	11,572	12,961	19,092
Equity Method Investment	-	-	-	1,611
Insurance Recoveries	-	-	-	(16,325)
Inventory Step-Up – Branded Spirits	-	-	-	2,529
Business Acquisition Costs	-	-	919	8,927
CEO Transition Costs	-	-	1,932	-
Adjusted EBITDA [1]	**$61,510**	**$58,814**	**$70,680**	**$140,967**
Capital Expenditures	31,046	16,730	19,701	47,389
Free Cash Flow [1]	**$30,464**	**$42,084**	**$50,979**	**$93,578**
Free Cash Flow Conversion [1,2]	49.5%	71.6%	72.1%	66.4%

Source: Company filings
[1] Non-GAAP figure
[2] Calculated as Free Cash Flow / Adjusted EBITDA

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Source: MGPI M&A Investor Presentation

Spruce Point Capital Management

Cash Flow Accretive or Destructive?

MGPI touted the strong cash flow and free cash flow generation of Luxco, claiming it would be "*immediately accretive*". **However, yet again we find that the evidence suggests the statement failed to come to fruition.** In fact, MGPI's operating cash flow margin hit a multi-year low of just 10.7%. Furthermore, we find evidence that suggests free cash flow and margin YoY in the period since closing the Luxco transaction also contracted materially from 13.8% to 6.9%.

Management Comments on Cash Flow **MGP / Luxco M&A Call Jan 2021**	*"This deal is financially attractive, and we expect the transaction to be **immediately accretive** to our gross margins, EPS and **free cash flow** generation as described in the GAAP reconciliation included in the appendix to the investor presentation."* *"Luxco has an attractive portfolio of fast-growing premium distilled spirits brands as well as **strong cash flow generating legacy brands**."* *"This transaction represents a financially attractive opportunity by **enhancing long-term** profitability, **cash flow generation** and shareholder value creation."*

MGPI's Cash Generation

$ in mm	MGPI Pre-Merger			Pro Forma Luxco and MGPI						
	2020			2021					2022	
	Q3	Q4	Total FY	Q1	Q2(2)	Q3	Q4	Total FY	Q1	Q2
Total Revenues	$103.0	$100.9	$395.5	$108.3	$174.9	$176.6	$166.8	$626.7	$195.2	$195.0
Operating Cash Flow	$23.5	$23.8	$53.3	$17.0	$30.5	$23.3	$17.5	$88.3	$22.2	$20.8
% margin	***22.8%***	***23.6%***	***13.5%***	***15.7%***	***17.4%***	***13.2%***	***10.5%***	***14.1%***	***11.4%***	***10.7%***
Less: Capex	($3.3)	($6.9)	($19.7)	($12.1)	($6.3)	($18.9)	($10.1)	($47.1)	($10.6)	($7.4)
Free Cash Flow	**$20.2**	**$16.9**	**$33.5**	**$4.9**	**$24.2**	**$4.4**	**$7.4**	**$41.2**	**$11.6**	**$13.4**
% margin	**19.6%**	**16.7%**	**8.5%**	**4.5%**	**13.8%**	**2.5%**	**4.4%**	**6.6%**	**5.9%**	**6.9%**

Source: MGPI SEC filings
1) Luxco Acquired 4/1/2021

Earnings Quality Declining

Spruce Point believes that MGPI's earnings quality is rapidly declining. We measure its Cash from operations (operating cash flow) relative to GAAP net income and observe that the ratio has been in steady decline.

Earnings Quality Deterioration

$ in mm	MGPI Pre-Merger				Pro Forma Luxco and MGPI					
	2020			2021					2022	
	Q3	Q4	Total FY	Q1	Q2[1]	Q3	Q4	Total FY	Q1	Q2
Operating Cash Flow	$23.5	$23.8	$53.3	$17.0	$30.5	$23.3	$17.5	$88.3	$22.2	$20.8
GAAP Net Income	$10.4	$11.6	$40.3	$15.4	$20.1	$23.7	$31.7	$90.8	$37.4	$25.4
Ratio of OCF / Net Income	**226%**	**205%**	**132%**	**110%**	**152%**	**99%**	**55%**	**97%**	**59%**	**82%**

Declining Conversion of Net Income To Operating Cash Flow

Source: MGPI SEC filings
1) Luxco acquired 4/1/2021

Warning: Restatement Signs Appear In Cash Flow Disclosures (Q1 2021)

MGPI is making retroactive changes to its Q1 2021 operating cash flow discussion. **We now have evidence that inventory accounts are potentially misstated**. Of particular concern, it now claims that inventories, primarily barreled distillate, increased and caused a use of cash. However, this does not reconcile with reported inventories between Q4 2020 and Q1 2021, which declined from $141.0 to $136.1 million.

Q1 2022 **And** **REVISED** **Prior Year Q1 2021 Discussion**	*"**Operating Activities.** Cash provided by operating activities for quarter ended March 31, 2022 was $22,230. The cash provided by operating activities resulted primarily from net income of $37,371, adjustments for non-cash or non-operating charges of $6,971, including depreciation and amortization, and share-based compensation, partially offset by cash used in operating assets and liabilities of $22,112. The primary drivers of the changes in operating assets and liabilities were $13,696 use of cash related to an increase in inventories, primarily barreled distillate, $9,601 use of cash related to increased accounts receivables, net due to increased sales during the quarter, and $8,896 use of cash related accrued expenses and other primarily related to an incentive compensation payout. These uses of cash were partially offset by $5,437 cash provided by an increase in income taxes payable and $4,638 cash provided by accounts payable.* *Cash provided by operating activities for quarter ended March 31, 2021 was $16,990. The cash provided by operating activities resulted primarily from net income of $15,427, adjustments for non-cash or non-operating charges of $5,892, including depreciation and amortization, and share-based compensation, partially offset by uses of cash due to changes in operating assets and liabilities of $4,329. The primary drivers of the changes in operating assets and liabilities were $8,278 use of cash related to a decrease in accrued expenses primarily related to incentive compensation expenses, $4,348 use of cash related to an increase in accounts receivables, net due to increased sales during the quarter as well as an increase in insurance recoveries, and $1,084 use of cash related to an increase in prepaid expenses due to an increase in prepaid insurance. These uses of cash were partially offset by $5,237 cash provided by an increase in income taxes payable **and $4,924 use of cash related to an increase in inventories, primarily barreled distillate**."*
ORIGINAL **Q1 2021**	*"**Operating Activities**. Cash provided by operating activities for quarter ended March 31, 2021 was $16,990. The cash provided by operating activities during quarter ended March 31, 2021 resulted primarily from net income of $15,427, adjustments for non-cash or non-operating charges of $5,892 including, depreciation and amortization, and share-based compensation, partially offset by uses of cash due to changes in operating assets and liabilities of $4,329. The primary drivers of the changes in operating assets and liabilities were $8,385 use of cash related to a decrease in accrued expenses and other primarily related to incentive compensation expenses, $4,348 use of cash related to an increase in accounts receivables, net due to increased sales during the quarter as well as an increase in insurance recoveries receivable, and $1,084 use of cash related to an increase in prepaid expenses due to an increase in prepaid insurance. These uses of cash were partially offset by $5,237 cash provided by an increase in income taxes payable **and $4,924 related to a decrease in inventories, primarily barreled distillate**."*

Source: Q1'2022 10-Q and Q1'2021 10-Q

Warning: Restatement Signs Appear In Cash Flow Disclosures (Q2 2021)

Spruce Point is highly concerned that MGPI recently qualified its operating cash flow discussion by noting that "*timing of customer payments*" and an increase of "*finished goods inventory*" were affecting cash flow. We believe this signals a slow down of purchasing demand. **Furthermore, we highlight a concerning addition to last year's cash flow discussion that it excluded the asset and liability balances of Luxco, which is very unusual given the transaction closed at the end of Q1'2022**.

Q1 2022	*"**Operating Activities.** Cash provided by operating activities for quarter ended March 31, 2022 was $22,230. The cash provided by operating activities resulted primarily from net income of $37,371, adjustments for non-cash or non-operating charges of $6,971, including depreciation and amortization, and share-based compensation, partially offset by cash used in operating assets and liabilities of $22,112. The primary drivers of the changes in operating assets and liabilities were $13,696 use of cash related to an increase in inventories, primarily barreled distillate, $9,601 use of cash related to increased accounts receivables, net due to increased sales during the quarter, and $8,896 use of cash related accrued expenses and other primarily related to an incentive compensation payout. These uses of cash were partially offset by $5,437 cash provided by an increase in income taxes payable and $4,638 cash provided by accounts payable."*
Q2 2022	*"**Operating Activities**. Cash provided by operating activities for year to date ended June 30, 2022 was $43,019. The cash provided by operating activities resulted primarily from net income of $62,733, adjustments for non-cash or non-operating charges of $13,262, including depreciation and amortization, and share-based compensation, partially offset by cash used in operating assets and liabilities of $32,976. The primary drivers of the changes in operating assets and liabilities were $27,508 use of cash related to an increase in inventories, primarily due to an increase in barreled distillate **and finished goods inventory**, $13,142 use of cash related to increased accounts receivables, net due to increased sales during the year to date period, **as well as timing of customer payments**, and $4,791 use of cash related to accrued expenses and other primarily related to increase in incentive compensation. These uses of cash were partially offset, primarily, by $11,438 cash provided by an increase in accounts payable.*
REVISED **Q2 2021**	*Cash provided by operating activities for year to date ended June 30, 2021 was $47,454. The cash provided by operating activities resulted primarily from net income of $35,486, adjustments for non-cash or non-operating charges of $11,555, including depreciation and amortization, and share-based compensation, as well as cash provided by operating assets and liabilities of $413. The primary drivers of the changes in operating assets and liabilities, **excluding the asset and liability balances acquired as part of the Merger** were $7,987 provided by accrued expenses and other primarily related to legally committed insurance recovery amounts obtained prior to contingencies related to the insurance claim being resolved, and $7,531 cash provided by accounts receivables, net due to increased sales during the quarter as well as an increase in insurance recoveries receivable. These sources of cash were partially offset by $12,996 use of cash related to decrease in accounts payable."*
ORIGINAL **Q2 2021**	*"**Operating Activities.** Cash provided by operating activities for year to date ended June 30, 2021 was $47,454. The cash provided by operating activities resulted primarily from net income of $35,486, adjustments for non-cash or non-operating charges of $11,555 including, depreciation and amortization, and share-based compensation as well as cash provided by operating assets and liabilities of $413. The primary drivers of the changes in operating assets and liabilities were $7,987 cash provided by accrued expenses and other primarily related to legally committed insurance recovery amounts obtained prior to contingencies related to the insurance claim being resolved, and $7,531 cash provided by accounts receivables, net due to increased sales during the quarter as well as an increase in insurance recoveries receivable. These sources of cash were partially offset by $12,996 use of cash related to decrease in accounts payable."*

Source: Q1'2022 10-Q, Q2'2022 10-Q, Q2'2021 10-Q

Admission of Errors Are Just Beginning?

Spruce Point observes that MGPI is already starting to disclose errors in financial reporting. Despite the admission of an immaterial correction, it raises the possibility that other errors and misstatements remain unidentified or unresolved.

Error And Correction Admission

Immaterial Correction to Prior Period Financial Statements. During the quarter ended June 30, 2022, the Company identified an immaterial correction related to gross amounts of Property, plant and equipment and Accumulated depreciation and amortization in the Condensed Consolidated Balance Sheet as of December 31, 2021. The Company performed a materiality assessment, considering both quantitative and qualitative factors, which resulted in the determination that the correction to the financial statements is immaterial. As such, the Company corrected the December 31, 2021 gross balances for Property, plant, and equipment and Accumulated depreciation and amortization on the Condensed Consolidated Balance Sheet reported in this Form 10-Q by equal and offsetting amounts, which resulted in no change to the balance of Property, plant, and equipment, net.

Source: Q2'2022 10-Q, p. 10

Questionable Hiring And Departures

In context of the problems and issues we've identified, the recent hiring and departures of key MGPI employees are notable.

Chief Legal Officer And Secretary	On Sept 4, 2022, MGPI announced the hiring of Curtis Landherr as Chief Legal Officer. **Red Flag**: What happened to his predecessor Thomas T.J. Lynn? Mr Lynn was hired in August 2017 and announced broadly to the investor community. His name regularly appeared in SEC filings as he was also the appointed Corporate Secretary. The last SEC document his name appeared in was an October 2021 filing of a Form S-3 Registration Statement.
Named Executive **VP of Alcohol Sales**	MGPI filed an 8-K in August 2022 to disclose that David Dykstra is retiring. **Red Flag**: Given that MGPI is in the highly promoted stage three of its transformation, where it claims its margins and cash flows will expand and create shareholder value, we find it extremely concerning that its long-time alcohol segment leader David Dykstra is retiring on the cusp of a major inflection in MGPI's fortunes. He first joined the Company in 1988 eventually serving as director of sales for both beverage and fuel grade alcohol. He was a named executive and served as the Vice President, Alcohol Sales and Marketing for the Company since 2009.
Director of Business Development And Integration	In July 2022, MGPI announced that it named Sean Wirtz as Director of Business Development and Integration. Earlier in the year the CEO on the Q4 2021 call (Feb 2022) the CEO said, *"We are also very pleased with the continued success of the integration efforts of the Luxco acquisition achieved by the organization. The team has done an impressive job the past few quarters, allowing us to benefit from the strengths of the combined organizations and the creation of a one-company high-performance culture."* **Red flag**: Reading between the lines, we believe Wirtz was brought in to fix issues. The press release says, "*Wirtz additionally will collaborate with the company's finance and IT departments to facilitate finance system integration, implementation and improvement following mergers and acquisitions.*"

Why We Believe Governance And Operational Shortcomings Continue To Make MGPI An Environmental, Social, And Governance (ESG) Disaster

Spruce Point Capital Management

Highly Questionable Compensation Practices

Spruce Point believes investors should be outraged by insiders receiving millions in cash compensation tied to nonsensical short-term incentive targets in 2021. While MGPI was delaying giving public guidance as a result of the Luxco merger, the Board appears to have set targets unrealistically low and devoid of any Luxco contribution. Furthermore, we loathe the fact that the Board appears to be rubber-stamping 90% of management's short-term compensation tied to EBIT and EBITDA, which are essentially the same thing.

MGPI's 2021 Public Financial Guidance Commentary	
Q4 2020 Feb 7, 2021	*"While we remain very confident about the long-term potential of our business, we anticipate continued uncertainty related to the pandemic throughout the year. As a result, it continues to be difficult to predict with any level of precision, the pandemic's cumulative impact on our future financial results. For these reasons, **we are not providing 2021 annual guidance at this time**, and we'll reassess this position based on the visibility of the macroeconomic recovery."*
Q1 2021 May 5, 2021	*"We are pleased with the continued execution of this critical component of our long-term strategy. MGP is offering the following guidance for fiscal 2021, **excluding Luxco's financial results and acquisition related costs**. 2021 adjusted sales growth is projected in the 0% to 2% range versus 2020, reflecting reduced sales of third-party industrial alcohol and reduced average sales prices resulting from the selling of wet versus dry distillers grains by-product. The Company's estimate of growth in adjusted operating income in 2021 is 7% to 12% which is exclusive of Luxco acquisition costs. Adjusted earnings per share are forecasted to be in the $2.05 to $2.15 range, with shares outstanding expected to be approximately $22 million at year end."*
Q2 2021 Aug 8, 2021	***"We are offering the following consolidated guidance for fiscal 2021, including Luxco's financial results**. Sales are projected to be in the range of $570 million to $580 million. Adjusted EBITDA is expected to be in the range of $105 million to $110 million. Adjusted earnings per share are forecasted to be in the $2.90 to $3 range, with weighted-average shares outstanding expected to be approximately 20.7 million at year-end."*

2021 Short-Term Bonus Metrics For Insiders Significantly Below Public Targets, Devoid of Luxco Impact

	Weighting	Minimum Payout 50%	Plan Payout 100%	Maximum Payout 200%
Operating Income	70 %	$ 54,241	$ 59,665	$ 65,089
EBITDA	20 %	69,562	74,008	80,410
Earnings per share	10 %	2.29	2.53	2.77

Source: Conf Calls: Q4'20, Q1'21, Q2'21

Compensation Discussion For 2021

"For 2021, the Human Resources and Compensation Committee adjusted the Company's actual results to exclude certain acquisition-related fees and expenses, finished goods inventory step-up, and insurance proceeds received from the November 2020 dryer fire incident at our Atchison facility. The exclusion of these items, which were not anticipated when the performance targets were determined, reduced operating income and EBITDA by $4.9 million. The Human Resources and Compensation Committee determined that after reflecting this adjustment for purposes of the STI Plan, before factoring in the impact of bonus payments made as a result of the Company's performance, the Company achieved Operating Income of $133.7 million, EBITDA of $153.1 million and earnings per share of $4.68. As a result of this performance, and after giving effect to the qualitative portion of the STI Plan, in early 2022, Mr. Colo received a payment of $1,370,200, Mr. Gall received a payment of $450,000, Mr. Bratcher received a payment of $453,000, Mr. Dykstra received a payment of $332,690, and Mr. Glaser received a payment of $314,150."

Source: MGPI 2022 Proxy Statement

Controlling Family Keeps Reducing Its Exposure To MGPI

Follow the money. The founding family is diversifying itself away from MGPI. We analyzed disclosed holdings by insiders connected to the Cray / Seaberg family. In 2022, the ownership hit an all-time low of 18%, down sharply from 31% in 2015.

Person	Role / Relation	2015	2016	2017	2018	2019	2020	2021	2022
Karen L. Seaberg (1)	Board Chair	3.74	3.73	3.52	3.31	3.77	3.63	3.54	3.46
Laidacker M. Seaberg	Former Chair and CEO	0.98	0.93	--	--	--	--	--	--
George W. Page, Jr	Board nephew of Cloud L. Cray, Jr. and the cousin of Karen L. Seaberg	0.02	0.03	0.04	0.04	0.04	--	--	--
Lori Mingus	Karen's Daughter	--	--	--	--	--	0.06	0.51	0.51
Thomas M. Cray (1)	N/A	--	--	--	--	--	0.01	0.001	0.001
Total Shares Disclosed By Relatives		**5.50**	**4.69**	**3.55**	**3.35**	**3.81**	**3.71**	**4.05**	**3.97**
Total Shares Outstanding		17.67	16.69	16.71	16.84	17.01	16.90	21.95	21.98
Family Ownership		**31.1%**	**28.1%**	**21.3%**	**19.9%**	**22.4%**	**21.9%**	**18.5%**	**18.1%**

Source: Proxy Statements

1) Seaberg and Cray control 93.4% of the preferred stock which allows them to elect five of nine directors

SPRUCE POINT CAPITAL MANAGEMENT

MGPI Continues To Struggle Operationally

We previously warned that MGPI has history of operational missteps (including plant fires, chemical leaks and equipment explosions) and has struggled with environmental compliance issues. Recent communications with regulators in Indiana point to continued problems and struggles.

MGP

MGPI of Indiana, LLC
7 Ridge Avenue
Lawrenceburg, Indiana 47025
800.255.0302
www.mgpingredients.com

Received
State of Indiana
5-19
MAY 20 2022
Dept of Environmental Mgmt
Office of Air Quality

May 15, 2022

Mr. Dave Cline, Section Chief
Indiana Dept. of Environmental Management
100 N. Senate Ave., IGCN 1003
Indianapolis, IN 46204

Re: MGPI Request for Extension for Stack Testing of DDG Dryer (EU-39) for VOCs and CO
Permit No. T029-40507-00005

Dear Mr. Cline:

MGPI of Indiana, LLC ("MGPI"), requests an extension to perform VOC and CO stack testing for its DDG Dryer (EU-39) from June 2022 until after November 2022. Under Permit Condition D.1.10, MGPI is required to perform this testing every five years. The last VOC and CO testing was performed on June 21, 2017, making the next round of testing due by June 21, 2022. The reason for this request is that the plant does not have a beer still in operation and cannot operate at maximum capacity under representative operating conditions until the beer still issue is resolved. A new beer still is expected to be installed during the next outage which is scheduled for October 2022 with a target commissioning date in mid-November 2022. MGPI would also like to align its VOC and CO testing with its PM/PM10/PM2.5 testing all of which could be performed soon after the commissioning date.

Thank you for your consideration of this request.

Sincerely,

Sarah Coad

Sarah Coad
Environmental Engineer
MGPI of Indiana, LLC
7 Ridge Avenue
Lawrenceburg, IN 47025
Phone (812) 532-4158

Undisclosed problem

Source: Indiana IDEM

IDEM

Indiana Department of Environmental Management
Emergency Response Incident Report

Description

Incident # 102428

Incident Description: whisky spill
Incident Type: Emergency Response-Reportable Spill
Occurred Date/Time: 07/11/2022 9:00 am
End Date: 07/11/2022 9:30 am
Regulatory Program: Emergency Response
Incident Priority: 3-Low
Incident Status: Closed
Closure Method: Emergency Response Complete
Lead Investigator: Smith, Brian
Resolution Desc: In-house personnel conducted spill response. An estimated 40 gallons of whisky entered storm sewer and was unrecoverable. Storm sewer outfall 003.
Other Substance: whisky
Media Impacted: Storm Sewer
Surface Water

Location

Location Description: East side of V warehouse
Lawrenceburg/Dearborn County
County: Dearborn
Municipality: Lawrenceburg
Latitude DD: 33.8588
Longitude DD: -84.8588
Method: Interpolation-Map
System: Lat.\Long - Decimal Degrees
Datum: NAD83
Collected By: IDEM Staff
Waterbody: Tanners Creek

Source: Indiana IDEM

Why We Believe History Will Repeat And MGPI Has 35% – 55% Downside Risk

Spruce Point Capital Management

The Market Mismodels MGPI's Capital Structure

Spruce Point believes that current market data services fail to account for its operating leases and the mechanics of its convertible bond, which are currently in-the-money with a $96 conversion price. We add the incremental fair value of the debt based on its recently traded market price.

Spruce Point Adjusted Pro Forma MGPI Capital Structure

$ in mm, except shares	MGPI	Spruce Point Adjustments	Pro Forma Capital Structure
Stock Price US$	**$101.47**	--	**$101.47**
Basic and Diluted	22.0	--	22.0
Market Capitalization	**$2,232**	**--**	**$2,232**
1.88% Convertible Notes due 2041	$201.3	$55.7[(1)]	$257.0
3.53% Series A Snr Secured Notes	$20.0	--	$20.0
3.80% Senior Secured Notes	$16.8	--	$16.8
Operating Leases	$12.2	--	$12.2
Other Debt	$0.2	--	$0.2
Total Debt	**$250.4**	**$49.3**	**$306.2**
Plus: NCI	($0.8)	--	($0.8)
Less: Cash and Equivalents	($37.4)	--	($37.4)
Enterprise Value	**$2,443.9**	**--**	**$2,499.7**

Source: MGPI and Spruce Point Analysis

1) Fair value adjustment for convertible bonds currently trading at $127.7

We Believe Market Data Providers Miss Certain Liabilities

Balance Sheet	
Total Cash (mrq)	37.41M
Total Cash Per Share (mrq)	1.7
Total Debt (mrq)	244.16M

Source: Yahoo! Finance

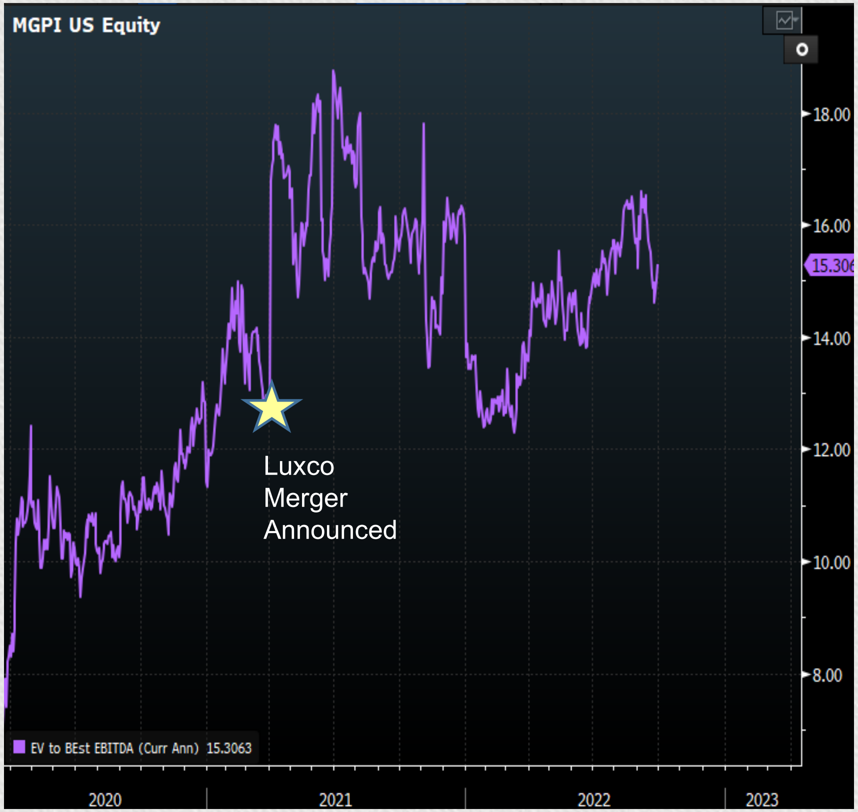
In Millions of USD	Current/LTM
12 Months Ending	06/30/2022
Market Capitalization	2,231.7
- Cash & Equivalents	37.4
+ Preferred & Other	-0.7
+ Total Debt	244.2
Enterprise Value	2,437.7

Source: Bloomberg

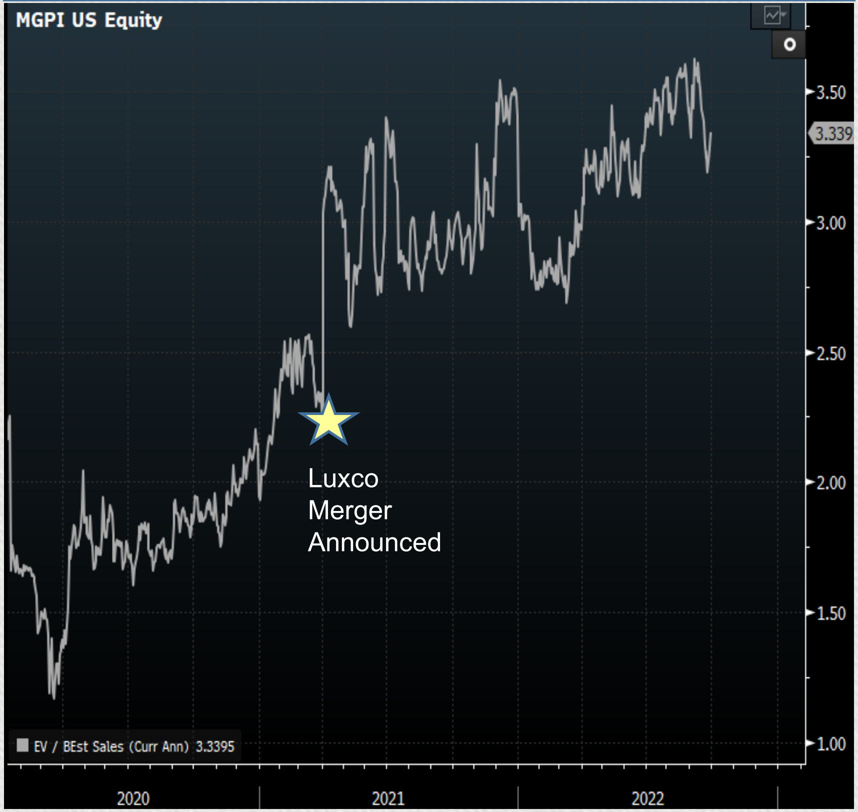
Expanding Valuation Multiple While Management Fails Investors

Spruce Point is perplexed as to why management's blatant failures to meet targets with its largest M&A transaction in its history has been reward by investors with a higher valuation multiple. In addition, the evidence shows that in periods of economic contraction, consumers will trade down to lower priced spirits to save money, which ultimately impact margins and profitability. This also suggests that MGPI should receive a lower multiple in a downward economic cycle.

EV / Projected EBITDA



EV / Projected Revenues



Source: Bloomberg

Trading Comps Suggest Overvaluation

MGPI is valued as if it is a high-quality liquor and spirits company, when we believe the opposite is true. Its gross margins at 32% are vastly lower than the 50%+ margins for better quality peers. MGPI still has a low quality, albeit recently improving, specialty ingredients business that should be valued separately.

$ in mm, except per share data

Name (Ticker)	Stock Price 10/11/2022	% of 52wk High	Adj Ent. Value	2022E Gross Margin	2022E Capex Margin	2022E OCF Margin	2022E EBITDA Margin	Sales Growth '22E-'23E	EV / Sales 2022E	EV / Sales 2023E	EV / EBITDA 2022E	EV / EBITDA 2023E	Net Debt 2022E EBITDA	Dividend Yield
Ingredients														
Archer Daniels (ADM)	$86.30	87%	$60,944	7.6%	1.3%	4.3%	6.3%	-1.2%	0.6x	0.5x	9.9x	11.1x	2.1x	1.9%
Bunge (BG)	$86.20	67%	$20,593	5.8%	1.0%	-0.8%	4.5%	-3.2%	0.3x	0.2x	6.7x	7.0x	2.2x	2.9%
Darling Ingredients (DAR)	$73.29	84%	$15,093	26.6%	5.0%	14.1%	25.9%	6.1%	2.4x	1.8x	9.2x	7.7x	1.8x	0.0%
Ingredion (INGR)	$81.90	80%	$7,649	18.8%	4.0%	5.2%	12.4%	4.5%	1.0x	0.7x	7.7x	7.3x	2.0x	3.2%
Tate and Lyle (TATE.Lon)	$7.33	80%	$3,691	45.5%	5.2%	11.7%	17.2%	6.0%	2.0x	1.5x	11.2x	10.7x	2.1x	1.6%
SunOpta (STKL)	$9.58	84%	$1,412	12.8%	12.1%	7.5%	8.0%	14.2%	1.5x	1.0x	18.5x	14.1x	3.4x	0.0%
			Max	45.5%	12.1%	14.1%	25.9%	14.2%	2.4x	1.8x	18.5x	14.1x	3.4x	3.2%
			Average	19.5%	4.8%	7.0%	12.4%	4.4%	1.3x	0.9x	10.5x	9.6x	2.3x	1.6%
			Min	5.8%	1.0%	-0.8%	4.5%	-3.2%	0.3x	0.2x	6.7x	7.0x	1.8x	0.0%
Liquor and Spirits														
Diageo (DEO)	$163.98	73%	$111,896	61.4%	6.7%	22.8%	35.2%	6.0%	5.6x	4.7x	15.6x	16.0x	2.3x	2.4%
Anheuser-Bush InBev (BUD)	$44.90	66%	$165,133	54.8%	8.2%	22.4%	34.1%	4.6%	2.8x	1.3x	8.3x	7.9x	0.2x	0.9%
Constellation (STZ)	$221.39	85%	$52,050	51.5%	14.0%	28.7%	36.5%	6.9%	5.6x	4.1x	15.5x	13.8x	3.2x	1.4%
Brown-Forman (BF)	$65.64	86%	$32,885	61.0%	5.4%	23.0%	34.8%	5.0%	8.2x	7.5x	23.6x	22.5x	1.0x	1.1%
Molson Coors (TAP)	$47.75	79%	$17,135	36.7%	6.3%	15.6%	19.3%	1.2%	1.6x	1.0x	8.3x	8.0x	3.1x	3.2%
Boston Beer (SAM)	$356.91	65%	$4,325	43.4%	6.2%	12.2%	11.5%	6.1%	2.1x	2.1x	18.5x	14.6x	-0.3x	0.0%
Duckhorn Portfolio (NAPA)	$14.53	62%	$1,921	50.6%	8.1%	17.2%	33.9%	7.1%	5.0x	4.1x	15.9x	13.7x	2.0x	0.0%
			Max	61.4%	14.0%	28.7%	36.5%	7.1%	8.2x	7.5x	23.6x	22.5x	3.2x	3.2%
			Average	51.3%	7.9%	20.3%	29.3%	5.3%	4.4x	3.5x	15.1x	13.8x	1.6x	1.3%
			Min	36.7%	5.4%	12.2%	11.5%	1.2%	1.6x	1.0x	8.3x	7.9x	-0.3x	0.0%
MGP Ingredients (MGPI)	**$101.47**	**87%**	**$2,500**	**32.0%**	**6.2%**	**17.9%**	**21.7%**	**5.1%**	**3.3x**	**2.8x**	**15.1x**	**14.2x**	**1.5x**	**0.5%**

Source: Bloomberg consensus and Spruce Point estimates

Spruce Point Capital Management

We See Over 35% - 55% Downside Risk To MGPI

Spruce Point sees a clear path to 35% – 55% downside risk, and believes history will repeat yet again as MGPI's growth ambitions fall short of lofty sell-side expectations.

MGPI's Price Target Range

($ in millions, except per share figures)	Low	High
2022E Ingredient Revenue	$108	$114
EV / 2022 Revenues	1.0x	1.4x
Ingredient Enterprise Value (A)	**$108**	**$160**
2022E Alcohol Revenue	$614	$647
EV / 2022 Revenues	2.0x	2.4x
Alcohol Enterprise Value (B)	**$1,229**	**$1,552**
Total Enterprise Value (A+B)	**$1,337**	**$1,712**
Plus: Cash and Equivalents	$37	$37
Plus: NCI	($0.8)	($0.8)
Less: Total Debt	($306)	($306)
Market Capitalization	**$1,068**	**$1,442**
FD Shares Outstanding	22.0	22.0
Implied Share Price	**$48.54**	**$65.58**
Current Price	$101.47	$101.47
% Downside	***-52.2%***	***-35.4%***

Factors Favoring Lower Multiple

- Ingredient business is subscale and trades at a lower multiple due to lower margins
- MGPI's liquor business comprises lower-quality brands that have challenged growth and below industry average margins. The merger valued Luxco at 2.2x sales and MGPI should not receive a valuation expansion
- MGPI's suffers from financial reporting issues and is already making subtle revisions to historical numbers that raise the probability of a financial misstatement
- MGPI should receive lower marks on its ESG factors. It currently is not compliant in Indiana with environmental testing and has undisclosed operational problems.
- The Board is stacked with allies of the Seaberg family, controlled through preference shares. The compensation committee has shown a willingness to pay management for underperformance