

WESTPEAK RESEARCH ASSOCIATION

MGP Ingredients (NASDAQ: MGPI)

Consumer Staples - Beverages

MGP - The Best Ingredient For Your Portfolio

April 16, 2023

MGP Ingredients, MGPI, MGP, or the company, is an alcohol manufacturer specializing in distilling services for downstream business customers. After the acquisition of LUXCO, a branded spirit company, MGP acquired multiple brands, which contributed to a significant growth in revenue in the branded spirit product segment. Moreover, a small portion of its revenue is attributable to the ingredient solutions segment, which is primarily comprised of wheat starches and proteins for food processors.

Thesis

The company completed a successful acquisition and has the potential to continue scaling margin through engaging in corporate finance activities. In addition, relaxation of legal restrictions and shift in consumer preference are tailwinds helping MGP best well-position itself in this competitive environment. As favorable trends are identified, we believe that MGP's corporate development strategies and its capability and know-how in the brown goods will continue taking effects. However, the revenue growth, margin improvement, and sector-wide developments were not reflected on the company's stock price and is therefore undervalued.

Drivers

Successful acquisitions, and integrations of downstream, high-premium brands, along with the development and innovation of spirit products allow MGP to outperform larger companies in such the spirit retail market that has long been dominated by major players with strong consumer awareness and abundant financial resources.

Valuation

Our target share price of \$150 is derived from a 60-40 weight on DCF valuation and comparable company analysis, which indicate the intrinsic and relative share price value of \$146.57 and \$153.6 respectively.

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Equity Research US

Price Target	USD\$150
Rating	Buy
Share Price (Apr. 16 Close)	USD\$ 97.18
Total Return	54.3%

Key Statistics

52 Week H/L	\$125.7/\$88.8
Market Capitalization	\$2,138.7M
Average Daily Trading Volume	\$139.2M
Net Debt	\$206.9M
Enterprise Value	\$2,335.5M
Net Debt/EBITDA	1.1x
Diluted Shares Outstanding	22.1M
Free Float	62.1%
Dividend Yield	5.06%

WestPeak's Forecast

	2022A	2023E	2024E
Revenue	\$782M	\$961M	\$1.11B
EBITDA	\$149M	\$198M	\$243M
Net Income	\$110M	\$113M	\$146M
EPS	\$4.95	\$5.13	\$6.62
P/E	19.8x	18.9x	14.5x
EV/EBITDA	13.6x	11.8x	9.6x

1-Year Price Performance



Business Overview/Fundamentals

Company Overview

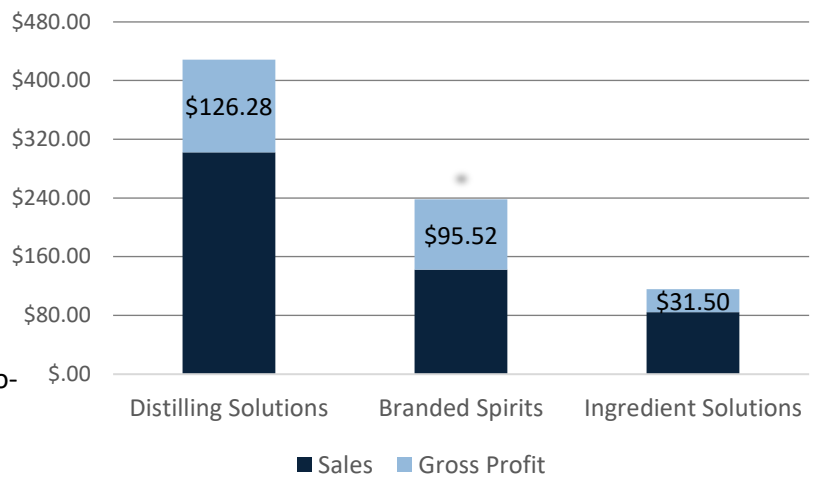
MGP Ingredients, Inc. is a producer and supplier of alcohol-related products headquartered in Atchison, Kansas, United States. Established in 1941, shortly after the end of the Prohibition Era, MGP survived and thrived as a supplier of distilled spirits. Currently, it operates in three main segments: Distilling Solutions, Branded Spirits, and Ingredient Solutions. Distilling Solution includes food-graded alcohol and alcohol complementary products, such as food oil and fuel-graded alcohol. Branded Spirits segment focuses on the production, distribution, and sales of liquor beverages. Lastly, its Ingredient Solutions segment is dedicated to the production of both wheat starches and wheat proteins.

Key Product Lines

Distilling Solutions

The distilling Solutions arm is primarily focused on providing alcohol solutions to third parties. It can be further broken down into Brown Goods, White Goods, Industrial Alcohol, Fuel Grade Alcohol, Distillers Feed and Related Co-Products, and Warehouse Services. The key revenue contributors among these subsectors are Brown Goods, which is premium bourbon and rye whiskeys, White Goods, which is vodka and gin, and industrial alcohol. In general, B2B alcohol production and alcohol co-products fall into this category.

2022 Revenue by Segment



Branded Spirits

Branded Spirits segment was established in 2019 through the acquisition of LUXCO. This segment can be further divided into subsectors according to the price tiers. So far, MGP has over 15 brands in its branded spirit portfolio, and the sales are enabled by a variety of distribution partners. In addition, MGP controls 3 distilleries, 2 bottling factories, and distribution centers across the US.

Ingredient Solutions

Ingredient Solutions is the smallest segment in terms of revenue generated. Two major subsectors in this segment are specialty wheat starches and specialty wheat proteins. Both products are sold to food processors for special food applications such as improving tastes, textures, and nutritional profiles.

Business Strategy

Comparative Advantage in Brown Goods Manufacturing

Before the acquisition of LUXCO, distilling solutions are the key driver for growth. The capacity and capability of distilled spirit production are still key competitive advantages of MGP. However, MGP is attempting to transition its distilling segment into a total solutions provider for its downstream business customers. As a result, some untraditional services such as warehouse services for product aging are also provided to insource the services to increase the profit margins.

In terms of product type, MGP Ingredients has a track record of brown goods project developments, helping its downstream partners design and produce innovative spirits products by leveraging its aging and inventory capacity. The revenue from brown goods is 3x of the revenue from white goods. Overall, revenues from distilling solutions in recent years are growing at a stable pace, and are expected to continue.

Marketing and Brand Acquisitions to Expand Margin

Branded spirits, on the other hand, are the fastest-growing category. The acquisition of LUXCO sets the stage for strong revenue growth. A synergy creation is demonstrated by a revenue increase from 4.1 million in 2020 to 183.6 million in 2021. However, a drastic one-time increase in revenue posts questions about the stability of cash flow generation from the branded spirits segment. Moreover, many of LUXCO's brands operate in the middle-end to low-end markets, resulting in a low-profit margin. Therefore, marketing for customer awareness and the acquisition of high-end brands are the main strategies in this segment.

For inorganic growth, although acquisitions have been mentioned in the annual reports, marketing materials, and investor presentations multiple times, we struggle to see a concrete target identified by the management.

Another MGP Ingredients' current priority is strong marketing support to increase premium products' brand awareness, with a focus on social media platforms, including Instagram, Facebook, and Youtube. According to our research, nonetheless, MGP Ingredients separates the demand generation efforts into several different brands, including Limestone Branch Distillery, Rossville Union, Dos Primos Tequila, and more. In addition, marketing quality varies across brands, and no outside reference to other brands is seen. Overall, the current marketing strategy may lead to potential brand cannibalization and a low return on marketing investment.

New Factory to Insource and Stabilize Product Quality

Over the past decades, investors witnessed moderate but stable growth in the Ingredients Solutions segment. This segment is specifically dedicated to a niche market of specialty starches and proteins. Marketing programs, such as "Clean Label" and "Better for You", were introduced to distinguish MGP's products. Moreover, MGP is currently expanding its production capacity with a new extrusion plant under construction in Kansas. This new production facility is expected to complete in late 2023 and can help stabilize the product quality and mitigate the co-packer scheduling issues. Building a new extrusion plant implies MGP's commitment to further entrench its competitive advantage to secure more meaningful business contracts.

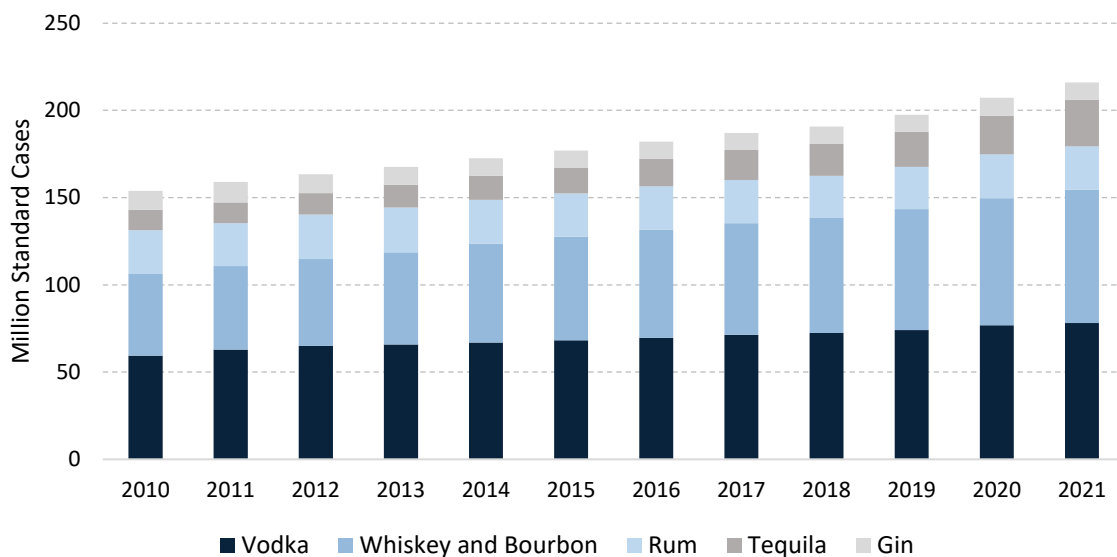
Industry Analysis

MGP Ingredients operates within the consumer staple—beverage industry. The beverage industry includes alcoholic drinks, hot drinks (coffee and tea), and soft and non-alcoholic drinks (soda). In terms of alcoholic drinks, it can be further broken down into four markets according to product category: beer, cider, wine, and spirits. Spirits are categorized as “brown goods”, such as bourbon and whiskeys, and “white goods”, such as vodka and gin, due to the difference in color as brown goods have gone through the aging process in oak barrels. Furthermore, despite the acquisition of LUXCO in 2019, MGP Ingredients is yet to be a major player in the spirits industry; around 45% of its revenue is from the upstream production of spirits alcohol and complementary goods.

Segments and Industry Trends

Food-grade industrial alcohol and fuel-grade alcohol come along in the production process. Industrial alcohol serves as complementary goods of good-grade alcohol and is sold at a cheaper price. In addition, industrial alcohol has a low barrier of entry, which further drive down the profit margin of upstream industrial alcohol producers. As more firms shifted their focus to beverage applications and joined the beverage alcohol industry, competition intensified.

Sales of Spirits in US, by Category



Nonetheless, alcohol sales have been growing over the past 10 years with a CAGR of 3.45%. This trend is particularly pronounced in the high-end price tier fueled by the popularity among the millennial population. As MGP Ingredients strategically shift its production focus to food-grade alcohol and increase its presence in premium and ultra-premium products, we suggest that MGP Ingredients is prepared for this industry trend.

In terms of product types, vodka has been holding the largest market share for decades due to its versatility in different cocktail drinks. Whiskey and Bourbon and Tequila are outperformers across other product types with CAGR of 4.96% and

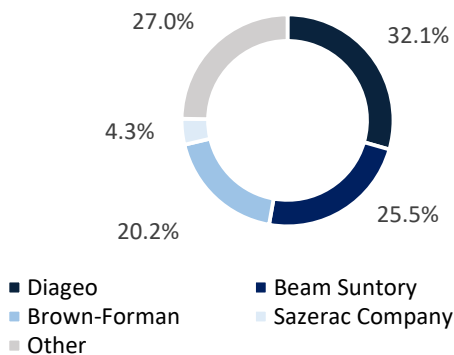
8.73% respectively, driven by the increases in customer preferences. For tequila, specifically, the popularity comes from a cultural change: Tequila has been shifting from a “shot drink” to ingredients of high-end cocktails, such as Tequila Sunrise.

Competitive Landscape

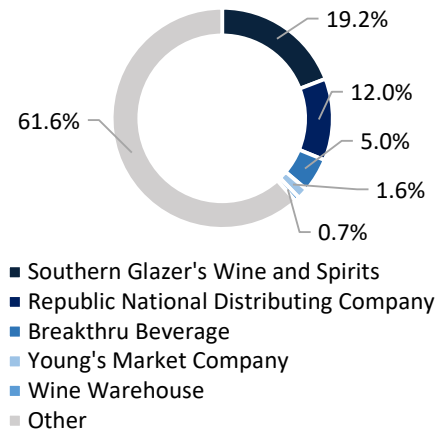
The basis of competition that distinguishes high-performing firms from the rest are product innovations and consumers’ brand awareness. In recent years, alcohol manufacturers deliver their products with different flavors, bottles, sizes, and free samples or merchandise to attract a wider range of customers.

Principal competitors in the North American distilling service market have substantial financial, marketing, and network resources. These competitors include Brown Forman Corporation, Diageo, Suntory, Seaboard Corporation, and Constellation Brands Inc. However, on the retail and wholesaling side, the market is dominated by SMEs and convenience store chains. Recently, the global beverage alcohol industry experienced intense consolidations, and larger competitors are created with even more financial resources and marketing and production capacities. Overall, competition is intense among North America’s alcohol manufacturers.

Distilleries Players in the US
 (by Market Share)



Spirits & Wine Wholesaler in the US
 (by Market Share)



As for the ingredient solution segment, the price elasticity of demand is high, meaning the demand is sensitive to the change in price. This is because wheat starches and proteins are homogeneous goods, and most customers are business customers, who care about prices and quality more than product characteristics. Moreover, wheat starch also faces indirect competition from other commodity starch, such as corn starches. Overall, the profit and EBITDA margin and industry EBITDA multiple in the starch and protein markets are significantly lower than alcohol industry’s multiples. As a result, cost leadership is the basis of competition.

Macro-Environment

Inflation may negatively affect the direct cost of production. Food manufacturers' profitability is affected by the costs of food-related raw materials, energy, and other cooking chemicals. For distilling businesses, natural gas is a key input to operate boilers to make steam heat in the alcohol distilling and brewing processes. Fluctuations in gas price due to the Russia-Ukrainian war implies that it may cost more on hedging the indirect product costs. Moreover, agave is a key ingredient in the production of tequila and is not a traded commodity. Instead, prices are set by individual farms in Mexico, and therefore, are subject to even greater short-term fluctuations. Currently, MGP Ingredients does not enter the option and future market to hedge the change in agave price. It directly purchases commodities from original suppliers under long-term supply contracts.

Supply chain disruption is another concern to beverage producers but has a limited impact on MGP Ingredient as the majority of its sales are from the US domestic market, enabled by trucks and rail transportation.

In addition, alcohol producers are subject to a wide range of federal, local, and foreign regulations regarding public health. Customs and taxation on alcohol products tend to be higher than in other industries. Regulatory bodies include the Alcohol and Tobacco Tax Trade Bureau (TTB), OSHA, the Food and Drug Administration (FDA), and a wide range of other state and local authorities. Complex and multi-level regulations translate to inefficiency and difficulties in operations.

Overall, the macro-environment poses great difficulty to the alcoholic beverage industry. Nonetheless, over the past year, MGP Ingredients managed to increase its gross margin and EBITDA margin, enabled by a series of successful integrations.

Catalysts

Vertical Integration by acquisition

Although MGP focused more on internal R&D and was not experienced in M&A, they completed an acquisition of LUXCO in 2021 with a transaction value of USD\$ 503 MM and successfully integrated LUXCO's brands into the company's portfolio. In branded spirited industry, vertical integration is key to driving margin growth, and therefore, we believe if MGP continues to acquire downstream players with strong brands and established distribution channels, as discussed in recent investor presentations, the operation efficiency can be further improved. Nonetheless, we haven't seen any potential deals announced by the management after the acquisition of LUXCO. As the Federal Reserve continues to raise the interest rate to combat inflation, the cost of borrowing remains high. This leads to a tough environment for MGP to pursue a large-scale acquisition in the near term. Together with a lack of cash accumulated on their balance sheet, currently around USD\$ 53 MM, we take a more critical perspective toward the likelihood of deal announcements in the near term. However, the continuous integration and cost synergy with LUXCO will continue taking effect and bring a positive impact to the company's top and bottom lines.

In the segment of ingredient solutions, a new USD\$ 16.7MM extrusion plant is being built inside the existing facility and will be completed in late 2023. We believe the increase in in-house manufacturing capacity will contribute to production process optimization. In the long run, a stable production schedule and product quality are instrumental in bringing more meaningful B2B contracts.

Government Deregulations in the Alcohol Industry

Regulatory bodies play an important role in the alcohol industry, and the current trend of deregulation is favorable to MGP's development. FAA Act is made to address the overconsumption and organized crime associated with alcohol and to combat monopolies in the alcohol beverage industry. Therefore, some state and federal laws have been imposing heavy taxes and strict marketing and shelving regulations on alcoholic beverages and limiting the degree of vertical consolidations. However, in 2022, US Treasury released a competition report, in which researchers and policymakers suggested the need for "regulation modernization". Accordingly, the US Alcohol and Tobacco Tax and Trade Bureau (TTB) made a rule that took effect on March 11, 2022. Overall, this rule liberalizes distilled spirits and enables additional flexibility in marketing, including the placement of mandatory information and shelf display. Overall, greater freedom in marketing, bottling, and shelving is beneficial for medium-sized players, such as MGP.

We suggest that more regulatory bodies on both federal and state levels will follow this amendment, making the branded spirit industry grow toward a monopolistic competitive market from a semi-monopolistic market in the US. Combined with MGP's various brands with different value propositions catering to different customer bases and its ability to innovate and develop new products, we think the overall market condition will develop in MGP's favor.

Investment Thesis

Continuous Margin Improvement

Despite the macroeconomic challenges mentioned above, the overall condition is improving. In terms of inflation, as of March 2023, the PPI YoY percentage change decreased to less than 3%, compared to the peak of 12% in March 2022. In addition, crude oil price (WTI) is hovering around the \$80 range in March and April 2023, compared to the peak of \$120 in mid-2022. Lastly, an appreciation of the US dollar in the past few months has had a positive impact on MGP Ingredient's cost of goods sold, as it reduces the cost of imported raw materials from the international markets. The positive impact of a strong dollar will be especially pronounced for MGP as its revenue concentrates on the US domestic market, as opposed to its competitors with international exposures, which are subject to an offset by the earnings from the foreign markets. All these factors are expected to continue taking positive effects.

In addition to the favorable economic indicators relevant to MGP Ingredients, it demonstrated excellent internal cost management over the past years, and this trend is likely to carry on. The gross margin increased from 21.1% in 2019 to 32.4% in 2022. For the distilling segment, the company expects to discontinue its operations in low-margin industrial and fuel alcohol and to transform itself from a manufacturing house into a total solution provider for downstream spirits businesses, which enables a higher markup on their goods and services. For branded spirit segment, the company reassured investors that they can continue scaling the revenue and margin by acquiring high-end spirits brands. These announcements signal possibilities of further margin improvements.

Brown Goods Development

The Alcohol and Tobacco Tax and Trade Bureau (TTB) has recently introduced new laws that benefit mid-sized spirits firms, such as the ability to use innovative aging methods and the relaxation of labeling regulations. Additionally, consumer preferences have shifted towards brown spirits, such as whiskey and bourbon. From 2010 to 2021, brown goods' CAGR was 4.97%, compared to Vodka's 2.77%, Rum's -0.06%, and Gin's -0.8%. A positive regulatory environment and a surging demand for brown goods fit into MGP's comparative advantage. MGP Ingredients has a proven track record of producing award-winning whiskey and bourbon. The company's expertise in distillation, blending, and aging has helped it to develop a reputation as a leader in the industry. By capitalizing on the deregulation and focusing on brown goods' development, MGP Ingredients can meet the growing demand for these products, and ultimately achieve revenue growth and higher market penetration rate.

Management Team

Dave Colo – President and CEO

Mr. Colo joined MGP as president and chief operating officer in late March 2020 as part of the succession plan for former Chief Executive Officer Gus Griffin's retirement. He has more than 30 years of leadership experience in general management, operations, and supply chain management within the food industry. He served as President and Chief Executive Officer of SunOpta, Inc., Toronto, from February 2017 to February 2019. He had been Executive Vice President and Chief Operating Officer of Diamond Foods, Inc., San Francisco. Mr. Colo graduated from Southern Illinois University with a Bachelor of Science in Agricultural Business Economics.



Brandon Gall – CFO

Brandon Gall has served as Vice President of Finance and CFO since April 2019. Since joining the Company in 2012, 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.



Before joining MGP, Mr. Gall had worked for Errand Solutions, Chicago, as director of finance and human resources. He also served as a summer associate at GRI, a private equity fund located in Baltimore, Md., in 2010. From 2005 to 2010, Mr. Gall was employed by Credit Suisse Securities in Chicago, where he served in various analyst and associate roles. Mr. Gall holds a bachelor's degree in business administration from Miami University and an MBA from the University of Chicago. He is also a certified CPA.

Karen Seaberg – Chair of the Board of Directors

Ms. Seaberg has been Chairman of the Board since December 2014 and a Board member since 2009. She is a member of the Compensation Committee and the Nominating and Governance Committee. Ms. Seaberg also serves the position of chair of the board of directors at Atchison Ameli



Earhart Foundation, a non-profit aircraft museum based in Kansas, USA. Mrs. Seaberg held a Bachelor of Arts in English from Texas Tech University.

Donn Lux – Director, Former CEO of LUXCO

Mr. Lux joined the board in June 2021. He served in leadership roles at Luxco, Inc., a branded beverage and alcohol company later acquired by MGP Ingredients, from 1991 until March 2021. He also served as Chairman and CEO of Luxco-affiliated companies Limestone Branch Distillery, LLC, and Lux Row Distillers LLC, before the acquisition. During his tenure with Luxco, Mr. Lux was active in several alcohol industry organizations and has been actively involved with MGP Ingredients.



Management Findings

According to our research, the executive team has limited exposure to MGP Ingredients' common stocks, but their compensation packages are largely comprised of RUS with special terms. The short-term incentive plan is specified in their 2021 proxy statement schedule 14A. Management's annual RUS is ranging from 50% to 300% of executives' base salaries and is pegged to the company's performance relative to the targets. Performance metrics are a weighted average of 70% on operating income, 20% on EBITDA, and 10% on earnings per share. Overall, we believe management is financially incentivized to deliver good financial performance based on deferred stock-based compensation and a high bonus ratio.

As for insider trading, Mrs. Seaberg held 15.8% of the total MGP Ingredient common stock as of February 2023, which is equivalent to \$350 million at current market value. However, she has been selling the company stock, according to the SEC filings. In addition, Mr. Lux has been increasing his holding of MGP's stock in recent years. With his understanding of the branded spirit segment, his 35-year operational experience with LUXCO, and a track record of active involvement with MGP Ingredients in shareholder meetings and external conferences, we believe his growing interest in MGP Ingredients is a positive signal regarding MGP's future potential in operation optimization and product developments.

Executive Pay Table

(\$ in thousand USD, on Grant Date in 2021 with Fair Market Value)

Executives	Position	Base Salary	# of RUS	RUS Value	2021 TC
David J. Colo	President and CEO	\$685	22,020	\$1,713	\$2,398
Brandon M. Gall	VP and CFO	375	6,262	488	863
David S. Bratcher	COO	453	5,679	442	895
David E. Dykstra	VP of Distillery Sales and Marketing	333	5,561	433	765
Stephen J. Glaser	VP of Production and Engineering	314	5,251	408	723

Shareholder Base, Liquidity, Market Depth

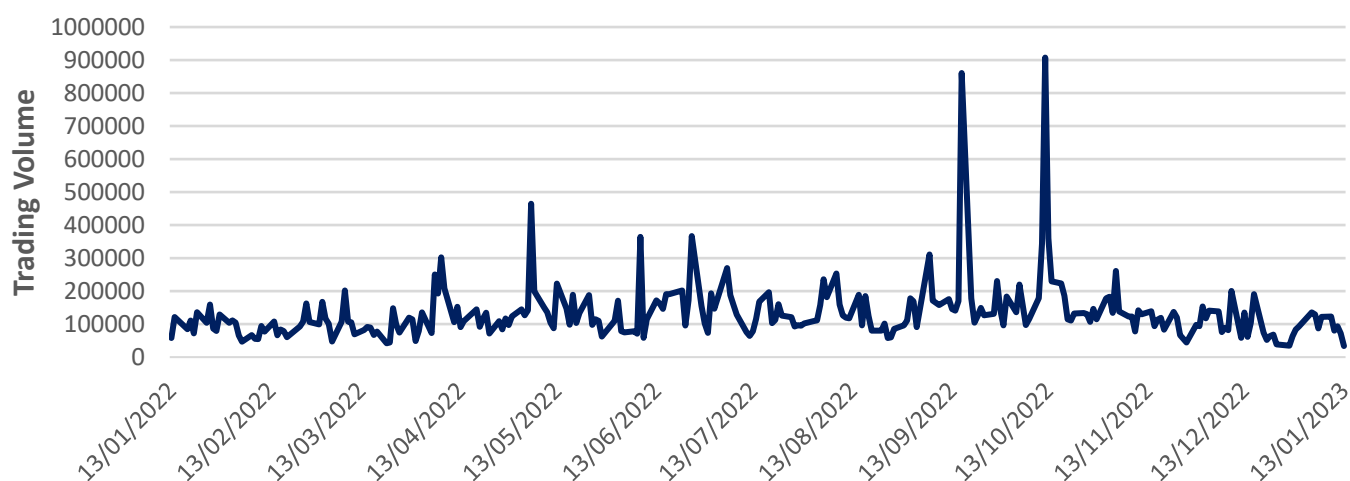
Shareholder Base

As of January 13th, 2023, MGP Ingredients has around 22 million shares outstanding. Free float shares accounted for 62.1% of the total share outstanding. Institution investors include Raymond James, BlackRock, Vanguard, and Invesco. Insiders account for around 22% of the total share outstanding. Mrs. Seaberg, the chair of the board of directors, was constantly selling the shares, decreasing the holding from 15.8% in late 2021 to 14% currently.

Holders	Position	% of Shares Outstanding	Market Value (mm USD)	Insider (Y/N)
Lux Donn	3,962,185	18.01%	4141.28	Y
Raymond James Financial Inc	3,701,006	16.83%	3868.29	N
Seaberg Karen L	3,074,759	13.98%	3213.74	Y
BlackRock Inc	2,395,249	10.89%	2503.51	N
Vanguard Group Inc/The	1,092,288	4.97%	1141.66	N
Champlain Investment Partners LLC	849,200	3.86%	887.58	N
Stephens Investment Management Gro	826,840	3.76%	864.21	N
Dimensional Fund Advisors LP	648,096	2.95%	677.39	N
Invesco Ltd	595,304	2.71%	622.21	N
Driehaus Capital Management LLC	565,358	2.57%	590.91	N
Top 10 Shareholders	17,710,285	80.53%	18510.79	

Liquidity

The LTM average daily trading volume is 133,113. The two spikes correspond to the short-selling events. On October 12th, 2022, short seller Spruce Point Capital released a report concerning the merger with LUXCO, causing the stock price to fall 3.7%. Moreover, the daily trading volume is correlated with the company's earnings releases. Compared to its 22 million free float shares, the 0.13 million average daily trading volume translates to a mediocre liquidity health, mainly because of a mere 62.1% of free float shares.



Valuation

Discounted Cash Flow (DCF)

The DCF Valuation gives us the MGP's intrinsic enterprise value of \$3.42 billion or \$146.57 per share. Under the exit multiple method, we have \$3.26 billion in enterprise value and \$139.51 per share. The rationales behind our assumptions are below:

Revenue Forecast:

We broke down the product lines in each segment and approximated the revenue separately based on historical performance and the expected development of each product line from company announcements and the current market conditions. Management mentioned they will focus more on high-margin products, shifting from industrial alcohol to premium branded spirits products. Together with the recent acquisition of LUXCO and internal R&D of branded spirits items, we believe a strong growth rate in branded spirits segment, specifically Ultra premium, premium, and Mid Products in the near term, of which the rate of change decrease proportionally due to exhaustion of marketing and the law of diminishing marginal return. In 2027, the growth rate is expected to drop to but maintain at 2.5%.

For the distillery product segment, brown and white goods are major contributors to the segment's revenue. We have witnessed strong growth in brown goods due to market preference and MGP Ingredient's product innovation and aging capacity. Brown goods and white goods 2019-2022 CAGR are 31.1% and 7.1% respectively. We estimate brown good's growth rate will remain strong in 2023 and gradually taper off with an annual deceleration rate of -7% and to reach 3.1% in 2027. For white goods, due to market saturation and relatively weak value proposition, the growth rate is subject to a 1% deceleration rate to 2.1% in 2027.

As for the ingredient solution product segment, it comprises two major products: specialty wheat starches and specialty wheat proteins. We witnessed a high growth rate recently because of the increases in wheat protein and high-fiber food addressable market sizes. However, its B2B business model and homogeneous, competitive market structure mean the current supernormal growth rate may be short-term. Therefore, we expect 20% annual growth rate is not sustainable, and estimate its long-run growth rate will come back to 7.6% and 8% respectively in 2025 and onward, assuming their consumer demand continues to grow.

Costs (Cost of Good Sold and Operating Expenses)

There is a trend of decreasing percentage COGS from the level of 78% of revenue in 2017 to 68% level in 2022 due to the acquisition of brands and the development of high-margin brown goods. We estimate COGS will continue to be improved with a rate of change of -0.3% quarterly should MGP further pursues brand acquisitions.

Capital Expenditure (CAPEX)

Historically, Capex is correlated with the cash flow from operating activities. The higher the annual available cash flow, the more capacity MGP has for capital investments. However, as we took an income-smoothing approach to our analysis, we estimated CAPEX to be constant at 20% of the PP&E.

Effective Tax Rate:

We took an effective tax rate assumption of 25%, which is conservative compared to the historical tax rate ranging from 21% to 25%.

Weighted Average Cost of Capital (WACC):

The WACC was calculated to be 7.26%. Given the 3.74% risk-free rate, 8.0% expected market return on equity, and MGP Ingredients' Beta of 0.92, we derived the cost of equity to be 7.7%. The cost of equity and 3.43% cost of debt is used to calculate the WACC of 7.26%.

Perpetuity Growth Rate:

Although MGP Ingredients' top and bottom lines were both twofold over the past 4 years, we wanted to take a conservative but reasonable estimate. Beyond 2027, we use 2.5% long-term growth, which is lower than the beverage alcohol industry revenue 10-year CAGR but is between the Federal Reserve's inflation target of 2% and the US long-term economic growth rate of 3%.

Terminal EV/EBITDA Multiple:

Although the alcoholic beverage industry EV/EBITDA is 15.91x, we believe MGP is a mature company with limited growth potential. Moreover, about 15% of revenue and 12% of net income came from the ingredient solutions segment with an industry EV/EBITDA of 13.24x. We took a conservative approach by assigning a 13x EV/EBITDA exit multiple of MGP Ingredients. Compared to the current 13.6x EV/EBITDA, we consider the 13x terminal multiple as fair.

Comparable Company Analysis Peers

The Comparable company gives us a relative value of MGP Ingredients of \$153.6 per share under EV/EBITDA multiple and \$167.3 per share under the P/E multiple. The comparable peer selection is based on operating geography (North America), product similarities (Spirits and Distilling), enterprise value, and EBITDA margin.

Alto Ingredients Inc. (NasdaqCM: ALTO): produces specialty alcohols and essential ingredients. The company offers alcohol for food, beverage, health, and ingredient markets. Alto Ingredients focuses on transforming corn into feed, pet food, and renewable fuels.

National Beverage Corp (NasdaqGS: FIZZ): National Beverage Corp. is a holding company for subsidiaries that market, manufacture, and distribute a full line of alcohol and non-alcohol beverage products. The company's products include flavored carbonated and spring water, cola soft drinks, juice, and beers.

The Boston Beer Company, Inc (NYSE: SAM): The Boston Beer Company, Inc. produces and sells alcoholic beverages primarily in the United States. It offers various beers, hard ciders, and hard seltzers under the Samuel Adams, Twisted Tea, Truly Hard Seltzer, Angry Orchard, Dogfish Head, Angel City, Coney Island, and Concrete Beach brand names.

Brown-Forman Corporation (NYSE: BF.B): Brown-Forman Corporation manufactures, distills, bottles, imports, exports, markets, and sells various alcoholic beverages. It provides spirits, wines, whiskey spirits, whiskey-based flavored liqueurs, ready-to-drink and ready-to-pour products, ready-to-drink cocktails, vodkas, tequilas, champagnes, brandy, bourbons, and liqueurs. It is also involved in the sale of used barrels, bulk whiskey, and wine; and the provision of contract bottling services.

Constellation Brands, Inc. (NYSE: STZ): Constellation Brands, Inc. produces, imports, markets, and sells beer, wine, and spirits in the United States, Canada, Mexico, New Zealand, and Italy. It provides its products to wholesale distributors, retailers, on-premise locations, and state alcohol beverage control agencies.

The Duckhorn Portfolio, Inc. (NYSE: NAPA): The Duckhorn Portfolio, Inc. produces and sells wines in North America. It offers wines under a portfolio of brands. The company sells wines to distributors, and directly to retail accounts and consumers. The company was formerly known as Mallard Intermediate, Inc. and changed its name to The Duckhorn Portfolio, Inc. in February 2021.

Recommendation

Buy

We weighted our valuation on a 60% to 40% split between DCF and Comps because some of the comparable companies pursue different product lines, including wines, beers, and non-alcoholic drinks. In addition, MGP itself also has a 12-15% EBITDA coming from wheat starch and protein production. As a result, we believe that there is no pure-play comparable companies and that the Discounted Cash Flow Analysis will be a better proxy of MGP's value. Therefore, our analysis and a 60-40 split on DCF and Comps lead us to an implied share price of \$150 and a 54.3% total return.

Quantitative and Qualitative Considerations in Modeling

Our model and the buy recommendation are based on several considerations. Firstly, we assume MGP will continue to acquire premium spirit brands. Despite insufficient cash on balance, lower-than-industry debt-to-EBITDA and debt-to-equity ratios translate to the possibility for MGP to resort to debt financing to fund its future acquisitions. Therefore, we priced in the future acquisition and integrations in our models by assigning a higher revenue growth rate of 24.8% and 16% in 2023 and 2024. Nonetheless, the potential change in the capital structure may require further examination.

Secondly, our analysis only considers MGP Ingredients' operation in the US, as 93% of its revenue is from the US domestic market. We didn't see the management mention the foreign subsidiary or potential oversea partnership. As a result, our analysis excludes the influence of any foreign market development. Finally, we factor the long-run development of the alcohol industry into the share price. As alcohol is a mature industry facing pressure from recreational cannabis, we use a long-term growth rate of 2.5% instead of 3.45% 10-year CAGR over the past decade.

Working Capital in 2022

The EBIT is projected to grow stably. However, there's a drop in free cash flow in 2022 due to changes in inventory management. MGP decided to increase the inventory to mitigate inflation and accommodate future growth. Therefore, there's a drastic increase in the net working capital of USD\$ 50 MM, compared to 2019's USD\$ 19 MM, translating to a sharp decrease in free cash flow.

Risks

Potential Damage and Harm

On October 21st, 2016, MGP's processing service facility in Kansas experienced an unintended chemical reaction resulting in a release of toxic gas causing 140 people with reported injuries. This severe accident shows a lack of attention to the design and operation of the chemical transfer process. This leads to CSB's investigation (US Chemical Safety and Hazard Investigation Board).

In addition, in 2020, an explosion and fire happened in the operation facility at MGP Ingredients in Atchison. Although no injury was reported and the property was partially covered by insurance, there's an estimated loss of USD\$ 4,461 MM in business interruption and loss of inventory and equipment. Until now, the cause of the fire and the future-proofing plan was not released. What we noticed from these events is a problem with respect to MGP's awareness of the potential hazard. The lack of risk-mitigation plans might result in a greater accident in the future.

Pending Litigation of Securities Fraud

A lawsuit against MGP has been announced in late 2022 alleging that MGP's merger with LUXCO didn't result in cash accretion, and therefore, MGP had to mark down their branded spirits to liquidate the inventory. On this news, MGP Ingredients' stock dropped by 5.42%, signaling this news has a material impact. As for January 2023, the litigation is still pending to be determined. The future development of this litigation might negatively influence the stock price.

Consumers' Preference toward Cannabis

Increases in cannabis use might result in a drop in sales of spirits in the long run. The cannabis market size was USD\$ 26 Bn in 2022, equivalent to 10% of the alcohol market size, which increased from 2% five years ago. Cannabis is a substitute for booze for recreation purposes, and its growth has been outperforming the booze industry in the US. This trend is especially pronounced in young population. However, as cannabis is still illegal in some states and in most international markets, the impact is minimal.

Appendix 1: Summary Page

(Figures in mm USD)	FY2017	FY2018	FY2019	FY2020	FY2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Income Statement															
Revenue	347.4	376.1	362.7	395.5	626.7	195.2	195.0	201.1	191.0	782.4	961.0	1,114.4	1,209.1	1,281.0	1,320.0
EBITDA	42.9	50.1	47.2	54.2	126.3	50.1	35.3	33.9	29.7	149.0	197.6	242.5	277.6	309.5	334.8
Net Income	41.8	37.3	38.8	40.3	90.8	37.4	25.4	23.6	22.5	108.9	112.9	145.6	170.0	191.9	208.6
Earnings Per Share	\$ 2.50	\$ 2.21	\$ 2.28	\$ 2.39	\$ 4.13	\$ 1.70	\$ 1.15	\$ 1.06	\$ 1.01	\$ 4.90	\$ 5.09	\$ 6.56	\$ 7.66	\$ 8.64	\$ 9.40
Cash Flow Statement															
Capital Expenditures	(21.1)	(31.0)	(16.7)	(19.7)	(47.4)	(10.6)	(7.4)	(11.1)	(16.1)	(45.3)	(46.5)	(50.6)	(55.3)	(60.4)	(66.0)
Acquisitions	-	-	-	(2.8)	(149.0)	(1.0)	-	(1.2)	(0.6)	(2.8)	-	-	-	-	-
Divestitures	22.8	-	-	-	(1.5)	-	-	-	-	-	-	-	-	-	-
Dividend Payment	(17.4)	(5.5)	(6.9)	(8.2)	(10.0)	(2.7)	(2.7)	(2.7)	(2.7)	(10.6)	(10.6)	(10.6)	(10.6)	(10.6)	(10.6)
Dividend Per Share	\$ 1.01	\$ 0.32	\$ 0.40	\$ 0.48	\$ 0.48	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.48	\$ 0.48	\$ 0.48	\$ 0.48	\$ 0.48	\$ 0.48
Dividend Payout to Earnings	41.6%	14.8%	17.7%	20.3%	11.0%	7.1%	10.5%	11.3%	11.8%	9.8%	9.4%	7.3%	6.2%	5.5%	5.1%
Dividend Payout to Core FCF	25.0%	6.5%	9.7%	10.6%	6.5%	4.8%	6.8%	6.3%	5.5%	5.8%	5.7%	4.7%	4.1%	3.7%	3.4%
Dividend Yield	1.6%	0.4%	0.6%	1.3%	0.7%	#DIV/0!	#DIV/0!	#DIV/0!	0.1%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Balance Sheet															
Current Assets	134.7	154.6	184.2	222.3	367.1	395.3	422.5	440.6	454.2	454.2	544.4	671.6	814.2	973.6	1,143.4
Non-Current Assets	105.6	123.3	138.5	144.3	674.4	681.6	684.1	691.4	704.0	704.0	725.0	748.6	774.4	802.6	833.4
Assets	240.3	277.9	322.7	366.6	1,041.5	1,076.8	1,106.6	1,132.1	1,158.2	1,158.2	1,269.3	1,420.2	1,588.7	1,776.3	1,976.9
Current Liabilities	41.6	37.5	39.3	53.3	88.8	84.5	93.3	100.8	105.4	105.4	114.3	130.1	139.1	145.4	147.9
Non-Current Liabilities	30.0	39.0	52.3	50.7	308.4	313.0	310.3	307.4	307.2	307.2	307.2	307.2	307.2	307.2	307.2
Liabilities	71.6	76.5	91.6	104.0	397.2	397.4	403.5	408.2	412.6	412.6	421.4	437.3	446.3	452.6	455.1
Shareholders' Equity	168.7	201.4	231.0	262.5	644.8	680.0	703.8	724.8	746.7	746.7	848.9	983.9	1,143.4	1,324.8	1,522.8
Cash	3.1	5.0	3.3	21.7	21.6	27.3	37.4	50.7	47.9	47.9	61.2	102.7	217.4	320.5	492.5
Debt	71.6	76.5	91.6	104.0	397.2	397.4	403.5	408.2	412.6	412.6	421.4	437.3	446.3	452.6	455.1
Net Debt	68.5	71.4	88.2	82.4	375.6	370.1	366.1	357.5	364.7	364.7	360.3	334.6	229.0	132.1	(37.4)
Minority Interests	-	-	-	-	(0.5)	(0.6)	(0.8)	(0.9)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Debt/EBITDA	1.6 x	1.4 x	1.9 x	1.5 x	3.0 x					2.4 x	1.8 x	1.4 x	0.8 x	0.4 x	n/a
Operating Metrics															
Return on Equity (ROE)	24.8%	20.1%	17.9%	16.3%	20.0%					15.6%	14.2%	15.9%	16.0%	15.6%	14.7%
Return on Assets (ROA)	17.4%	14.4%	12.9%	11.7%	12.9%					9.9%	9.3%	10.8%	11.3%	11.4%	11.1%
Return on Invested Capital (ROIC)	14.2%	14.7%	13.3%	11.3%	9.1%	3.6%	2.5%	2.3%	1.9%	10.0%	11.7%	13.5%	13.8%	13.8%	13.4%
Valuation Metrics															
Stock Price (High)	\$ 80.75	\$ 99.73	\$ 100.00	\$ 53.33	\$ 89.50				\$ 94.42	\$ 94.42	\$ 94.42	\$ 94.42	\$ 94.42	\$ 94.42	\$ 94.42
Stock Price (Low)	\$ 41.93	\$ 53.66	\$ 41.68	\$ 21.64	\$ 45.61				\$ 94.42	\$ 94.42	\$ 94.42	\$ 94.42	\$ 94.42	\$ 94.42	\$ 94.42
Stock Price (Average)	\$ 61.34	\$ 76.70	\$ 70.84	\$ 37.49	\$ 67.56	#DIV/0!	#DIV/0!	#DIV/0!	\$ 94.42	\$ 94.42	\$ 94.42	\$ 94.42	\$ 94.42	\$ 94.42	\$ 94.42
Diluted Shares Outstanding (Average)	16.7	16.9	17.0	16.9	22.0	22.0	22.0	22.2	22.2	22.2	22.2	22.2	22.2	22.2	22.2
Market Capitalization (Average)	1,024.4	1,296.1	1,204.3	633.5	1,486.2	#DIV/0!	#DIV/0!	#DIV/0!	2,096.1	2,096.1	2,096.1	2,096.1	2,096.1	2,096.1	2,096.1
Enterprise Value (Average)	1,092.9	1,367.6	1,292.5	715.8	1,861.4	#DIV/0!	#DIV/0!	#DIV/0!	2,459.7	2,459.7	2,455.3	2,429.7	2,324.0	2,227.1	2,057.6
P/E	24.5 x	34.8 x	31.0 x	15.7 x	16.4 x					19.3 x	18.6 x	14.4 x	12.3 x	10.9 x	10.0 x
EV/EBITDA	25.5 x	27.3 x	27.4 x	13.2 x	14.7 x					16.5 x	12.4 x	10.0 x	8.4 x	7.2 x	6.1 x
FCF Yield to Market Capitalization	0.7%	-0.1%	0.1%	4.9%	3.3%					1.8%	1.9%	3.3%	6.7%	6.2%	9.5%
FCF Yield to Enterprise Value	0.7%	-0.1%	0.1%	4.3%	2.6%					1.5%	1.6%	2.8%	6.1%	5.8%	9.7%
Free Cash Flow															
EBIT	42.9	50.1	47.2	54.2	126.3	50.1	35.3	33.9	29.7	149.0	172.0	215.5	248.2	277.3	299.6
Tax Expense	(10.9)	(11.7)	(7.1)	(12.3)	(30.3)	(11.2)	(7.3)	(7.5)	(7.4)	(37.2)	(43.0)	(53.9)	(62.0)	(69.3)	(74.9)
D&A	11.3	11.4	11.6	13.0	19.1	5.6	10.9	16.3	21.5	21.5	25.6	27.0	29.5	32.2	35.2
Capital Expenditures	(21.1)	(31.0)	(16.7)	(19.7)	(47.4)	(10.6)	(7.4)	(11.1)	(16.1)	(45.3)	(46.5)	(50.6)	(55.3)	(60.4)	(66.0)
Changes in NWC	(15.0)	(19.9)	(34.1)	(4.1)	(19.4)	(22.1)	(10.9)	(1.6)	(15.7)	(50.3)	(68.0)	(69.8)	(19.0)	(50.0)	4.7
Unlevered Free Cash Flow	7.3	(1.2)	0.9	31.1	48.3	11.8	20.6	29.8	11.9	37.5	40.1	68.2	141.3	129.8	198.7
Valuation Summary															
Current Price	\$ 97.18														
Target Price	\$ 150.03														
Total Return	54.4%														
Recommendation	BUY														
DCF Valuation															
Perpetuity Growth Implied Price	\$ 146.57														
Exit Multiple Implied Price	\$ 139.51														
Comps Valuation															
Comps - EV/EBITDA Implied Price	\$ 153.60														
Comps - P/E Implied Price	\$ 167.29														

Appendix 2: Discounted Cash Flow Analysis

(Figures in mm USD)		FY2017	FY2018	FY2019	FY2020	FY2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027					
Year #											0.25	0.25	1.25	2.25	3.25	4.25	5.25				
WACC Calculations																					
Cost of Equity																					
Risk-free rate	3.7%																				
Expected market return	8.0%																				
Market Risk Premium	4.3%																				
Beta	0.93																				
Cost of Equity	7.7%																				
Cost of Debt																					
Pre-tax cost of debt	4.6%																				
Effective tax rate	25.0%																				
Cost of Debt	3.4%																				
WACC																					
Market value of equity	2,077.2																				
Market value of debt	242.4																				
Total Capitalization	2,319.6																				
Cost of equity	7.7%																				
Cost of debt	3.4%																				
WACC	7.255%																				
Free Cash Flow																					
EBIT	42.9	50.1	47.2	54.2	126.3	50.1	35.3	33.9	29.7	149.0	172.0	215.5	248.2	277.3	299.6						
Less: Tax expense	(10.9)	(11.7)	(7.1)	(12.3)	(30.3)	(11.2)	(7.3)	(7.5)	(7.4)	(37.2)	(43.0)	(53.9)	(62.0)	(69.3)	(74.9)						
Add: Depreciation and amortization	11.3	11.4	11.6	13.0	19.1	5.6	10.9	16.3	21.5	21.5	25.6	27.0	29.5	32.2	35.2						
Less: Capital expenditures	(21.1)	(31.0)	(16.7)	(19.7)	(47.4)	(10.6)	(7.4)	(11.1)	(16.1)	(45.3)	(46.5)	(50.6)	(55.3)	(60.4)	(66.0)						
Less: Change in net working capital	(15.0)	(19.9)	(34.1)	(4.1)	(19.4)	(22.1)	(10.9)	(1.6)	(15.7)	(50.3)	(68.0)	(69.8)	(19.0)	(50.0)	(4.7)						
Unlevered Free Cash Flow	7.3	(1.2)	0.9	31.1	48.3	11.8	20.6	29.8	11.9	37.5	40.1	68.2	141.3	129.8	198.7						
Discount factor						-	-	-	0.98	0.98	0.92	0.85	0.80	0.74	0.69						
Present Value of Unlevered Free Cash Flow									11.7	36.9	36.7	58.2	112.6	96.4	137.5						
Discounted Cash Flow Valuations																					
Perpetuity Growth Method					Exit Multiple Method					WACC											
Perpetuity Growth Rate	2.50%				Terminal EV/EBITDA Multiple	13.0 x				Perpetuity Growth Rate	1.50%	2.00%	2.50%	3.00%	3.50%	8.26%	7.76%	7.26%	6.76%	6.26%	
PV sum of unlevered FCF	452.4				PV sum of unlevered FCF	452.4					\$ 100.59	\$ 110.46	\$ 122.07	\$ 135.93	\$ 152.72	\$ 100.59	\$ 110.46	\$ 122.07	\$ 135.93	\$ 152.72	
Terminal value	2964.7				Terminal value	2809.4					\$ 108.21	\$ 119.59	\$ 133.16	\$ 149.61	\$ 169.97	\$ 108.21	\$ 119.59	\$ 133.16	\$ 149.61	\$ 169.97	
Enterprise Value	3,417.2				Enterprise Value	3,261.8					\$ 117.17	\$ 130.46	\$ 146.58	\$ 166.52	\$ 191.80	\$ 117.17	\$ 130.46	\$ 146.58	\$ 166.52	\$ 191.80	
Add: Cash	50.7				Add: Cash	50.7					\$ 127.82	\$ 143.62	\$ 163.15	\$ 187.92	\$ 220.35	\$ 127.82	\$ 143.62	\$ 163.15	\$ 187.92	\$ 220.35	
Less: Debt	242.4				Less: Debt	242.4					\$ 140.72	\$ 159.86	\$ 184.13	\$ 215.90	\$ 259.25	\$ 140.72	\$ 159.86	\$ 184.13	\$ 215.90	\$ 259.25	
Less: Other EV adjustments	0.9				Less: Other EV adjustments	0.9															
Equity Value	3,224.6				Equity Value	3,069.2															
Shares outstanding	22.0				Shares outstanding	22.0															
Implied Share Price	\$ 146.57				Implied Share Price	\$ 139.51															
Current Price	\$ 94.42				Current Price	\$ 94.42															
Implied Price	\$ 146.57				Implied Price	\$ 139.51															
Total Return	55.2%				Total Return	47.8%															

Appendix 3: Comparable Company Analysis

(Figures in mm USD)

Company	Ticker	Equity Value	Enterprise Value	EV/EBITDA Multiple			P/E Multiple					
				2021A EV/EBITDA	2022A EV/EBITDA	2023E EV/EBITDA	2021A Diluted EPS	2022A Diluted EPS	2023E Diluted EPS	2021A P/E	2022A P/E	2023E P/E
National Beverage Corp	(NasdaqGS:FIZZ)	4,783.5	4,768.0	19.4 x	21.1 x	24.9 x	\$ 1.86	\$ 1.69	\$ 1.39	27.6 x	30.3 x	36.9 x
The Boston Beer Company, Inc.	(NYSE:SAM)	4,690.7	4,524.6	35.0 x	20.5 x	15.8 x	\$ 1.17	\$ 8.02	\$ 11.89	328.6 x	47.9 x	32.3 x
Brown-Forman Corporation	(NYSE:BF.B)	35,477.4	36,826.4	33.7 x	28.0 x	26.7 x	\$ 1.88	\$ 1.74	\$ 1.96	39.4 x	42.6 x	37.8 x
Constellation Brands, Inc.	(NYSE:STZ)	47,733.8	58,840.8	18.2 x	17.6 x	16.8 x	\$ 10.23	N/A	N/A	25.3 x	-	-
The Duckhorn Portfolio, Inc.	(NYSE:NAPA)	1,846.4	2,090.6	23.7 x	18.1 x	15.5 x	\$ 0.52	\$ 0.52	\$ 0.63	30.9 x	30.9 x	25.5 x
Pernod Ricard SA	(XCH: TCK)	-	-	-	-	-	-	-	-	-	-	-
Comp 8	(XCH: TCK)	-	-	-	-	-	-	-	-	-	-	-
Comp 9	(XCH: TCK)	-	-	-	-	-	-	-	-	-	-	-
Comp 10	(XCH: TCK)	-	-	-	-	-	-	-	-	-	-	-
MGP Ingredients Inc.	(XCH: TCK)	2,077.2	2,269.8	19.4 x	13.6 x	12.7 x	4.3	\$ 4.76	\$ 5.05	21.8 x	19.8 x	18.7 x
Median					20.5 x	16.8 x					36.7 x	34.6 x
Mean					21.1 x	19.9 x					37.9 x	33.1 x
High					28.0 x	26.7 x					47.9 x	37.8 x
Low					-	-					-	-
				EV/EBITDA Implied Price			P/E Implied Price					
Median				\$ 146.63	\$ 128.08		\$ 174.84	\$ 174.78				
Mean				\$ 150.49	\$ 153.60		\$ 180.57	\$ 167.29				
High				\$ 203.06	\$ 208.63		\$ 228.20	\$ 190.79				
Low				-\$ 8.75	-\$ 8.75		\$ -	\$ -				

Appendix 4: Operating Model and Ratio Analysis

(Figures in mm USD)	FY2017	FY2018	FY2019	FY2020	FY2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Revenue Analysis - Growth															
Distillery Product Revenue growth, %		7.9%	-6.3%	6.5%	12.5%	25.8%	18.6%	19.3%	23.8%	21.6%	19.3%	16.0%	11.8%	6.9%	1.6%
Ingredient Solutions Revenue growth, %		9.9%	5.6%	19.2%	16.0%	46.6%	21.1%	23.8%	28.0%	28.0%	18.0%	12.9%	7.7%	7.7%	7.7%
Branded Sprits Revenue growth, %		#DIV/0!	#DIV/0!	36.7%	4378.0%	9200.0%	-10.4%	1.9%	28.6%	29.6%	31.6%	17.2%	3.4%	3.5%	3.5%
Segment 4 revenue growth, %		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	-	#DIV/0!	#DIV/0!	-	-	-	-
Total Revenue Growth, %		8.2%	-3.5%	9.0%	58.5%	80.2%	8.4%	13.9%	18.0%	24.8%	22.8%	16.0%	8.5%	5.9%	3.0%
Revenue Analysis - Segmented Breakdown															
Distillery Product Revenue, mm	291.0	314.1	294.2	313.3	352.4	111.5	107.1	108.6	101.3	428.5	511.2	593.2	663.3	709.3	720.9
Ingredient Solutions Revenue, mm	56.4	62.0	65.5	78.1	90.6	28.0	29.3	29.7	28.9	115.9	136.8	154.4	166.3	179.2	193.1
Branded Sprits Revenue, mm	-	-	3.0	4.1	183.6	55.8	58.6	62.8	60.7	237.9	313.0	366.7	379.4	392.5	406.0
Segment 4 revenue, mm	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue, mm	347.4	376.1	362.7	395.5	626.6	195.3	195.0	201.1	191.0	782.4	961.0	1,114.4	1,209.1	1,281.0	1,320.0
Schedules - Property and Equipment															
Property and Equipment, beginning		103.1	120.8	132.0	207.3	207.3	207.4	212.0	220.7	235.6	235.6	256.5	280.2	306.0	334.2
Add: Capital expenditures		31.0	16.7	19.7	47.4	10.6	7.4	11.1	16.1	45.3	46.5	50.6	55,296,31	60,392,54	65,958,46
Add: Acquisitions		-	-	2.8	149.0	1.0	-	1.2	0.6	2.8	-	-	-	-	-
Less: Divestitures		-	-	-	1.5	-	-	-	-	-	-	-	-	-	-
Less: Depreciation		(11.4)	(11.6)	(13.0)	(19.1)	(5.6)	(5.3)	(5.3)	(5.2)	(21.5)	(25.6)	(27.0)	(29.5)	(32.2)	(35.2)
Less: Other adjustments		(1.9)	2.5	(9.5)	(178.8)	(6.0)	2.5	1.7	3.5	(26.7)	-	-	-	-	-
Property and Equipment, ending	103.1	120.8	128.5	132.0	207.3	207.4	212.0	220.7	235.6	235.6	256.5	280.2	306.0	334.2	365.0
Capex, % of Beginning P&E, %		30.1%	13.9%	14.9%	22.9%	20.5%	14.4%	21.0%	19.1%	19.2%	19.7%	19.7%	19.7%	19.7%	19.7%
Estimated P&E Useful Life, years		9.1	10.4	10.2	10.9	9.2	9.8	9.9	9.5	11.0	9.2	9.5	9.5	9.5	9.5
Schedules - Retained Earnings															
Retained Earnings, beginning		167.1	198.9	262.9	344.2	344.2	379.0	401.9	423.1	442.9	442.9	545.3	680.3	839.8	1,021.1
Add: Net income		37.3	38.8	40.3	90.8	37.4	25.4	23.6	22.5	108.9	112.9	145.6	170.0	191.9	208.6
Less: Dividends paid		(5.5)	(6.9)	(8.2)	(10.0)	(2.7)	(2.7)	(2.7)	(2.6)	(10.6)	(10.6)	(10.6)	(10.6)	(10.6)	(10.6)
Less: Other adjustments		0.0	(0.1)	(32.2)	(80.7)	0.1	0.2	0.2	-	0.4	-	-	-	-	-
Retained Earnings, ending	167.1	198.9	230.8	262.9	344.2	379.0	401.9	423.1	442.9	442.9	545.3	680.3	839.8	1,021.1	1,219.2
Dividend Per Share, \$/share	\$ 1.01	\$ 0.32	\$ 0.40	\$ 0.48	\$ 0.48	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.48	\$ 0.48	\$ 0.48	\$ 0.48	\$ 0.48	\$ 0.48
Margin Analysis															
COGS, % of revenue, %	78.1%	77.8%	78.9%	75.0%	68.3%	63.2%	69.6%	70.6%	68.2%	67.6%	67.5%	66.3%	65.1%	63.9%	62.7%
Gross Profit, % of revenue, %	21.9%	22.2%	21.1%	25.0%	31.7%	36.8%	30.4%	29.4%	33.1%	32.4%	32.5%	33.7%	34.9%	36.1%	37.3%
SG&A, % of revenue, %	9.5%	8.9%	8.1%	10.6%	11.6%	8.3%	9.2%	8.9%	8.8%	9.5%	8.8%	8.8%	8.8%	8.8%	8.8%
Advertising and Promotion, % of revenue, %	-	-	-	0.7%	2.6%	2.8%	3.1%	3.6%	3.2%	3.8%	3.2%	3.2%	3.2%	3.2%	3.2%
Insurance Recovery, % of revenue, %	-	-	-	-2.6%	-	-	-	-	-	-	-	-	-	-	-
EBITDA, % of revenue, %	12.3%	13.3%	13.0%	13.7%	20.2%	25.7%	18.1%	16.8%	15.6%	19.0%	20.6%	21.8%	23.0%	24.2%	25.4%
Income Tax Rate, % of EBT, %	20.7%	23.9%	15.6%	23.3%	25.0%	23.0%	22.4%	24.2%	25.0%	22.3%	25.0%	25.0%	25.0%	25.0%	25.0%
Working Capital Analysis															
Current Assets															
Accounts receivable, % of revenue, %	9.9%	10.3%	11.3%	14.4%	14.8%	13.1%	13.5%	13.4%	13.6%	14.0%	13.3%	13.3%	13.3%	13.3%	13.3%
Inventories, % of revenue, %	26.8%	28.9%	37.7%	35.7%	39.2%	33.2%	35.0%	34.2%	35.1%	37.0%	35.1%	37.0%	35.1%	37.0%	35.1%
Prepaid expenses, % of COGS, %	0.8%	0.5%	0.7%	0.9%	0.4%	1.3%	1.2%	1.0%	1.0%	0.6%	1.0%	0.6%	1.0%	0.6%	1.0%
Current Liabilities															
Accounts payable as % of COGS, %	11.1%	8.7%	10.3%	10.2%	12.6%	10.7%	11.2%	11.4%	11.3%	12.6%	10.9%	10.9%	10.9%	10.9%	10.9%
Federal and state excise taxes payable % of Revenue, %	-	-	-	0.0%	1.1%	0.8%	1.0%	0.6%	0.9%	0.6%	0.9%	0.9%	0.9%	0.9%	0.9%
Income taxes payable % of Revenue, %	0.0%	0.0%	0.0%	0.2%	0.0%	0.7%	0.0%	0.0%	0.2%	-	0.2%	0.2%	0.2%	0.2%	0.2%
Accrued Expenses and other % of Revenue	3.2%	3.1%	2.6%	5.2%	4.0%	2.1%	2.7%	3.3%	3.0%	3.7%	2.9%	2.9%	2.9%	2.9%	2.9%

MGP Ingredient (NASDAQ: MGPI)
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Income Statement															
Revenue	347.4	376.1	362.7	395.5	626.7	195.2	195.0	201.1	191.0	782.4	961.0	1,114.4	1,209.1	1,281.0	1,320.0
COGS	271.4	292.5	286.2	296.7	427.8	123.4	135.8	142.1	127.8	529.1	648.3	738.4	786.6	818.1	827.1
Gross Profit	76.0	83.6	76.5	98.8	199.0	71.8	59.2	59.0	63.2	253.3	312.7	376.0	422.4	462.9	492.8
SG&A	33.1	33.5	29.3	41.9	72.9	16.2	17.9	17.9	22.6	74.6	84.5	98.0	106.3	112.6	116.0
Advertising and Promotion Expenses				2.7	16.1	5.5	6.1	7.3	10.9	29.7	30.6	35.5	38.5	40.8	42.0
Insurance Recovery					(16.3)										
EBITDA	42.9	50.1	47.2	54.2	126.3	50.1	35.3	33.9	29.7	149.0	197.6	242.5	277.6	309.5	334.8
D&A											25.6	27.0	29.5	32.2	35.2
EBIT	42.9	50.1	47.2	54.2	126.3	50.1	35.3	33.9	29.7	149.0	172.0	215.5	248.2	277.3	299.6
Gain on sale of equity method investment	11.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity method investment loss	(0.3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expenses	(1.2)	(1.2)	(1.3)	(2.3)	(4.0)	(1.6)	(1.5)	(1.4)	(1.0)	(5.5)	(12.8)	(12.8)	(12.8)	(12.8)	(12.8)
Other Income/(loss)				0.6	(1.2)	0.1	(1.1)	(1.4)	(1.0)	(3.3)	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)
EBT	52.8	49.0	45.9	52.6	121.0	48.5	32.7	31.2	27.8	140.2	150.6	194.1	226.7	255.9	278.2
Income Tax	10.9	11.7	7.1	12.3	30.3	11.2	7.3	7.5	5.3	31.3	37.6	48.5	56.7	64.0	69.5
Net income	41.8	37.3	38.8	40.3	90.8	37.4	25.4	23.6	22.5	108.9	112.9	145.6	170.0	191.9	208.6
Shares Outstanding, Basic	16.8	16.9	17.0	16.9	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
Shares Outstanding, Diluted	16.7	16.9	17.0	16.9	22.0	22.0	22.0	22.2	22.2	22.2	22.2	22.2	22.2	22.2	22.2
Earnings Per Share, Basic	\$ 2.49	\$ 2.21	\$ 2.28	\$ 2.39	\$ 4.13	\$ 1.70	\$ 1.15	\$ 1.07	\$ 1.02	\$ 4.95	\$ 5.13	\$ 6.62	\$ 7.73	\$ 8.72	\$ 9.48
Earnings Per Share, Diluted	\$ 2.50	\$ 2.21	\$ 2.28	\$ 2.39	\$ 4.13	\$ 1.70	\$ 1.15	\$ 1.06	\$ 1.01	\$ 4.90	\$ 5.09	\$ 6.56	\$ 7.66	\$ 8.64	\$ 9.40

Cash Flow Statement															
Operating Activities															
Net income	41.8	37.3	38.8	40.3	90.8	37.4	25.4	23.6	22.511	108.872	112.9	145.6	170.0	191.9	208.6
Depreciation and amortization	11.3	11.4	11.6	13.0	19.1	5.6	5.3	5.3	5.2	21.5	25.6	27.0	29.5	32.2	35.2
Gain on sale of equity method investment	(11.4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based compensation	2.6	3.1	3.3	3.0	5.6	1.4	0.8	1.0	2.4	5.5	-	-	-	-	-
Equity method investment loss	0.3	-	-	-	1.6	(0.4)	0.4	-	2.2	2.2	-	-	-	-	-
Distributions received from equity method investee	7.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes, including change in valuation allowance	(3.4)	1.7	0.3	0.6	6.8	0.3	(0.2)	(0.4)	1.3	1.0	-	-	-	-	-
Other, net	0.1	-	(0.1)	0.5	0.1	0.0	0.1	1.4	(1.3)	0.2	-	-	-	-	-
Gain from Insurance Coverage	-	-	-	-	(16.3)	-	-	-	-	-	-	-	-	-	-
Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Flow Before Working Capital	48.4	53.4	53.8	57.4	107.7	44.3	31.7	30.9	32.4	139.3	138.5	172.5	199.5	224.1	243.8
Accounts receivable	(8.3)	(4.5)	(2.1)	(16.2)	(6.0)	(9.6)	(3.5)	(2.4)	(1.2)	(16.8)	(18.2)	(20.3)	(12.6)	(9.5)	(5.2)
Inventories	(14.3)	(15.6)	(28.2)	(3.9)	(14.2)	(13.7)	(13.8)	(3.1)	(13.8)	(44.4)	(58.2)	(64.8)	(11.9)	(49.8)	10.9
Prepaid expenses	(0.5)	0.9	(0.7)	(0.7)	2.6	0.7	(0.4)	0.9	(2.6)	(1.5)	(0.6)	(0.6)	(3.5)	3.1	(3.5)
Refundable Income Taxes	0.7	1.3	(0.3)	1.8	(6.2)	5.4	(5.3)	(1.1)	2.2	1.2	-	-	-	-	-
Working Capital Asset Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working Capital Asset Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	9.5	(2.5)	2.1	1.8	5.3	4.6	6.8	1.2	(2.0)	10.6	4.4	9.8	5.3	3.4	1.0
Accounts payable to affiliate, net	(3.3)	-	-	-	-	-	-	-	-	-	3.5	1.3	0.8	0.6	0.3
Accrued Expenses	2.3	0.6	(4.5)	11.5	0.7	(8.9)	4.1	6.0	0.8	2.0	(0.8)	4.5	2.8	2.1	1.1
Deferred credits	(0.8)	(0.6)	(0.3)	(0.0)	(1.5)	(0.5)	1.2	(3.0)	(0.1)	(2.4)	1.7	0.3	0.2	0.1	0.1
Other, net	(0.3)	0.6	(0.0)	1.6	(0.1)	(0.1)	0.1	(0.1)	1.0	0.8	-	-	-	-	-
Net CFO	33.5	33.5	19.7	53.3	88.3	22.2	20.8	29.2	16.7	88.9	70.5	102.7	180.5	174.1	248.5
Investing Activities															
Capital expenditures (Additions to PP&E)	(21.1)	(31.0)	(16.7)	(19.7)	(47.4)	(10.6)	(7.4)	(11.1)	(16.1)	(45.3)	(46.5)	(50.6)	(55.3)	(60.4)	(66.0)
Acquisition of Business	-	-	-	(2.8)	(149.0)	(1.0)	-	(1.2)	(0.6)	(2.8)	-	-	-	-	-
Divestiture of equity method investment, net	22.8	-	-	-	(1.5)	-	-	-	-	-	-	-	-	-	-
Deferred compensation plan investments	-	-	(1.2)	-	-	-	-	-	0.2	0.2	-	-	-	-	-
Proceed from sale of property	-	-	-	2.9	-	(0.4)	(0.0)	0.1	0.5	0.2	-	-	-	-	-
Other, Net	-	-	-	(0.1)	15.2	-	-	-	-	-	-	-	-	-	-
Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net CFI	1.8	(31.0)	(17.9)	(19.6)	(182.6)	(12.0)	(7.5)	(12.3)	(16.0)	(47.8)	(46.5)	(50.6)	(55.3)	(60.4)	(66.0)
Financing Activities															
Payment of dividends and dividend equivalents	(17.4)	(5.5)	(6.9)	(8.2)	(10.0)	(2.7)	(2.7)	(2.7)	(2.7)	(10.6)	(10.6)	(10.6)	(10.6)	(10.6)	(10.6)
Purchase of treasury stock for tax withholding on equity-based	(4.7)	(2.3)	(5.5)	(4.4)	(0.8)	(0.7)	0.0	(0.0)	(0.0)	(0.7)	-	-	-	-	-
Loan fees incurred with borrowings	(0.4)	-	-	(1.1)	(7.1)	-	-	-	-	-	-	-	-	-	-
Proceeds from long-term debt	20.0	-	20.0	-	-	-	-	-	-	-	-	-	-	-	-
Principal payments on long-term debt	(0.4)	(0.4)	(0.4)	(1.2)	(1.6)	(0.8)	(0.8)	(1.0)	(0.8)	(3.4)	-	-	-	-	-
Proceeds from credit agreement - revolver	25.9	29.0	17.4	54.7	242.3	-	-	-	-	-	-	-	-	-	-
Payments on credit agreement - revolver	(56.9)	(21.3)	(28.1)	(55.0)	(242.3)	-	-	-	-	-	-	-	-	-	-
Proceeds from convertible senior notes	-	-	-	-	201.3	-	-	-	-	-	-	-	-	-	-
Payment on assumed debt as part of the Merger	-	-	-	-	(87.5)	-	-	-	-	-	-	-	-	-	-
Other, net	-	-	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-
Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net CFF	(33.7)	(0.5)	(3.5)	(15.3)	94.3	(4.2)	(3.5)	(3.7)	(3.5)	(14.8)	(10.6)	(10.6)	(10.6)	(10.6)	(10.6)
FX effect	-	-	-	-	(0.0)	(0.3)	0.2	(0.0)	0.0	(0.0)	(0.1)	-	-	-	-
Net Change in Cash Balance	1.5	1.9	(1.7)	18.4	(0.1)	5.7	10.1	13.3	(2.8)	26.3	13.3	41.5	114.7	103.1	172.0
Beginning Cash Balance	1.6	3.1	5.0	3.3	21.7	21.6	27.3	37.4	50.7	21.6	47.9	61.2	102.7	217.4	320.5
Ending Cash Balance	3.1	5.0	3.3	21.7	21.6	27.3	37.4	50.7	47.889	47.9	61.2	102.7	217.4	320.5	492.5

Balance Sheet															
Current Assets															
Cash and cash equivalents	3.1	5.0	3.3	21.7	21.6	27.3	37.4	50.7	47.9	47.9	61.2	102.7	217.4	320.5	492.5
Accounts receivable	34.3	38.8	40.9	57.0	92.5	102.1	105.4	107.7	109.3	109.3	127.4	147.8	160.3	169.9	175.0
Inventories	93.1	108.8	136.9	141.0	245.9	259.5	272.9	275.5	289.7	289.7	347.9	412.7	424.6	474.4	463.5
Prepaid expenses	2.2	1.3	2.0	2.6	1.5	6.4	6.8	5.8	3.0	3.0	3.5	4.1	7.7	4.6	8.1
Refundable Income Taxes	2.0	0.7	1.0	-	5.5	-	-	1.0	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	134.7	154.6	184.2	222.3	367.098	395.3	422.5	440.6	454.2	454.2	544.4	671.6	814.2	973.6	1,143.4
Non-Current Assets															
Property and equipment	103.1	120.8	128.5	132.0	207.3	207.4	212.0	220.7	235.6	235.6	256.5	280.2	306.0	334.2	365.0
Operating Right-of-use Assets	-	-	6.5	5.2	9.7	16.0	15.6	14.5	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Investment in Joint Venture	-	-	-	-	4.9	6.4	5.8	6.1	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Intangible Asset, Net	-	-	-	0.9	218.8	218.3	217.8	217.3	216.8	216.8	216.8	216.8	216.8	216.8	216.8
Goodwill	-	-	-	2.7	226.3	226.3	226.3	226.3	226.3	226.3	226.3	226.3	226.3	226.3	226.3
Other Assets	2.5	2.5	3.5	3.5	7.3	7.2	6.7	6.5	4.8	4.8	4.8	4.8	4.8	4.8	4.8
Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	105.6	123.3	138.5	144.3	674.4	681.6	684.1	691.4	704.0	704.0	725.0	748.6	774.4	802.6	833.4
Total Assets	240.3	277.9	322.7	366.6	1,041.47	1,076.8	1,106.6	1,132.1	1,158.2	1,158.2	1,269.3	1,420.2	1,588.7	1,776.3	1,976.9
Current Liabilities															
Current portion of long-term debt	0.4	0.4	0.4	1.6	3.2	3.2	4.2	4.8	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Accounts payable	30.0	25.4	29.5	30.2	53.7	52.8	60.6	64.9	66.4	66.4	70.9	80.7	86.0	89.4	90.4
Federal and state excise taxes payable	-	-	-	0.1	7.0	6.5	7.7	4.7	4.6	4.6	8.2	9.5	10.3	10.9	11.2
Income taxes payable	-	-	-	0.7	-	5.4	0.1	-	-	-	1.7	1.9	2.1	2.2	2.3
Accrued Expenses and other	11.2	11.7	9.4	20.6	24.9	16.6	20.7	26.4	28.7	28.7	27.9	32.4	35.2	37.2	38.4
Total Current Liabilities	41.6	37.5	39.3	53.3	88.8	84.5	93.3	100.8	105.4	105.4	114.3	130.1	139.1	145.4	147.9
Non-Current Liabilities															
Long-term debt, less other maturities	21.4	21.0	40.7	38.3	35.3	34.5	32.7	31.1	29.5	29.5	29.5	29.5	29.5	29.5	29.5
Convertible Senior Note	-	-	-	-	194.9	195.0	195.1	195.1	195.2	195.2	195.2	195.2	195.2	195.2	195.2
Credit Agreement - Revolver	2.8	10.6	0.0	-	-	-	-	-	-	-	-	-	-	-	-
Long-term operating lease liabilities	2.2	-	4.3	3.1	7.0	12.6	12.2	11.3	11.6	11.6	11.6	11.6	11.6	11.6	11.6
Deferred credits	3.1	1.6	1.2	-	-	-	-	-	-	-	-	-	-	-	-
Other noncurrent liabilities	0.5	4.1	4.2	7.1	5.1	4.5	4.1	4.0	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Deferred income taxes	0.0	1.7	1.9	2.3	66.1	66.4	66.2	65.8	67.1	67.1	67.1	67.1	67.1	67.1	67.1
Total Non-Current Liabilities	30.0	39.0	52.3	50.7	308.4	313.0	310.3	307.4	307.2	307.2	307.2	307.2	307.2	307.2	307.2
Total Liabilities	71.6	76.5	91.6	104.0	397.20	397.4	403.5	408.2	412.6	412.6	421.4	437.3	446.3	452.6	455.1
Shareholders' Equity															
Preferred, 5% non-cumulative; \$10 par value; authorized 1,000,000 shares; issued 18,115 shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
No par value; authorized 40,000,000 shares; issued 18,115 shares	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Additional paid-in capital	13.9	15.4	14.0	15.5	315.8	316.6	317.2	317.5	318.8	318.8	318.8	318.8	318.8	318.8	318.8
Retained earnings (accumulated deficit)	167.1	198.9	230.8	262.9	344.2	379.0	401.9	423.1	443.1	443.1	545.3	680.3	839.8	1,021.1	1,219.2
Treasury stock	(0.3)	(19.4)	(20.2)	(23.1)	(22.4)	(22.5)	(21.7)	(21.7)	(21.6)	(21.6)	(21.6)	(21.6)	(21.6)	(21.6)	(21.6)
Accumulated other comprehensive income (loss)	(18.7)	(0.2)	(0.2)	0.5	0.4	0.1	(0.3)	(0.9)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Total Shareholders' Equity	168.7	201.4	231.0	262.5	644.8	680.0	703.8	724.8	746.7	746.724	848.9	983.9	1,143.4	1,324.8	1,522.8
Minority interests	-	-	-	(0.5)	-	(0.6)	(0.8)	(0.9)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Total Equity	168.7	201.4	231.0	262.5	644.3	679.4	703.1	723.9	745.6	745.6	847.9	982.9	1,142.3	1,323.7	1,521.7

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