

REFINITIV

# DELTA REPORT

## 10-Q

DUCKHORN PORTFOLIO, INC.  
10-Q - JANUARY 31, 2024 COMPARED TO 10-Q - OCTOBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	709
CHANGES	208
DELETIONS	238
ADDITIONS	263

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **October 31, 2023** **January 31, 2024**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-40240

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**The Duckhorn Portfolio, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**81-3866305**

(I.R.S. Employer Identification No.)

**1201 Dowdell Lane Saint Helena, CA 94574**

(Address of principal executive offices)

**(707) 302-2658**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of class	Trading Symbol	Name of exchange on which registered
Common Stock, par value \$0.01 per share	NAPA	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The registrant had outstanding **115,367,710** **115,409,107** shares of common stock, \$0.01 par value per share, as of **November 29, 2023** **February 28, 2024**.

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### Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q and other materials filed or to be filed by us with the U.S. Securities and Exchange Commission ("SEC") contains statements that are or may be considered to be, forward-looking statements. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies and other future conditions. Forward-looking statements can be identified by words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue," "contemplate" and other similar expressions, although not all forward-looking statements contain these identifying words. Important factors that could cause actual results and events to differ materially from those indicated in the forward-looking statements include, among others, the following:

- our ability to manage the growth of our business;
- our reliance on our brand name, reputation and product quality;
- the effectiveness of our marketing and advertising programs, including the consumer reception of the launch and expansion of our product offerings;
- general competitive conditions, including actions our competitors may take to grow their businesses;
- overall decline in the health of the economy consumer discretionary spending and consumer demand for wine;
- the occurrence of severe weather events (including fires, floods and earthquakes), catastrophic health events, natural or man-made disasters, social and political conditions or civil unrest;
- risks associated with disruptions in our supply chain for grapes and raw and processed materials, including barrels, glass bottles, cork, winemaking additives and agents, water and other supplies;
- the impact of the COVID-19 pandemic on our customers, suppliers, business, results of operations and financial condition;
- disrupted or delayed service by the distributors and government agencies we rely on for the distribution of our wines outside of California;
- our ability to successfully execute our growth strategy;
- risks associated with our acquisition of Sonoma-Cutrer Vineyards, Inc., a California corporation and a wholly-owned subsidiary of Brown-Forman ("Sonoma-Cutrer");
- decreases in our wine score ratings by wine rating organizations;
- quarterly and seasonal fluctuations in our operating results;
- our success in retaining or recruiting, or changes required in, our officers, key employees or directors;
- our ability to protect our trademarks and other intellectual property rights, including our brand and reputation;
- our ability to comply with laws and regulations affecting our business, including those relating to the manufacture, sale and distribution of wine;
- the risks associated with the legislative, judicial, accounting, regulatory, political and economic risks and conditions specific to both domestic and to international markets;
- claims, demands and lawsuits to which we are, and may in the future, be subject and the risk that our insurance or indemnities coverage may not be sufficient;
- our ability to operate, update or implement our IT information technology systems;
- our ability to successfully pursue strategic acquisitions and integrate acquired businesses;
- our potential ability to obtain additional financing when and if needed;
- our substantial indebtedness and our ability to maintain compliance with restrictive covenants in the documents governing such indebtedness;

- TSG Consumer Partners LLC's ("TSG") significant influence over us and our status as a "controlled company" under the rules of the New York Stock Exchange;
  - the potential liquidity and trading of our securities; and
- 
- the future trading prices of our common stock and the impact of securities analysts' reports on these prices.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events, and trends that we believe may affect our business, results of operations and financial condition. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled "Risk Factors" in Part 1 Item 1A. in our Fiscal 2023 Annual Report on Form 10-K and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a highly competitive environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q. And while we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements in this Quarterly Report on Form 10-Q represent our views as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements whether as a result of new information, future developments or otherwise. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not rely on our forward-looking statements in making your investment decision. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments.

Investors and others should note that we may announce material information to our investors using our investor relations website (<https://ir.duckhorn.com>), SEC filings, press releases, public conference calls and webcasts. We use these channels, as well as social media, to communicate with our investors and the public about our Company, our business and other issues. It is possible that the information we post on social media could be deemed to be material information. We therefore encourage investors to visit these websites from time to time. The information contained on such websites and social media posts is not incorporated into this filing. Further, our references to website URLs in this filing are intended to be inactive textual references only.

## PART I

### Item 1. Financial Statements

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The Duckhorn Portfolio, Inc.

Condensed Consolidated Statements of Financial Position

(Unaudited, in thousands except share and per share data)

		October 31, 2023	July 31, 2023		
	January 31, 2024			January 31, 2024	July 31, 2023
<b>ASSETS</b>					
<b>Current assets:</b>	<b>Current assets:</b>				
Cash	Cash				
Cash	Cash				
Cash	Cash	\$ 21,182	\$ 6,353		
Accounts receivable trade, net	Accounts receivable trade, net	71,254	48,706		
Inventories	Inventories	389,199	322,227		
Prepaid expenses and other current assets	Prepaid expenses and other current assets				
Prepaid expenses and other current assets	Prepaid expenses and other current assets				
Prepaid expenses and other current assets	Prepaid expenses and other current assets	8,393	10,244		
<b>Total current assets</b>	<b>Total current assets</b>	<b>490,028</b>	<b>387,530</b>		

Property and equipment, net	Property and equipment, net	328,468	323,530
Operating lease right-of-use assets	Operating lease right-of-use assets	18,834	20,376
Intangible assets, net	Intangible assets, net	182,337	184,227
Goodwill	Goodwill	425,209	425,209
Other assets	Other assets	8,327	6,810
<b>Total assets</b>	<b>Total assets</b>	<b>\$1,453,203</b>	<b>\$1,347,682</b>

## LIABILITIES AND STOCKHOLDERS' EQUITY

### LIABILITIES AND STOCKHOLDERS' EQUITY

### LIABILITIES AND STOCKHOLDERS' EQUITY

<b>Current liabilities:</b>	<b>Current liabilities:</b>
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Accounts payable

Accounts payable

Accounts payable	Accounts payable	\$ 33,023	\$ 4,829
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Accrued expenses	Accrued expenses	90,022	38,246
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Accrued compensation	Accrued compensation	8,651	16,460
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Deferred revenue	Deferred revenue	11,199	66
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Current maturities of long-term debt	Current maturities of long-term debt	9,721	9,721
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Current maturities of long-term debt

Current maturities of long-term debt

Other current liabilities	Other current liabilities	4,870	5,138
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<b>Total current liabilities</b>	<b>Total current liabilities</b>	<b>157,486</b>	<b>74,460</b>
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Revolving line of credit

Long-term debt, net of current maturities and debt issuance costs	Long-term debt, net of current maturities and debt issuance costs	231,148	223,619
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Operating lease liabilities	Operating lease liabilities	15,141	16,534
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Operating lease liabilities

Operating lease liabilities

Deferred income taxes

Deferred income taxes

Deferred income taxes	Deferred income taxes	90,216	90,216
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Other liabilities	Other liabilities	445	445
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<b>Total liabilities</b>	<b>Total liabilities</b>	<b>494,436</b>	<b>405,274</b>
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**Commitments and contingencies (Note 9)**

Commitments and Contingencies (Note 9)	Commitments and Contingencies (Note 9)	
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**Stockholders' equity:**

Common stock, \$0.01 par value; 500,000,000 shares authorized; 115,367,710 and 115,316,308 issued and outstanding at October 31, 2023 and July 31, 2023, respectively	1,154	1,153
Common stock, \$0.01 par value; 500,000,000 shares authorized; 115,409,107 and 115,316,308 issued and outstanding at January 31, 2024 and July 31, 2023, respectively		
Additional paid-in capital	738,365	737,557
Retained earnings	218,659	203,122
<b>Total The Duckhorn Portfolio, Inc. stockholders' equity</b>	<b>958,178</b>	<b>941,832</b>
Non-controlling interest	589	576
<b>Total stockholders' equity</b>	<b>958,767</b>	<b>942,408</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$1,453,203</b>	<b>\$1,347,682</b>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements (unaudited).

**The Duckhorn Portfolio, Inc.**

**Condensed Consolidated Statements of Operations**

(Unaudited, in thousands except share and per share data)

	Three months ended October 31,	
	2023	2022
Net sales (net of excise taxes of \$1,394 and \$1,584, respectively)	\$ 102,509	\$ 108,171
Cost of sales	48,656	53,461
<b>Gross profit</b>	<b>53,853</b>	<b>54,710</b>
Selling, general and administrative expenses	30,483	25,739

<b>Income from operations</b>	<b>23,370</b>	<b>28,971</b>
Interest expense	4,004	2,162
Other income, net	(1,813)	(87)
Total other expenses, net	2,191	2,075
<b>Income before income taxes</b>	<b>21,179</b>	<b>26,896</b>
Income tax expense	5,629	7,087
<b>Net income</b>	<b>15,550</b>	<b>19,809</b>
Less: Net (income) loss attributable to non-controlling interest	(13)	6
<b>Net income attributable to The Duckhorn Portfolio, Inc.</b>	<b>\$ 15,537</b>	<b>\$ 19,815</b>
<b>Earnings per share of common stock:</b>		
Basic	\$ 0.13	\$ 0.17
Diluted	\$ 0.13	\$ 0.17
<b>Weighted average shares of common stock outstanding:</b>		
Basic	115,339,774	115,184,161
Diluted	115,451,719	115,275,692

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements (unaudited).

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	Three months ended January 31,		Six months ended January 31,	
	2024	2023	2024	2023
Net sales (net of excise taxes of \$1,407, \$1,469, \$2,801 and \$3,052, respectively)	\$ 103,045	\$ 103,488	\$ 205,554	\$ 211,659
Cost of sales	44,727	48,302	93,383	101,763
<b>Gross profit</b>	<b>58,318</b>	<b>55,186</b>	<b>112,171</b>	<b>109,896</b>
Selling, general and administrative expenses	29,247	29,579	59,730	55,318
<b>Income from operations</b>	<b>29,071</b>	<b>25,607</b>	<b>52,441</b>	<b>54,578</b>
Interest expense	4,500	2,684	8,504	4,846
Other expense, net	2,696	2,743	883	2,656
Total other expenses, net	7,196	5,427	9,387	7,502
<b>Income before income taxes</b>	<b>21,875</b>	<b>20,180</b>	<b>43,054</b>	<b>47,076</b>
Income tax expense	6,021	5,265	11,650	12,352
<b>Net income</b>	<b>15,854</b>	<b>14,915</b>	<b>31,404</b>	<b>34,724</b>
Net loss (income) attributable to non-controlling interest	3	2	(10)	8
<b>Net income attributable to The Duckhorn Portfolio, Inc.</b>	<b>\$ 15,857</b>	<b>\$ 14,917</b>	<b>\$ 31,394</b>	<b>\$ 34,732</b>
<b>Earnings per share of common stock:</b>				
Basic	\$ 0.14	\$ 0.13	\$ 0.27	\$ 0.30
Diluted	\$ 0.14	\$ 0.13	\$ 0.27	\$ 0.30
<b>Weighted average shares of common stock outstanding:</b>				
Basic	115,376,711	115,191,575	115,358,242	115,187,868
Diluted	115,415,348	115,327,660	115,593,594	115,424,809

#### The Duckhorn Portfolio, Inc.

#### Condensed Consolidated Statements of Stockholders' Equity

(Unaudited, in thousands, expect share data)



	Three months ended October 31,						
	Common stock		Additional paid-in capital	Retained earnings	Total The Duckhorn Portfolio, Inc. stockholders' equity	Non-controlling interest	Total stockholders' equity
	Shares	Amount					
<b>Balances at July 31, 2023</b>	<b>115,316,308</b>	<b>\$ 1,153</b>	<b>\$ 737,557</b>	<b>\$ 203,122</b>	<b>\$ 941,832</b>	<b>\$ 576</b>	<b>\$ 942,408</b>
Net income	—	—	—	15,537	15,537	13	15,550
Issuance of common stock under equity incentive plans	79,639	1	—	—	1	—	1
Equity-based compensation (Note 10)	—	—	1,150	—	1,150	—	1,150
Taxes paid related to net share settlement of equity awards	(28,237)	—	(342)	—	(342)	—	(342)
<b>Balances at October 31, 2023</b>	<b>115,367,710</b>	<b>\$ 1,154</b>	<b>\$ 738,365</b>	<b>\$ 218,659</b>	<b>\$ 958,178</b>	<b>\$ 589</b>	<b>\$ 958,767</b>
<b>Balances at July 31, 2022</b>	<b>115,184,161</b>	<b>\$ 1,152</b>	<b>\$ 731,597</b>	<b>\$ 133,824</b>	<b>\$ 866,573</b>	<b>\$ 588</b>	<b>\$ 867,161</b>
Net income (loss)	—	—	—	19,815	19,815	(6)	19,809
Equity-based compensation (Note 10)	—	—	1,180	—	1,180	—	1,180
<b>Balances at October 31, 2022</b>	<b>115,184,161</b>	<b>\$ 1,152</b>	<b>\$ 732,777</b>	<b>\$ 153,639</b>	<b>\$ 887,568</b>	<b>\$ 582</b>	<b>\$ 888,150</b>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements (unaudited).

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#### The Duckhorn Portfolio, Inc.

#### Condensed Consolidated Statements of Cash Flows Stockholders' Equity

(Unaudited, in thousands) thousands except share data

	Three months ended October 31,	
	2023	2022
Cash flows from operating activities		
Net income	\$ 15,550	\$ 19,809
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	7,329	5,757
Gain on disposal of assets	(42)	(32)
Change in fair value of derivatives	(1,889)	(368)
Amortization of debt issuance costs	194	402
Equity-based compensation	1,150	1,180
Change in operating assets and liabilities:		
Accounts receivable trade, net	(22,547)	(32,619)
Inventories	(66,115)	(55,626)
Prepaid expenses and other current assets	1,781	442
Other assets	283	122
Accounts payable	28,045	42,670
Accrued expenses	51,985	37,262
Accrued compensation	(7,808)	(3,733)
Deferred revenue	11,132	11,797
Other current and non-current liabilities	(982)	(679)
<b>Net cash provided by operating activities</b>	<b>18,066</b>	<b>26,384</b>
Cash flows from investing activities		
Purchases of property and equipment, net of sales proceeds	(10,395)	(6,418)

<b>Net cash used in investing activities</b>	<b>(10,395)</b>	<b>(6,418)</b>
Cash flows from financing activities		
Payments under line of credit	(13,000)	(20,000)
Borrowings under line of credit	23,000	5,000
Payments of long-term debt	(2,500)	(2,808)
Taxes paid related to net share settlement of equity awards	(342)	—
<b>Net cash provided by (used in) financing activities</b>	<b>7,158</b>	<b>(17,808)</b>
<b>Net increase in cash</b>	<b>14,829</b>	<b>2,158</b>
Cash - Beginning of period	6,353	3,167
<b>Cash - End of period</b>	<b>\$ 21,182</b>	<b>\$ 5,325</b>
<b>Supplemental cash flow information</b>		
Interest paid, net of amount capitalized	\$ 4,009	\$ 1,777
Income taxes paid	\$ 11,607	\$ —
<b>Non-cash investing activities</b>		
Property and equipment additions in accounts payable and accrued expenses	\$ 3,300	\$ 3,776

Three months ended January 31,							
	Common stock		Additional paid-in capital	Retained earnings	Total The Duckhorn Portfolio, Inc. stockholders' equity	Non-controlling interest	Total stockholders' equity
	Shares	Amount					
<b>Balances at October 31, 2023</b>	<b>115,367,710</b>	<b>\$ 1,154</b>	<b>\$ 738,365</b>	<b>\$ 218,659</b>	<b>\$ 958,178</b>	<b>\$ 589</b>	<b>\$ 958,767</b>
Net income (loss)	—	—	—	15,857	15,857	(3)	15,854
Issuance of common stock under equity incentive plans	26,992	—	—	—	—	—	—
Equity-based compensation (Note 10)	—	—	2,064	—	2,064	—	2,064
Issuance of employee stock purchase plan	14,405	—	119	—	119	—	119
<b>Balances at January 31, 2024</b>	<b>115,409,107</b>	<b>\$ 1,154</b>	<b>\$ 740,548</b>	<b>\$ 234,516</b>	<b>\$ 976,218</b>	<b>\$ 586</b>	<b>\$ 976,804</b>
<b>Balances at October 31, 2022</b>	<b>115,184,161</b>	<b>\$ 1,152</b>	<b>\$ 732,777</b>	<b>\$ 153,639</b>	<b>\$ 887,568</b>	<b>\$ 582</b>	<b>\$ 888,150</b>
Net income (loss)	—	—	—	14,917	14,917	(2)	14,915
Issuance of common stock under equity incentive plans	22,365	—	—	—	—	—	—
Equity-based compensation (Note 10)	—	—	1,805	—	1,805	—	1,805
Issuance of employee stock purchase plan	12,870	—	181	—	181	—	181
<b>Balances at January 31, 2023</b>	<b>115,219,396</b>	<b>\$ 1,152</b>	<b>\$ 734,763</b>	<b>\$ 168,556</b>	<b>\$ 904,471</b>	<b>\$ 580</b>	<b>\$ 905,051</b>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements (unaudited).

#### The Duckhorn Portfolio, Inc.

#### Condensed Consolidated Statements of Stockholders' Equity

(Unaudited, in thousands except share data)

#### Six months ended January 31,

	Common stock		Additional paid-in capital	Retained earnings	Total The Duckhorn Portfolio, Inc. stockholders' equity	Non-controlling interest	Total stockholders' equity
	Shares	Amount					
<b>Balances at July 31, 2023</b>	<b>115,316,308</b>	<b>\$ 1,153</b>	<b>\$ 737,557</b>	<b>\$ 203,122</b>	<b>\$ 941,832</b>	<b>\$ 576</b>	<b>\$ 942,408</b>
Net income	—	—	—	31,394	31,394	10	31,404
Issuance of common stock under equity incentive plans	106,631	1	—	—	1	—	1
Equity-based compensation (Note 10)	—	—	3,214	—	3,214	—	3,214
Shares withheld related to net share settlement	(28,237)	—	(342)	—	(342)	—	(342)
Issuance of employee stock purchase plan	14,405	—	119	—	119	—	119
<b>Balances at January 31, 2024</b>	<b>115,409,107</b>	<b>\$ 1,154</b>	<b>\$ 740,548</b>	<b>\$ 234,516</b>	<b>\$ 976,218</b>	<b>\$ 586</b>	<b>\$ 976,804</b>
<b>Balances at July 31, 2022</b>	<b>115,184,161</b>	<b>\$ 1,152</b>	<b>\$ 731,597</b>	<b>\$ 133,824</b>	<b>\$ 866,573</b>	<b>\$ 588</b>	<b>\$ 867,161</b>
Net income (loss)	—	—	—	34,732	34,732	(8)	34,724
Issuance of common stock under equity incentive plans	22,365	—	—	—	—	—	—
Equity-based compensation (Note 10)	—	—	2,985	—	2,985	—	2,985
Issuance of employee stock purchase plan	12,870	—	181	—	181	—	181
<b>Balances at January 31, 2023</b>	<b>115,219,396</b>	<b>\$ 1,152</b>	<b>\$ 734,763</b>	<b>\$ 168,556</b>	<b>\$ 904,471</b>	<b>\$ 580</b>	<b>\$ 905,051</b>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements (unaudited).

**The Duckhorn Portfolio, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
*(Unaudited, in thousands)*

	Six months ended January 31,	
	2024	2023
Cash flows from operating activities		
Net income	\$ 31,404	\$ 34,724
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	17,037	13,290
(Gain) loss on disposal of assets	(11)	93
Change in fair value of derivatives	1,258	2,061
Amortization of debt issuance costs	388	593
Equity-based compensation	3,214	2,985
Change in operating assets and liabilities:		
Accounts receivable trade, net	(3,115)	(11,298)
Inventories	(68,687)	(39,881)
Prepaid expenses and other current assets	(2,080)	26
Other assets	(684)	(555)
Accounts payable	9,390	15,020
Accrued expenses	(10,200)	830
Accrued compensation	(7,078)	(3,669)

Deferred revenue	5,144	3,013
Other current and non-current liabilities	(1,841)	865
<b>Net cash (used in) provided by operating activities</b>	<b>(25,861)</b>	<b>18,097</b>
Cash flows from investing activities		
Purchases of property and equipment, net of sales proceeds	(17,130)	(12,388)
<b>Net cash used in investing activities</b>	<b>(17,130)</b>	<b>(12,388)</b>
Cash flows from financing activities		
Payments under line of credit	(13,000)	(119,000)
Borrowings under line of credit	68,000	9,000
Issuance of long-term debt	—	225,833
Payments of long-term debt	(5,000)	(115,166)
Taxes paid related to net share settlement of equity awards	(342)	—
Proceeds from employee stock purchase plan	119	181
Payments for debt issuance costs	—	(2,432)
<b>Net cash provided by (used in) financing activities</b>	<b>49,777</b>	<b>(1,584)</b>
<b>Net increase in cash</b>	<b>6,786</b>	<b>4,125</b>
Cash - Beginning of period	6,353	3,167
<b>Cash - End of period</b>	<b>\$ 13,139</b>	<b>\$ 7,292</b>
<b>Supplemental cash flow information</b>		
Interest paid, net of amount capitalized	\$ 8,304	\$ 1,649
Income taxes paid	\$ 23,484	\$ 10,621
<b>Non-cash investing activities</b>		
Property and equipment additions in accounts payable and accrued expenses	\$ 407	\$ 467

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements (unaudited).

## The Duckhorn Portfolio, Inc.

### Notes to Condensed Consolidated Financial Statements (unaudited)

#### 1. Description of Business

The Duckhorn Portfolio, Inc. and its subsidiaries (collectively, “the Company,” “Management,” “we,” “us,” “our” and “Duckhorn”), headquartered in St. Helena, CA, California, produce luxury and ultra-luxury wine across a portfolio of winery brands, including Duckhorn Vineyards, Decoy, Goldeneye, Paraduxx, Migration, Canvasback, Calera, Kosta Browne, Greenwing and Postmark.

The Company's revenue is comprised of sales to distributors and direct to trade accounts in California (“wholesale”) and direct to consumer (“DTC”). Wholesale revenue is generated through sales directly to California retailers and restaurants, sales to distributors and agents located in other states throughout the United States (“U.S.”) and sales to export distributors that sell internationally. DTC revenue results from individual consumers purchasing wine directly from the Company through club membership, the Company's website or tasting rooms located in Napa Valley, California; Anderson Valley, California; Sebastopol, California; Hollister, California; and Walla Walla, Washington.

The Company owns or controls, through long-term leases, certain high-quality vineyards throughout Northern and Central California and Washington. Vinification takes place at wineries owned, leased or under contract with third parties predominately located in Napa Valley, California; Anderson Valley, California; Hopland, California; Hollister, California; San Luis Obispo, California; Sebastopol, California; and Walla Walla, Washington.

#### Fiscal year

The Company's fiscal year ends on July 31. Unless otherwise stated, references to particular years or quarters refer to the Company's fiscal years and the associated periods in those fiscal years. Except as otherwise specified, information in this report is provided as of **October 31, 2023** **January 31, 2024**.

#### Secondary Offering

In April 2023, the Company completed a secondary offering where certain existing stockholders sold 6,000,000 shares of common stock at a price of \$15.35 per share. The Company did not receive any of the proceeds from the sale of the shares by the existing stockholders. In connection with the offering, the Company incurred costs of \$0.4 million in the third quarter of Fiscal **2023** **2023**.

## 2. Basis of Presentation and Recent Accounting Pronouncements

### **Basis of presentation**

The Company's Condensed Consolidated Financial Statements are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and Article 10 of the Securities and Exchange Commission's Regulation S-X. These Condensed Consolidated Financial Statements have been prepared on the same basis as the Company's audited annual financial statements and, in the opinion of Management, reflect all adjustments, consisting only of normal, recurring adjustments, which are necessary for the fair statement of the Company's financial information for the interim periods presented. These interim results are not necessarily indicative of the results to be expected for the fiscal year ending July 31, 2024, for any other interim period or for any future year.

The Condensed Consolidated Statement of Financial Position as of July 31, 2023 was derived from the Company's audited financial statements for the fiscal year ended July 31, 2023, previously filed with the SEC. The Condensed Consolidated Financial Statements do not include all of the information and note disclosures required by U.S. GAAP and should be read in conjunction with the audited Consolidated Financial Statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2023.

### **Principles of consolidation**

The Condensed Consolidated Financial Statements include the accounts of The Duckhorn Portfolio, Inc. and its subsidiaries, including a consolidated variable interest entity ("VIE") of which the Company has determined it is the primary beneficiary. All intercompany balances and transactions are eliminated in consolidation.

### **Accounting estimates**

The preparation of Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Preferred stock**

The Company has 100,000,000 shares of \$0.01 par value preferred stock authorized, none of which are issued and outstanding.

### **Variable interest entities**

The Company evaluates its ownership, contractual relationships and other interests in entities to determine the nature and extent of the interests, whether such interests are variable interests and whether the entities are VIEs in accordance with Accounting Standards Codification ("ASC") Topic 810, *Consolidations*. These evaluations can be complex and involve Management judgment as well as the use of estimates and assumptions based on available historical information, among other factors. Thus, it represents a Level 3 measurement as defined in ASC Topic 820, *Fair Value Measurement*. Based on these evaluations, if the Company determines that it is the primary beneficiary of a VIE, the entity is consolidated into the financial statements. At **October 31, 2023** **January 31, 2024** and July 31, 2023, the Company's ownership percentage of the sole identified VIE was 76.2%. The total net assets of the VIE included on the Condensed Consolidated Statements of Financial Position were \$2.3 million as of **October 31, 2023** **January 31, 2024** and July 31, 2023. The assets and liabilities, which may only be used to settle its own obligations, are primarily related to property, equipment and working capital accounts, which generally represent the amounts owed by or to the Company for grape sales under current contracts and farming costs.

### **Recently adopted accounting pronouncements**

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07") to improve reportable segment disclosures, primarily through enhanced disclosures related to significant segment expenses regularly provided to the chief operating decision maker ("CODM") and by requiring current annual disclosures to be provided in interim periods. Additionally, it requires public entities with a single reportable segment to provide all the disclosures provided by the standard. ASU 2023-07 will be effective for the Company beginning with the fiscal year ended July 31, 2025, and for interim periods beginning in the fiscal year ended July 31, 2026, on a retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact of this ASU on its Condensed Consolidated Financial Statements and related disclosures.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvement to Income Tax Disclosures* ("ASU 2023-09") to enhance the transparency and decision usefulness of income tax disclosures, primarily requiring disaggregated information about a reporting entity's effective tax rate reconciliation and income taxes paid. ASU 2023-09 will be effective for the Company beginning with the fiscal year ended July 31, 2026, with early adoption permitted. The Company is currently evaluating the impact of this ASU on its Condensed Consolidated Financial Statements and related disclosures.

No other new accounting pronouncements issued or effective as of **October 31, 2023** **January 31, 2024** have had, or are expected to have, a material impact on the Condensed Consolidated Financial Statements or the related disclosures.

### 3. Revenue

#### Disaggregated revenue information

The following table presents the percentages of consolidated net sales disaggregated by sales channels:

	Three months ended October 31,	
	2023	2022
Wholesale - Distributors	77.0 %	76.4 %
Wholesale - California direct to trade <sup>(a)</sup>	15.6	15.8

  

	Three months ended January 31,		Three months ended January 31,		Six months ended January 31,	
	2024	2023	2024	2023	2024	2023
Wholesale — Distributors	62.1 %	61.3 %	69.6 %	69.0 %		
Wholesale — California direct to trade <sup>(a)</sup>						
DTC <sup>(b)</sup>	7.4	7.8				
Net sales <sup>(c)</sup>	100.0 %	100.0 %	100.0 %	100.0 %		

(a) Includes \$0.7 million and \$0.6 million of sales related to bulk and grape sales for both the three six months ended October 31, 2023 January 31, 2024 and 2022, respectively, 2023.

(b) Includes shipping and handling revenue of \$0.1 million \$1.1 million and \$0.9 million for each of the three months ended October 31, 2023 January 31, 2024 and 2022, 2023, respectively, and \$1.2 million and \$1.0 million for the six months ended January 31, 2024 and 2023, respectively.

(c) For the three and six months ended October 31, 2023 January 31, 2024, excludes lease income of \$0.9 million and \$1.8 million, respectively, from Geyserville winery acquired in June 2023.

Charges, recoveries and reductions related to credit loss on accounts receivable and the related allowance were immaterial for the three and six months ended October 31, 2023 January 31, 2024 and 2022, 2023. As of October 31, 2023 January 31, 2024 and July 31, 2023, the allowance for credit losses was \$0.5 million, for both periods.

#### Contract balances

When the Company receives payment from a customer, prior to meeting the performance obligation under the terms of a contract, the Company records deferred revenue, which represents a contract liability. The Company's deferred revenue is primarily comprised of cash collected from wines wine sold through our DTC channel ahead of the wine shipment date. The Company does not recognize revenue until control of the wine is transferred and the performance obligation is met.

Deferred revenue in the Condensed Consolidated Statements of Financial Position was \$11.2 \$5.2 million and \$0.1 million at October 31, 2023 January 31, 2024 and July 31, 2023, respectively. The amount Company recognized revenue of revenue recognized relating to \$11.1 million and \$12.1 million during the three months ended January 31, 2024 and 2023, included in the opening contract liability balance for the three months ended October 31, 2023 was immaterial, corresponding period. The Company recognized revenue of \$0.2 \$0.1 million and \$0.3 million during the three six months ended October 31, 2022 January 31, 2024 and 2023, included in the opening contract liability balance for the corresponding period.

### 4. Inventories

Inventories were comprised of the following:

(in thousands)	(in thousands)	October 31, 2023	July 31, 2023	(in thousands)	January 31, 2024	July 31, 2023
Finished goods	Finished goods	\$134,070	\$145,355			
Work in progress	Work in progress	234,856	161,795			
Raw materials	Raw materials	20,273	15,077			
Inventories	Inventories	\$389,199	\$322,227			

Inventories are stated at the lower of cost or net realizable value and are primarily measured on a first-in-first-out basis. The Company records valuation adjustments to the carrying value of its inventories based on periodic reviews of slow-moving, obsolete and excess inventory to determine the need for reserves by comparing inventory carrying values with their net realizable values upon ultimate sale or disposal. The Company's estimates of net realizable value are based on historical experience as well as Management's judgments with respect to future market conditions. In the period the Company determines a reserve is required, the Company recognizes a charge to cost of sales for the excess of the carrying value over net realizable value. The inventory reserve was **\$1.2** **\$0.8** million and \$0.9 million at **October 31, 2023** **January 31, 2024** and July 31, 2023, respectively.

The Company capitalizes into inventories depreciation related to property and equipment used in the production of inventory. For the three months ended **October 31, 2023** **January 31, 2024** and **2022, 2023**, the amount capitalized was **\$3.8 million** **\$6.2 million** and **\$3.5 million** **\$5.2 million**, respectively, and **\$10.0 million** and **\$8.6 million** for the six months ended **January 31, 2024** and **2023**, respectively. The Company also capitalizes total lease costs related to leases used in the production of inventory. **For** **The** amount capitalized was **\$1.1 million** for both the three months ended **October 31, 2023** **January 31, 2024** and **2022, 2023**. **For** the six months ended **January 31, 2024** and **2023**, the amount capitalized was **\$1.2 million** **\$2.3 million** and **\$1.1 million** **\$2.2 million**, respectively.

## 5. Accrued Expenses

Accrued expenses were comprised of the following:

(in thousands)	(in thousands)	October 31, 2023	July 31, 2023	(in thousands)	January 31, 2024	July 31, 2023
Bulk wine and other received not invoiced		\$46,433	\$ 529			
Trade spend <sup>(a)</sup>	Trade spend <sup>(a)</sup>	16,879	12,721			
Income taxes payable <sup>(b)</sup>	Income taxes payable <sup>(b)</sup>	5,042	11,019			
Deferred compensation liability <sup>(c)</sup>	Deferred compensation liability <sup>(c)</sup>	3,523	3,261			
Barrel purchases	Barrel purchases	2,271	2,589			
Accrued professional fees	Accrued professional fees	2,314	599			
Bulk wine and other received not invoiced						
Accrued invoices and other accrued expenses	Accrued invoices and other accrued expenses	13,560	7,528			
Accrued expenses	Accrued expenses	\$90,022	\$38,246			
Accrued expenses						
Accrued expenses						

(a) Trade spend refers to estimated amounts the Company owes to distributors for depletion-based incentives.

(b) Effective March 2023, as revised in October 2023, the IRS postponed certain tax filings and payment deadlines, until November 2023, in areas designated with eligible Federal Emergency Management Agency declarations. During the third fiscal quarter of 2023, the Company deferred federal and state tax payments which **was were** paid in full during the **three six** months ended **October 31, 2023** **January 31, 2024**.

(c) The Company intends to use the cash surrender value of life insurance policies to partially settle its deferred compensation plan liability. The cash surrender value of the life insurance policies was **\$2.4 million** **\$3.4 million** and \$2.7 million at **October 31, 2023** **January 31, 2024** and July 31, 2023, respectively, and **are is** included in other assets on the Condensed Consolidated Statements of Financial Position.

## 6. Debt

Long-term debt, net of current maturities and debt issuance costs was comprised of the following:

(in thousands)	(in thousands)	October 31, 2023	July 31, 2023	(in thousands)	January 31, 2024	July 31, 2023
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Revolving line of credit	Revolving line of credit	\$ 23,000	\$ 13,000
Term loan, first lien	Term loan, first lien	218,332	220,832
Total debt	Total debt	241,332	233,832
Less: Current maturities of long-term debt	Less: Current maturities of long-term debt	(9,721)	(9,721)
Total long-term debt	Total long-term debt	231,611	224,111
Debt issuance costs <sup>(a)</sup>	Debt issuance costs <sup>(a)</sup>	(463)	(492)
Total long-term debt, net of current maturities and debt issuance costs	Total long-term debt, net of current maturities and debt issuance costs	\$231,148	\$223,619

(a) Debt issuance costs are the costs associated with the term loan facility. Debt issuance costs of \$2.6 million \$2.5 million and \$2.8 million \$2.8 million at October 31, 2023 January 31, 2024 and July 31, 2023, respectively, associated with the revolving credit and delayed draw term loan facilities are recorded in other assets on the Condensed Consolidated Statements of Financial Position.

On November 4, 2022, Mallard Buyer Corp., Selway Wine Company and certain other subsidiaries of The Duckhorn Portfolio, Inc. (collectively, the “Borrowers”) entered into the Amended and Restated First Lien Loan and Security Agreement (“Credit Facility” and “Credit Agreement”) with the lenders named therein and BMO Harris (as successor in interest to Bank of the West), as administrative agent and collateral agent.

The Credit Agreement provides for \$675.8 million in first lien senior secured credit facilities consisting of (i) a \$425.0 million revolving credit facility, (ii) a \$225.8 million term loan facility and (iii) a \$25.0 million delayed draw term loan facility. The maturity date for loans borrowed under the Credit Agreement is November 4, 2027. The principal of the term loan facility is repayable in quarterly installments equal to \$2.4 million, with a final installment equal to the entire remaining outstanding principal amount due on the maturity date.

The Credit Agreement allows the Borrowers, at any time, to request additional term loans, revolver commitments and delayed draw term loan commitments in an aggregate amount of up to \$400.0 million (the “Incremental Facility”). The lenders are not under any obligation to provide the Incremental Facility, and the Incremental Facility is subject to certain customary conditions precedent and other limitations.

Borrowings under the revolver portion of the Credit Agreement generally bear interest based on the sum of the forward-looking term rate based on the Secured Overnight Financing Rate (“Term SOFR”) plus a loan margin based on average availability as follows: (a) less than or equal to 33% of average availability, a loan margin of 1.50%, (b) greater than 33% and less than or equal to 66% of average availability, a loan margin of 1.25%, and (c) greater than 66% of average availability, a loan margin of 1.00%. Borrowings under the term loan and delayed draw portions of the Credit Agreement generally bear interest based on the sum of (i) Term SOFR plus (ii) a credit spread adjustment of 10 basis points for 1-month and 3-month interest periods and 15 basis points for a six-month interest period plus (iii) a loan margin of 1.625%.



The Credit Agreement also includes an unused line fee and contains customary representations and warranties and affirmative and negative covenants for agreements of this type. In addition, the Credit Agreement requires compliance with the following financial covenants, in each case commencing from fiscal quarter ending January 31, 2023: (i) a debt to capitalization ratio not to exceed 0.55:1.00, measured at the end of each fiscal quarter and (ii) a fixed charge coverage ratio not to be less than 1.15:1.00, measured at the end of each fiscal quarter. As of **October 31, 2023** **January 31, 2024**, the Company was in compliance with all covenants.

At **October 31, 2023** **January 31, 2024** and July 31, 2023, the Company had unused capacity of **\$402.0 million** **\$357.0 million** and **\$412.0 million, \$412.0 million**, respectively, under the revolving credit facility, excluding the incremental seasonal borrowing amount of an additional \$30.0 million of capacity. There were no amounts outstanding on the delayed draw term loan, letter of credit sub-facility or the swingline sub-facility at **October 31, 2023** **January 31, 2024** or July 31, 2023.

7. Derivative Instruments

The Company manages exposure to interest rates and foreign currency movements by entering into derivative contracts from time to time, as movements in such markets could impact the Company's financial results.

The changes in estimated fair values of derivative instruments result from changes in interest rates and foreign currency exchange rates. Such changes serve to offset exposure in related business assets or liabilities. The Company is exposed to credit loss in the event of nonperformance by a counterparty. Certain of the Company's derivative instruments are subject to master netting agreements. In certain circumstances, this agreement allows the Company to net-settle amounts payable or receivable related to multiple derivative transactions with the same counterparty. The fair values of derivative instruments are presented on a gross basis, even when the derivative instruments are subject to master netting arrangements. Collateral is generally not required of the Company or of the counterparties to the master netting agreements, and no cash collateral was received or pledged under such agreements as of **October 31, 2023** **January 31, 2024** or July 31, 2023. The Company does not enter into derivative instruments for

trading or speculative purposes. The Company's **accounting policies do** **does** not apply hedge accounting treatment to derivative instruments.

On January 4, 2023, the Company entered into an interest rate swap that partially mitigates the risk to the Company due to potential future Term SOFR movements by trading floating rate payments for fixed rate payments on an applicable notional amount of outstanding variable rate debt. Effective September 30, 2022, the Company amended its interest rate swap initially entered into in March 2020, which expired on March 23, 2023, to transition from a **LIBOR-based** **London Interbank Offered Rate based** floating rate to a Term SOFR based floating rate.

As of **October 31, 2023** **January 31, 2024**, the Company held the following interest rate swap agreement, which fixed the interest rate on the applicable notional amount of outstanding variable rate debt:

Notional amount (in thousands)	Interest rate	Effective date	Expiration date
\$100,000	3.735%	January 4, 2023	November 4, 2027

The total notional amounts of the Company's derivative instruments outstanding are as follows:

(in thousands)	(in thousands)	October 31, 2023	July 31, 2023	(in thousands)	January 31, 2024	July 31, 2023
Interest rate swap contract	Interest rate swap contract	\$100,000	\$100,000			
Interest rate swap contract						
Interest rate swap contract						
Foreign currency forward contracts	Foreign currency forward contracts	167	5,610			

Total derivative instruments not designated as hedging instruments	Total derivative instruments not designated as hedging instruments	\$100,167	\$105,610
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The Company manages annual barrel purchases by engaging domestic and foreign cooperages to provide specified barrel quantities on agreed delivery dates. A significant portion of these invoices are paid in Euros. In order to reduce the foreign exchange risk associated with the Euro to U.S. Dollar conversion rate, the Company enters into foreign currency forward contracts, generally aligning settlement dates with expected barrel deliveries and the anticipated timing of payments to various coopers. See Note 9 (Commitments and contingencies) for additional information related to the Company's barrel purchase commitments.

#### Results of period derivative activity

The estimated fair value and classification of derivative instruments on the Condensed Consolidated Statements of Financial Position for **October 31, 2023** **January 31, 2024** were as follows:

(in thousands)	Derivative Assets		Derivative Liabilities	
	Balance Sheet Classification	Fair Value	Balance Sheet Classification	Fair Value
Interest rate swap contract	Other assets	\$ 3,082	Other liabilities	\$ —
Foreign currency forward contract	Prepaid expenses and other current assets	—	Other current liabilities	7
Total derivatives not designated as hedging instruments		\$ 3,082		\$ 7

(in thousands)	Derivative Assets		Derivative Liabilities	
	Balance Sheet Classification	Fair Value	Balance Sheet Classification	Fair Value
Interest rate swap contract	Other assets	\$ —	Other liabilities	\$ 72
Foreign currency forward contract	Prepaid expenses and other current assets	—	Other current liabilities	—
Total derivatives not designated as hedging instruments		\$ —		\$ 72

The estimated fair value and classification of derivative instruments on the Condensed Consolidated Statements of Financial Position for July 31, 2023 were as follows:

(in thousands)	Derivative Assets		Derivative Liabilities	
	Balance Sheet Classification	Fair Value	Balance Sheet Classification	Fair Value
Interest rate swap contract	Other assets	\$ 1,117	Other liabilities	\$ —
Foreign currency forward contracts	Prepaid expenses and other current assets	69	Other current liabilities	—
Total derivatives not designated as hedging instruments		\$ 1,186		\$ —

The amounts and classification of the gains and losses in the Condensed Consolidated Statements of Operations related to derivative instruments not designated as hedging instruments are as follows:

	Three months ended October 31,	
	Three months ended January 31,	Three months ended January 31, Six months ended January 31,

(in thousands)	(in thousands)	Classification	2023	2022	(in thousands)	Classification	2024	2023	2024	2023
Interest rate swap contract	Interest rate swap contract	Other income, net	\$(1,965)	\$(145)						
Foreign currency forward contracts	Foreign currency forward contracts	Other income, net	76	(223)						
Total gain			\$(1,889)	\$(368)						
Total loss										

## 8. Fair Value Measurements

The Company applies a fair value hierarchy pursuant to ASC Topic 820, *Fair Value Measurement*, which consists of three levels of inputs used to measure fair value:

- Level 1 Inputs to fair value are quoted prices in active markets for identical assets or liabilities;
- Level 2 Inputs to fair value are based on observable data other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data such as interest rates or yield curves for substantially the full term of the instrument; and
- Level 3 Inputs to fair value are based on unobservable data for the instrument and are supported by little or no market activity.

Following The following is a description of the valuation methodologies used for instruments measured at fair value in the Condensed Consolidated Financial Statements, as well as the general classification of such instruments under the valuation hierarchy.

*Interest rate swap contract:* The fair value of the Company's interest rate swap agreement is estimated with the assistance of a third-party, using inputs that can be corroborated by observable market data (Level 2 of the fair value hierarchy).

*Foreign currency forward contracts:* The fair value of the Company's outstanding foreign currency forward contracts is estimated with the assistance of a third-party, using inputs that can be corroborated by observable market data (Level 2 of the fair value hierarchy).

*Deferred compensation plan:* Contributions to the Company's deferred compensation plan are managed by a third-party administrative agent. The fair value of the total contributed plan assets and liabilities are based on inputs that can be corroborated by observable market data (Level 2 of the fair value hierarchy).

The Company's other financial instruments consist mainly of cash, accounts receivable, accounts payable, accrued expenses and debt. The carrying value of all other financial instruments, except debt, approximates fair value due to the short-term nature of these assets and liabilities. The carrying value of the Company's debt approximates fair value as the interest rates are variable and reflective of market rates (Level 2 of the fair value hierarchy).

The Company's assets and liabilities measured and recorded at fair value on a recurring basis at October 31, 2023 January 31, 2024, were as follows:

(in thousands)	Fair value measurements using:		
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets:</b>			
Deferred compensation plan asset	\$ —	\$ 3,354	\$ —
<b>Liabilities:</b>			
Deferred compensation liability	\$ —	\$ 3,451	\$ —
Interest rate swap contract	\$ —	\$ 3,082.72	\$ —
<b>2,387</b>	<b>\$ —</b>		
<b>Liabilities:</b>			
Deferred compensation liability	\$ —	\$ 3,523	\$ —
Foreign currency forward contracts	\$ —	\$ 7	\$ —

The Company's assets and liabilities measured and recorded at fair value on a recurring basis at July 31, 2023, were as follows:

(in thousands)	Fair value measurements using:		
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets:</b>			
Deferred compensation plan asset	\$ —	\$ 2,670	\$ —
Interest rate swap contract	\$ —	\$ 1,117	\$ —
Foreign currency forward contracts	\$ —	\$ 69	\$ —
<b>Liabilities:</b>			
Deferred compensation plan asset liability	\$ —	\$ 2,670.3,261	\$ —
<b>Liabilities:</b>			
Deferred compensation liability	\$ —	\$ 3,261	\$ —

## 9. Commitments and Contingencies

### Long-term purchase contracts

The Company has entered into certain grape purchase contracts with various growers to supply a significant portion of its future grape requirements for wine production. Grapes are delivered during the harvest season, a period which generally spans from August to October. The original lengths of the contracts vary from one to 16 years, and prices per ton are either determined at the outset for the contract duration or are negotiated annually. The Company's grape purchase contracts generally include acceptance provisions based on qualitative and quantitative grape quality characteristics. For the 2023 harvest, the Company purchased 32,000 tons of grapes at a total cost of approximately \$85.7 million which will be recognized into inventory during Fiscal 2024. For the 2022 harvest, the Company purchased 29,000 tons of grapes for a total cost of \$71.0 million which was recognized into inventory during Fiscal 2023. The Company also increases the scope of its grape contracts when necessitated by supply needs to meet production levels in future periods.

### Purchase commitments

The Company enters into commitments to purchase barrels for each harvest, a significant portion of which are settled in Euros. As of July 31, 2023, the Company had \$10.6 million in barrel purchase commitments. During the three six months ended October 31, 2023 January 31, 2024, the Company paid \$8.1 million the remaining commitments and liabilities associated with the barrel purchases for the 2023 harvest. As of January 31, 2024, the Company does not yet have any commitments for the 2024 harvest. In order to reduce the foreign exchange risk associated with the Euro to U.S. Dollar conversion rate, the Company enters into foreign currency forward contracts, generally aligning settlement dates with expected barrel deliveries and the anticipated timing of payments to various coopers. The Company does not enter into these contracts for speculative purposes. Gains and losses on these contracts are recorded in other income, expense, net on the Condensed Consolidated Statements of Operations. See Note 7 (Derivative instruments) for the total notional value and impact on the Condensed Consolidated Financial Statements due to foreign currency forward contracts.

The Company enters into various purchase commitments related to production activities. During the three and six months ended January 31, 2024, the Company entered into an equipment agreement resulting in a purchase commitment of \$15.9 million. Under the agreement, the Company is obligated to pay milestone payments as equipment and services are rendered of \$2.4 million, \$10.4 million and \$0.8 million, respectively, for the remainder of fiscal years 2024, 2025 and 2026. Upon execution of the agreement, the Company made a nonrefundable advance payment of \$2.4 million, which is included in property and equipment, net, in the Condensed Consolidated Statement of Financial Position.

The Company enters into various contracts with third parties for custom crush, storage, glass and bottling services. The costs related to these contracts are recorded in the period the service is provided. The contracts for custom crush services typically have minimums that the Company is required to pay if certain grape

volume thresholds are not delivered. The Company does not record these minimums related to service contracts as contingent liabilities on the Condensed Consolidated Statements of Financial Position given the harvest yield size, resulting volumes and qualities of grape deliveries are not known or estimable until harvest, when all related contingencies would be resolved.

#### Sonoma-Cutrer Vineyard Agreement and Plan of Merger

On November 16, 2023, the Company, Auguste Merger Sub, Inc., a California corporation and an indirect wholly-owned subsidiary of the Company ("Merger Sub"), Brown-Forman Corporation, a Delaware corporation ("Brown-Forman"), and Sonoma-Cutrer, entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which Merger Sub will merge with and into Sonoma-Cutrer (the "Merger") with Sonoma-Cutrer continuing as the surviving entity after the Merger. Sonoma-Cutrer specializes in luxury Chardonnay. Sonoma-Cutrer owns six estate vineyards with approximately 1,100 acres in both the Russian River Valley and Sonoma Coast appellations. It sells its luxury wine across the U.S. in the wholesale channel through distributors and in the DTC channel with retail price points ranging from \$20 to \$70 per bottle.

At consummation of the Merger, Brown-Forman will receive 31,531,532 shares of the Company's common stock valued at approximately \$350.0 million, based on a per-share value of \$11.10 per share, and \$50.0 million payable in cash, subject to adjustments set forth in the Merger Agreement, including for cash, working capital, indebtedness and transaction expenses. The cash consideration is expected to be funded through cash on hand and borrowings under the Company's revolving credit facility. The transaction is expected to close in the spring of 2024, subject to customary closing conditions.

#### Contingent liabilities

The Company evaluates pending or threatened litigation, operational events which could result in regulatory or civil penalties, environmental risks and other sources of potential contingent liabilities during the year. In accordance with applicable accounting guidance, the Company establishes an accrued liability when those matters present loss contingencies which are both probable and reasonably estimable. As of **October 31, 2023** **January 31, 2024** and July 31, 2023, there were no material contingent obligations requiring accrual or disclosure.

In the ordinary course of business, the Company enters into agreements containing standard indemnification provisions. The aggregate maximum potential future liability of the Company under such indemnification provisions is uncertain, as these involve potential future claims against the Company that have not occurred. The Company expects the risk of any future obligations under these indemnification provisions to be remote. As of **October 31, 2023** **January 31, 2024** and July 31, 2023, no amounts have been accrued related to such indemnification provisions.

## 10. Equity-Based Compensation

In March 2021, the Company's Board of Directors approved the 2021 Equity Incentive Plan ("2021 Equity Plan"), which provides for granting up to 14,003,560 shares of the Company's common stock. Restricted stock units ("RSUs") and non-qualified stock options ("stock options") are granted to certain employees of the Company, advisors and directors (collectively "grants"). The grants are considered equity awards for purposes of calculating compensation expense and are equity-classified in the Condensed Consolidated Statements of Financial Position.

#### Stock options

Stock option awards are valued using the Black-Scholes option pricing model to estimate the fair value of each stock option award on the date of grant and expense ratably over the vesting period, generally four years. Stock options have a **ten year** **ten-year** term.

The following table represents the stock option activity:

		Number of options outstanding	Weighted- average exercise price (per share)	Weighted- average remaining contractual life (in years)	Aggregate intrinsic value (in thousands)
		Number of options outstanding			
		Number of options outstanding			
		Number of options outstanding			
		Number of options outstanding	Weighted-average exercise price (per share)	Weighted-average remaining contractual life (in years)	Aggregate intrinsic value (in thousands)
Balance at	Balance at				
July 31,	July 31,				
2023	2023	2,321,233	\$ 15.98	8.0	\$ —
Granted	Granted	1,254,867	9.90		

Exercised	Exercised	—	—		
Exercised					
Exercised					
Forfeited					
Forfeited					
Forfeited	Forfeited	(414,743)	15.62		
Expired	Expired	(122,639)	16.64		
Balance at October 31, 2023		3,038,718	\$ 13.49	8.2	\$ 665
Expired					
Expired					
Balance at January 31, 2024					
Balance at January 31, 2024					
Balance at January 31, 2024					
Exercisable as of October 31, 2023		830,135	\$ 16.39	5.4	\$ —
Exercisable as of January 31, 2024					
Exercisable as of January 31, 2024					
Exercisable as of January 31, 2024					

The total unrecognized compensation expense related to the 2021 Plan stock options was \$9.4 million \$8.5 million as of October 31, 2023 January 31, 2024, which is expected to be recognized over a weighted-average period of 3.23.0 years. The weighted-average grant-date fair value of options granted during the three six months ended October 31, 2023 January 31, 2024 was \$3.98 per share.

The following assumptions were applied in the Black-Scholes option pricing model to estimate the grant-date fair value of the stock options granted:

Six months ended				Six months ended January 31,			
January 31,				2024			
2024				2023			
Three months ended							
October 31,							
2023 2022							
Expected term (in years) <sup>(a)</sup>							
Expected term (in years) <sup>(a)</sup>							
Expected term (in years) <sup>(a)</sup>	Expected term (in years) <sup>(a)</sup>	6.22	6.23	6.22		6.23	
Expected dividend yield <sup>(b)</sup>	Expected dividend yield <sup>(b)</sup>	— %	— %	Expected dividend yield <sup>(b)</sup>	— %	—	%
Risk-free interest rate <sup>(c)</sup>	Risk-free interest rate <sup>(c)</sup>	4.55 %	3.96 %	Risk-free interest rate <sup>(c)</sup>	4.55 %	3.96	%
Expected volatility <sup>(d)</sup>	Expected volatility <sup>(d)</sup>	30.9 %	33.9 %	Expected volatility <sup>(d)</sup>	30.9 %	33.9	%

(a) Calculated as the midpoint between the weighted-average time to vest and the time to expiration.

(b) The Company has not historically paid and does not expect to pay dividends in the foreseeable future.

(c) The risk-free rate was estimated from the U.S. Treasury Constant Maturity Rates for a period consistent with the expected term in effect at the grant date.

(d) Due to a lack of sufficient trading history of the Company's common stock, the expected volatility was estimated based on analysis of the historical and implied volatility of the Company's common stock and a group of guideline public companies deemed to be comparable publicly traded peers within the Company's industry.

### Restricted stock units

Restricted stock units ("RSUs") RSUs are valued using the closing market price of our common stock on the date of grant. Expense is recognized ratably over the vesting period, generally four years for RSUs issued to employees and one year for RSUs issued to our independent directors.

The following table represents the RSU grant activity under the 2021 Plan:

		Number of units	Weighted-average grant-date fair value (per share)
		Number of units	
		Number of units	
		Number of units	
Unvested as of July 31, 2023			
Unvested as of July 31, 2023			
Unvested as of July 31, 2023	Unvested as of July 31, 2023	562,861	\$ 15.52
Granted	Granted	561,098	10.42
Granted			
Granted			
Vested			
Vested			
Vested	Vested	(79,639)	14.43
Forfeited	Forfeited	(138,253)	15.62
Unvested as of October 31, 2023		906,067	\$ 12.44
Forfeited			
Forfeited			
Unvested as of January 31, 2024			
Unvested as of January 31, 2024			
Unvested as of January 31, 2024			

The total intrinsic value of restricted stock that vested during the three six months ended October 31, 2023 January 31, 2024 was \$1.0 million \$1.2 million. The total unrecognized compensation expense related to the 2021 Plan RSUs was \$9.9 million \$8.8 million as of October 31, 2023 January 31, 2024, which is expected to be recognized over a weighted-average period of 2.8 2.6 years.

### Compensation expense

During the three months ended October 31, 2023 January 31, 2024 and 2022, 2023, the Company recognized total equity-based compensation expense due to units vesting over their requisite service periods for all plans of \$1.2 million \$2.1 million and \$1.2 million \$1.7 million, respectively, and \$3.2 million and \$3.0 million for the six months ended January 31, 2024 and 2023, respectively. The Company recognizes equity-based compensation in selling, general and administrative expenses, net of actual forfeitures as incurred, in the Condensed Consolidated Statements of Operations, except for amounts capitalized to inventories in the Condensed Consolidated Statements of Financial Position.

## 11. Earnings Per Share

Basic earnings per share is calculated by dividing the net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share reflects the dilution that would occur if any potentially dilutive instruments were exercised or converted into shares of common stock.

The following is a reconciliation of the Company's basic and diluted earnings per share calculation:

Three months ended October 31,			
Three months ended January 31,		Three months ended January 31,	Six months ended January 31,

(in thousands, except share and per share amounts)	(in thousands, except share and per share amounts)	2023	2022	(in thousands, except share and per share amounts)	2024	2023	2024	2023
Numerator:	Numerator:							
Net income attributable to The Duckhorn Portfolio, Inc.	Net income attributable to The Duckhorn Portfolio, Inc.	\$ 15,537	\$ 19,815					
	Net income attributable to The Duckhorn Portfolio, Inc.							
	Net income attributable to The Duckhorn Portfolio, Inc.							
Denominator:	Denominator:							
Denominator:	Denominator:							
Weighted average number of shares outstanding for basic per share calculation	Weighted average number of shares outstanding for basic per share calculation							
Weighted average number of shares outstanding for basic per share calculation	Weighted average number of shares outstanding for basic per share calculation							
Weighted average number of shares outstanding for basic per share calculation	Weighted average number of shares outstanding for basic per share calculation	115,339,774	115,184,161					
Effect of dilutive potential shares(a):	Effect of dilutive potential shares(a):							
	Effect of dilutive potential shares(a):							
	Effect of dilutive potential shares(a):							
	Stock options							
	Stock options							
Stock options	Stock options	80,598	11,976					
Restricted stock units	Restricted stock units	31,347	79,555					



Adjusted weighted average shares outstanding for diluted per share calculation	Adjusted weighted average shares outstanding for diluted per share calculation	115,451,719	115,275,692
Earnings per share attributable to The Duckhorn Portfolio, Inc.:	Earnings per share attributable to The Duckhorn Portfolio, Inc.:		
Earnings per share attributable to The Duckhorn Portfolio, Inc.:	Earnings per share attributable to The Duckhorn Portfolio, Inc.:		
Earnings per share attributable to The Duckhorn Portfolio, Inc.:	Earnings per share attributable to The Duckhorn Portfolio, Inc.:		
Basic	Basic		
Basic	Basic		
Basic	Basic	\$ 0.13	\$ 0.17
Diluted	Diluted	\$ 0.13	\$ 0.17

(a) Calculated using the treasury stock method.

For the three months ended **October 31, 2023**, January 31, 2024 and **2022**, 2023, there were **1.2 million**, 1.9 million and 0.3 million 0.6 million incremental common shares issuable upon the exercise of certain stock options, respectively, and for the six months ended January 31, 2024 and 2023, there were 1.4 million and 0.5 million incremental common shares issuable upon the exercise of certain stock options, respectively, that were not included in the calculation of diluted EPS earnings per share because the effect of their inclusion would have been antidilutive under the treasury stock method. For the three and six months ended January 31, 2024, there were 0.1 million incremental common shares issuable upon vesting of certain RSUs, respectively, that were not included in the calculation of diluted earning per share because the effect of their inclusion would have been antidilutive. Refer to Note 10 (Equity-based compensation) for the terms of the awards.

## 12. Income Taxes

Income tax expense was \$5.6 million \$6.0 million and \$5.3 million, with an effective tax rate of 26.6% 27.5% and 26.1% for the three months ended **October 31, 2023**, January 31, 2024 and 2023, respectively, compared to \$7.1 million and \$11.7 million and \$12.4 million, with an effective tax rate of 26.3% 27.1% and 26.2% for the **three** six months ended **October 31, 2022**, January 31, 2024 and 2023, respectively. The effective tax rates for both periods presented were higher than the federal statutory rate of 21% primarily due to the impact of state income taxes.

## 13. Subsequent Events

On November 16, 2023, taxes and discrete tax adjustments related to the Company, Auguste Merger Sub, Inc., a California corporation expiration of non-qualified stock options and an indirect wholly-owned subsidiary of the Company ("Merger Sub"), Brown-Forman Corporation, a Delaware corporation ("Brown-Forman"), and Sonoma-Cutrer Vineyards, Inc., a California corporation and a wholly-owned subsidiary of Brown-Forman ("Sonoma-Cutrer"), entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which Merger Sub will merge with and into Sonoma-Cutrer (the "Merger") with Sonoma-Cutrer continuing as the surviving entity after the Merger. The board of directors of the Company approved the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement.

Sonoma-Cutrer Vineyards specializes in luxury Chardonnay brands. Sonoma-Cutrer owns six estate vineyards with approximately 1,100 acres in both the Russian River Valley and Sonoma Coast appellations. It sells its luxury wine across the U.S. in the wholesale channel through distributors and in the DTC channel with retail price points ranging from \$20 to \$50 per bottle.

At consummation of the Merger, Brown-Forman will receive approximately \$400.0 million. The purchase price is comprised of 31,531,532 shares of the Company's common **vested restricted** stock valued at approximately \$350.0 million and \$50.0 million payable in cash, subject to adjustments set forth in the Merger Agreement, including for cash, working capital, indebtedness and transaction expenses. The cash consideration is expected to be funded through cash on hand and borrowings under the Company's revolving credit facility.

The transaction is expected to close in the third quarter of the Company's Fiscal 2024, subject to regulatory approvals and customary closing conditions, **units shortfalls**.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes to those statements included elsewhere in this Quarterly Report on Form 10-Q. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. See "Cautionary note regarding forward-looking statements" included in this Quarterly Report on Form 10-Q. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed in Part I "Item 1A. Risk factors" included in our Annual Report on Form 10-K for Fiscal 2023.

### Introduction

**MD&A Management's Discussion & Analysis** is provided as a supplement to the accompanying Condensed Consolidated Financial Statements and related notes to help provide an understanding of our results of business, results of operations and financial condition.

**MD&A Management's Discussion & Analysis** is organized as follows:

- **Overview.** This section provides a general description of our business and industry trends, and a discussion of our key metrics for the three **and six** months ended **October 31, 2023** **January 31, 2024**. In addition, this section includes a discussion of recent developments and transactions affecting comparability that we believe are important in understanding our results of operations and financial condition, and in anticipating future trends.
- **Results of operations.** This section provides a discussion of our components of results of operations and an analysis of our results of operations for the three **and six** months ended **October 31, 2023** **January 31, 2024** as compared to the three **and six** months ended **October 31, 2022** **January 31, 2023**.
- **Non-GAAP financial measures and adjusted EBITDA reconciliation.** This section provides a reconciliation of adjusted EBITDA, a non-GAAP financial measure, to net income attributable to The Duckhorn Portfolio, Inc., the most directly comparable measure prepared in accordance with **GAAP**. **U.S. GAAP** for the three **and six** months ended **January 31, 2024** as compared to the three **and six** months ended **January 31, 2023**.
- **Liquidity and capital resources.** This section provides a discussion of our financial condition and liquidity as of **October 31, 2023** **January 31, 2024**, which includes (i) a discussion of our sources of liquidity (ii) a discussion of our material cash requirements as of **October 31, 2023** **January 31, 2024**; (iii) an analysis of changes in our cash flows for the **three six** months ended **October 31, 2023** **January 31, 2024** as compared to the **three six** months ended **October 31, 2022** **January 31, 2023**; (iv) a discussion of our capital resources, including the availability under our credit facilities, our outstanding debt, covenant compliance and off-balance sheet arrangements as of **October 31, 2023** **January 31, 2024**.
- **Critical accounting policies and estimates.** This section discusses our critical accounting policies considered to be important to our results of operations and financial condition, which typically require significant judgment and estimation on the part of management in their application. In addition, all of our significant accounting policies, including our critical accounting policies, are summarized in Note 2 (Basis of presentation and recent accounting pronouncements) to the accompanying Condensed Consolidated Financial Statements.
- **Recent accounting pronouncements.** This section discusses the potential impact on our reported results of operations and financial condition of certain accounting standards that have been recently issued.

### Overview

The Duckhorn Portfolio is the premier scaled pure-play producer of luxury wines sold for \$15 or higher in North America. We offer a curated and comprehensive portfolio of luxury wines with suggested retail prices ranging from \$20 to \$230 per bottle. Our wines are available in all 50 states, the District of Columbia and over 50 countries under a world-class luxury portfolio of winery brands, including Duckhorn Vineyards, Decoy, Goldeneye, Paraduxx, Migration, Canvasback, Calera, Kosta Browne, Greenwing and Postmark. The **U.S. is the** primary market for our **wines is the U.S. wines**.

We sell our wines to distributors outside California and directly to trade accounts in California, which together comprise our wholesale channel. We also sell directly to consumers through our DTC channel, which includes seven tasting rooms, wine clubs and our multi-winery e-commerce website. Our powerful omni-channel sales model continues to drive strong margins by leveraging long-standing relationships.

The following factors and trends in our business are expected to be key drivers of our net sales growth for the foreseeable future:

- *Leverage our sales and marketing strength to gain market share.* Leverage sales and marketing strengths and increasing to increase brand awareness, and grow sales of our winery brands to our existing consumer base and as well as a new generation of consumers allowing us to and gain market share in a consolidating marketplace.
- *Insightful and targeted portfolio evolution.* Launch winery brand extensions and continue evolving and strategically broadening our portfolio. For example, in January 2024, the Company announced the launch of Decoy Featherweight Sauvignon Blanc, which has 80 calories per five-ounce serving and an alcohol content of 9%, establishing a new presence in the lower-in-calorie/lower-in-alcohol wine category.
- *Expand and accelerate wholesale channel distribution.* Capture distribution growth opportunities and accelerate sales to existing distributors, expand our geographical reach with within the U.S. and retail accounts in California.
- *Continue to invest in DTC capabilities.* Engage with our consumers, create brand evangelists and drive adoption across our portfolio through brand-specific tasting rooms, multiple wine clubs and our multi-winery e-commerce website, all of which enable us to cross-sell wines within our portfolio.
- *Evaluate strategic acquisitions opportunistically.* Disciplined evaluation of strategic acquisitions when opportunities arise to create stockholder value. In Fiscal 2023, we purchased a state-of-the-art winemaking facility in Alexander Valley, California, which is nearly double the size of the Company's previously largest production facility, and included includes seven acres of planted Cabernet Sauvignon for approximately \$54.6 million. In November 2023, we entered into a merger agreement with Sonoma-Cutrer as discussed below, see "—Key factors affecting our performance — Recent development" developments". Sonoma-Cutrer is well-known for its luxury Chardonnay brands, brand, with six estate vineyards spanning approximately 1,100 acres in both the Russian River Valley and Sonoma Coast appellations.

### Key financial metrics

We use net sales, gross profit and adjusted EBITDA to evaluate the performance of our business, identify trends in our business, prepare financial forecasts and make capital allocation decisions. We believe the following metrics are useful in evaluating our performance. Adjusted EBITDA should not be considered in isolation or as a substitute for any other financial information depicting our results prepared in accordance with U.S. GAAP. Certain judgments and estimates are inherent in our processes to calculate these key financial metrics. See "—Non-GAAP financial measures and adjusted EBITDA reconciliation" for additional information.

		Three months ended October 31,							
		Three months ended January 31,		Three months ended January 31,				Six months ended January 31,	
(in thousands)	(in thousands)	2023	2022	(in thousands)	2024	2023	2024		
Net sales	Net sales	\$102,509	\$108,171						
Gross profit	Gross profit	\$ 53,853	\$ 54,710						
Net income attributable to The Duckhorn Portfolio, Inc.	Net income attributable to The Duckhorn Portfolio, Inc.	\$ 15,537	\$ 19,815						
Adjusted EBITDA	Adjusted EBITDA	\$ 34,713	\$ 35,665						

### Net sales

Our net sales represent revenues less discounts, promotions and excise taxes.

### Gross profit

Gross profit is equal to our net sales less cost of sales. Cost of sales includes all wine production costs, winemaking, bottling, packaging, warehousing and shipping and handling costs. Our gross profit and gross profit margins on net sales are impacted by the mix of winery brands we sell in our portfolio. See "—Key factors affecting our performance—Sales channels" for additional information.

### Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that we calculate as net income before interest, taxes, depreciation and amortization, purchase accounting adjustments, transaction expenses, certain inventory write-downs, changes in the fair value of derivatives, equity-based compensation, net lease income and debt

refinancing costs and wildfire costs. Adjusted EBITDA is a key performance measure we use in evaluating our operational results. We believe adjusted EBITDA is a helpful measure to provide investors an understanding of how management regularly monitors our core operating performance, as well as how management makes operational and strategic decisions in allocating resources. We believe adjusted EBITDA also provides management and investors consistency and comparability with our past financial performance and facilitates period to period comparison of operations, as it eliminates the effects of certain variations unrelated to our overall performance. See “—Non-GAAP financial measures and adjusted EBITDA reconciliation” for additional information.

#### Key operating metrics

We monitor the following key operating metrics to help us evaluate our business, identify trends affecting our business, measure our performance, formulate business plans and make strategic decisions. We believe the following metrics are useful in evaluating our business but should not be considered in isolation or, solely with respect to price / mix contribution, as a substitute for financial information prepared and presented in accordance with U.S. GAAP. Certain judgments and estimates are inherent in our processes to calculate these metrics.

#### Net sales percentage by channel

We calculate net sales percentage by channel as net sales made through our wholesale channel to distributors, through our wholesale channel directly to trade accounts in California and through our DTC channel, respectively, as a percentage of our total net sales. We monitor net sales percentage across all three routes to market to understand the effectiveness of our omni-channel distribution model and to ensure we are deploying resources effectively to optimize engagement with our customers across our complementary distribution channels.

	Three months ended October 31,	
	2023	2022
Wholesale - Distributors	77.0 %	76.4 %
Wholesale - California direct to trade	15.6	15.8

  

	Three months ended January 31,		Three months ended January 31,		Six months ended January 31,	
	2024		2024	2023	2024	2023
Wholesale — Distributors			62.1 %	61.3 %	69.6 %	69.0 %
Wholesale — California direct to trade						
DTC	DTC	7.4	7.8			
Net sales	Net sales	100.0 %	100.0 %	Net sales	100.0 %	100.0 %

The composition of our net sales, expressed in percentages by channel for the three and six months ended October 31, 2023 January 31, 2024 saw relative consistency by channel over the prior year period. In our wholesale business, volume contributions decreased during the three months ended October 31, 2023 when compared to the three months ended October 31, 2022 related to a slight depletion depletions decline partially offset by an increase in accounts, trade accounts and points of distribution during the three and six months ended January 31, 2024 compared to the prior period. During the three and six months ended January 31, 2024, DTC also experienced volume contribution decreases mainly related to our wine club sales, reductions in net sales as membership offerings remained below pandemic highs. For discussion of intra-period seasonality, see “—Key factors affecting our performance—Seasonality”.

#### Net sales growth contribution

Net sales growth is defined as the percentage increase of net sales in the period compared to the prior year period. Contribution to net sales growth is calculated based on the portion of changes in net sales for a given period that is driven by two factors: changes in sales volume and changes in sales price and mix. Volume contribution presents the percentage increase change in cases sold in the current year period compared to the prior year period. Price / mix contribution presents net sales growth less volume contribution and reflects that, in addition to changes in sales volume, changes in net sales are primarily attributable to changes in sales price and mix.

	Three months ended October 31,	
	2023	2022
Net sales growth	(5.2)%	3.8 %

Three months ended January 31,				Three months ended January 31,			Six months ended January 31,		
2024				2024	2023		2024	2023	
Net sales (decline) growth				Net sales (decline) growth	(0.4)%	4.8 %	(2.9)%	4.3 %	
Volume contribution	Volume contribution (3.4)%	9.2 %	Volume contribution (2.7)%	(0.4)	%	(3.1)%		4.5 %	
Price / mix contribution	Price / mix contribution (1.8)%	(5.4)%	Price / mix contribution 2.3 %	5.2	%	0.2 %		(0.2) %	

For the three and six months ended **October 31, 2023** January 31, 2024, the negative volume contribution was driven by **expected sales decline** volume declines in all channels **against** due to tighter inventory control across the supply chain. These declines were partially offset by trade account growth, with off-premise outpacing on-premise performance for the three and six months ended January 31, 2024 compared to the prior period. Price / mix contribution for the three and six months ended January 31, 2024 benefited from lower discounts in our wholesale channels.

Price / mix contribution for the three months ended January 31, 2023 was bolstered by a **strong comparison in DTC** offering shift into the second quarter of Fiscal 2023 compared to the prior period, as **off-premise and on-premise experienced declines**. The negative well as pricing increases in our wholesale channel that supported net sales growth for the quarter versus the prior year period. For the six months ended January 31, 2023, a relatively neutral price / **mix contribution was mainly impacted by brand mix**.

For the three months ended October 31, 2022, negative price mix contribution was impacted by the outsized volume growth of the wholesale channel **seen in both off-premise and on-premise flat DTC channel performance**, while benefiting from pricing increases that supported net sales growth. **We** Trade account growth was a primary driver of increased our trade accounts and experienced strong on-premise and off-premise depletions volume for the **three** six months ended **October 31, 2022** January 31, 2023. Wholesale performance was largely balanced in the channels, with on-premise slightly outpacing off-premise growth.

Generally, on-premise expansion also drives increased sales in our ultra-luxury brands that sell at higher average sales prices and positively impact price / mix contribution.

## Key factors affecting our performance

### Sales channels

Channel mix can affect our performance and results of operations, particularly gross profit and gross profit margin.

- **Wholesale channel channel.** Consistent with sales practices in the wine industry, sales to trade accounts in California and to distributors in other states occur below suggested retail price. We work closely with our distributors to increase the volume of our wines and number of products that are sold in their respective territories. Our wholesale channel constitutes a greater proportion of our net sales than our DTC channel.
- **DTC channel channel.** Wines sold through our DTC channel are generally sold at suggested retail prices. DTC channel sales represent important direct connections with our customers. DTC channel sales growth will generally be favorable to price / mix contribution and gross profit margin in periods where that channel constitutes a greater proportion of net sales than in a comparative period.

Wholesale channel sales made on credit terms generally require payment within **90 30-90** days of **delivery, and a substantial majority are collected within 60 days, delivery**. In periods where the net sales channel mix reflects a greater concentration of wholesale sales (which typically occurs in our first and second fiscal quarters), we typically experience an increase in accounts receivable for the period to reflect the change in sales mix, with payment collections in the subsequent period generally reducing accounts receivable and having a positive impact on cash flows in such subsequent period.

While we seek to increase sales in both channels, we expect that our future sales will continue to be substantially comprised of sales in the wholesale channel. We intend to maintain and strengthen our long-standing relationships within our network of distributors, which we believe will be critical to our continued growth and success. In the wholesale channel, we are positioned as a “one-stop shop” for all the luxury and ultra-luxury needs of our consumers, distributors and retailers.

In the DTC channel, our holistic approach to consumer engagement both online and offline is supported by an integrated e-commerce platform and portfolio wine shop, seven distinctive tasting room experiences located throughout Northern California and Washington, and several award-winning wine clubs, all of which enable us to cross-sell wines within our portfolio. Growth in our DTC channel or shifts in our member offerings will impact the price / mix contribution and gross profit margins in the impacted periods.

## Seasonality

Generally, our net sales are typically highest in the first half of our fiscal year, predominantly due to increased consumer demand around major holidays. Net sales seasonality differs for wholesale and DTC channels, resulting in quarterly seasonality in our net sales that depends on the channel mix for that period. We typically experience a higher concentration of sales through our wholesale channel during our first and second fiscal quarters due to increased purchasing by distributors in anticipation of higher consumer demand during the holiday season. This dynamic generally results in lower average selling prices due to distributor and retail sales discounts and promotions in our wholesale channel. See “—Key operating metrics.” In Fiscal 2023, our net sales in the first, second, third and fourth fiscal quarters represented approximately 27%, 26%, 23% and 24%, respectively, of our total net sales for the year.

## Agribusiness

We have developed a diversified sourcing and production model, supported by our wineries, world-class and strategically located vineyards controlled or owned by the Company (“Estate properties”) and strong relationships with quality-oriented growers. In addition, our sourcing model includes the purchase of high-quality bulk wine from established suppliers to add a highly flexible element of diversity to our supply model. Generally, approximately 10% of the grapes are sourced from our Estate properties, with approximately 90% sourced from third-party growers. Our ability to adjust the composition of a particular vintage among our grape and bulk wine sourcing supply channels allows us to tailor inputs based on varying market or seasonal factors, which we believe enables us to produce the highest possible quality wine while optimizing gross profit.

Consistent with other agriculture enterprises, the cost of our wine fluctuates due to annual harvest yields, which vary due to weather and other events. In addition to agricultural factors, price volatility in the grape and bulk wine markets, competition for supply and seasonal labor costs also impact our cost of sales. We may continue to experience fluctuations in the costs of producing wine, which could impact our gross profit.

## Inventory lifecycle

### *Grape growing on our Estate properties*

Approximately 10% of the grapes are sourced from our Estate properties that we own or lease, properties. Once a vineyard reaches consistent yield levels, approximately three to five years after planting, it will generally produce a relatively consistent amount of fruit for approximately 15 to 25 years, at which time blocks of the vineyard will gradually be replanted in stages after a period of lying fallow. The length of time between initial investment and ultimate sale of our Estate wines, coupled with the ongoing investment required to produce quality wine, is not typical of most agricultural industries.

### *Harvest-to-release*

Of the total case volume we produce and sell, the majority is comprised of red wines from grape varieties such as Cabernet Sauvignon, Pinot Noir and Merlot, which can have production lifecycles spanning months and years from harvest until the time the wine is released, depending on the aging requirements prescribed by the winemakers responsible for each of our winery brands. Our red wines generally have a harvest-to-release inventory lifecycle that can range from 11 to 48 months. Our white, rosé and sparkling wines generally have a harvest-to-release inventory lifecycle that can range from eight to 44 months. During aging and storage, until bottling, we capitalize overhead costs into the carrying value of the wine.

Given the long-term nature of our investment, grape purchasing and bulk wine purchasing decisions, our production planning processes are designed to mitigate the risk of over-supply by sourcing a portion of our production needs in the spot markets to the degree appropriate based on winery brand and vintage. This opportunistic approach to grape purchases also helps reduce our overall exposure to grape price volatility.

## Recent developments

### *Acquisition of Geyserville Winery*

On June 22, 2023, we acquired a production winery and seven acres of planted Cabernet Sauvignon in Alexander Valley, Sonoma County, California. With this purchase, we expect to expand our processing, storing and bottling capabilities to reduce our reliance on custom crush facilities, and gain better visibility to our cost of goods. The purchase price of the transaction was \$54.6 million and was funded with \$15.0 million from the Credit Facility and available cash. We completed full occupancy of the Geyserville winery on March 1, 2024.

### *Merger Agreement - Sonoma-Cutrer*

On November 16, 2023, the Company Auguste Merger Sub, Inc., a California corporation and an indirect wholly-owned subsidiary of the Company (“Merger Sub”), Brown-Forman Corporation, a Delaware corporation

(“Brown-Forman”), and Sonoma-Cutrer Vineyards, Inc., a California corporation and a wholly-owned subsidiary of Brown-Forman (“Sonoma-Cutrer”), entered into an Agreement and Plan of Merger (the “Merger Agreement”), pursuant to which Merger Sub will merge with and into acquire Sonoma-Cutrer, (the “Merger”) with Sonoma-Cutrer continuing as the surviving entity after the Merger, a wholly-owned subsidiary of Brown-Forman. Sonoma-Cutrer is well-known for its luxury Chardonnay brands. Sonoma-Cutrer brand and owns six estate vineyards with approximately 1,100 acres in both the Russian River Valley and Sonoma Coast

appellations. It sells its luxury wine across the U.S. in the wholesale channel through distributors and in the DTC channel with retail price points ranging from \$20 to \$50-\$70 per bottle.

At consummation of the Merger, Brown-Forman will receive approximately \$400.0 million. The purchase price is comprised of 31,531,532 shares of the Company's common stock valued at approximately \$350.0 million \$350.0 million, based on a per-share value of \$11.10 per share, and \$50.0 million \$50.0 million payable in cash, subject to adjustments set forth in the Merger Agreement, including for cash, working capital, indebtedness and transaction expenses. The cash consideration is expected to be funded through cash on hand and borrowings under the Company's revolving credit facility. The transaction is expected to close in the third quarter spring of the Company's Fiscal 2024, subject to regulatory approvals, customary closing conditions and the required period having elapsed since the mailing to the Company's stockholders of a definitive information statement with respect to approval by the Company's stockholders of the transactions contemplated by the Merger Agreement.

## Components of results of operation

### Net sales

Our net sales consist primarily of wine sales to distributors and directly to trade accounts in California, which together comprise our wholesale channel, and directly to individual consumers through our DTC channel. We refer to the volume of wine we sell in terms of cases, each of which represents a standard 12 bottle case of wine, in which each bottle has a volume of 750 milliliters. Cases sold represent wine sales through our wholesale and DTC channels.

Net sales generally represent wine sales and shipping, when applicable. Sales are generally recorded at the point of shipment and are recorded net of consideration provided to customers through various incentive programs, other promotional discounts, as described below, and excise taxes. Additionally, shipping and handling costs, grape sales and lease income are included within net sales.

Depletions represent sell-through from our distributors, including our California wholesale channel, to trade accounts. We routinely offer sales discounts and promotions through various programs to distributors around the country and to trade accounts in California. These programs, where permissible, include volume-based discounts on sales orders, depletion-based incentives we pay to distributors, and certain other promotional activities. The expense associated with these discounts and promotions is estimated and recorded as a reduction to total sales in calculating net sales.

### Gross profit

Gross profit is equal to net sales minus cost of sales. Cost of sales includes grape and bulk wine purchase costs. For grapes we grow, cost of sales includes amounts incurred to develop and farm the vineyards we own and lease. Cost of sales also includes all winemaking and processing charges, bottling, packaging, warehousing and shipping and handling. Costs associated with storing and maintaining wines that age longer than one year prior to sale continue to be capitalized until the wine is bottled and available for sale.

### Selling, general and administrative expenses

Selling, general and administrative expenses consist of selling expenses, marketing expenses and general and administrative expenses. Selling expenses consist primarily of direct selling expenses in our wholesale and DTC channels, including payroll and related costs, product samples and tasting room operating costs, including processing fees and outside services. Marketing expenses consist primarily of advertising costs to promote winery

brand awareness, customer retention costs, payroll and related costs. General and administrative expenses consist primarily of payroll and related costs, administrative expenses to support corporate functions, legal and professional fees, depreciation, accounting and information technology, tenancy expenses and other costs related to management.

### Other Total other expenses, net

Other income, expense, net consist primarily of interest expense we incur on balances outstanding under the terms of our Credit Facility, amortization related to debt issuance costs and realized and unrealized gains or losses on our derivative instruments.

### Income tax expense

Income tax expense consists of federal and state taxes payable to various federal, state and local tax authorities.

## Results of operations



Three months ended October 31,																	
Three months ended January 31,																	
Three months ended January 31,																	
(in thousands)	(in thousands)	2023		2022		(in thousands)	2024		2023		2024		2023		2024		
Net sales	Net sales	\$102,509	100.0 %	\$108,171	100.0 %	Net sales	\$103,045	100.0	100.0 %	\$103,488	100.0	100.0 %	\$205,554	100.0	100.0 %	\$211,659	100.0
Cost of sales	Cost of sales	48,656	47.5	53,461	49.4												
Gross profit	Gross profit	53,853	52.5	54,710	50.6												
Selling, general and administrative expenses	Selling, general and administrative expenses	30,483	29.7	25,739	23.8												
Income from operations	Income from operations	23,370	22.8	28,971	26.8												
Income from operations																	
Income from operations																	
Interest expense	Interest expense	4,004	3.9	2,162	2.0												
Other income, net		(1,813)	(1.8)	(87)	(0.1)												
Other expense, net																	
Total other expenses, net	Total other expenses, net	2,191	2.1	2,075	1.9												
Income before income taxes	Income before income taxes	21,179	20.7	26,896	24.9												
Income tax expense	Income tax expense	5,629	5.5	7,087	6.6												
Net income	Net income	15,550	15.2	19,809	18.3												
Less: Net (income) loss attributable to non-controlling interest																	
		(13)	—	6	—												
Net loss (income) attributable to non-controlling interest																	
Net income attributable to The Duckhorn Portfolio, Inc.	Net income attributable to The Duckhorn Portfolio, Inc.	\$ 15,537	15.2 %	\$ 19,815	18.3 %	Net income attributable to The Duckhorn Portfolio, Inc.	\$ 15,857	15.4	15.4 %	\$ 14,917	14.4	14.4 %	\$ 31,394	15.3	15.3 %	\$ 34,732	15.3
Net sales																	
Three months ended October 31, Change																	



Three months ended January 31,										Three months ended January 31,		Change		Six months ended January 31,		Change	
(in thousands)	(in thousands)	2023	2022	\$	%	(in thousands)	2024	2023	\$	%	2024	2023	\$	%			
Net sales	Net sales	\$102,509	\$108,171	\$ (5,662)	(5.2)%	Net sales	\$103,045	\$103,488	\$ \$(443)	(0.4)	(0.4)%	\$205,554	\$211,659	\$ \$(6,105)	(2.9)	(2.9)	%

Net sales for the three months ended **October 31, 2023** January 31, 2024 decreased **\$5.7 million** \$0.4 million, or **5.2%** 0.4%, to **\$102.5 million** \$103.0 million compared to **\$108.2 million** \$103.5 million for the three months ended **October 31, 2022** January 31, 2023. **Net sales decreased** The decrease for the three months ended **October 31, 2023**, January 31, 2024 is mainly attributable to negative volume contributions in all sales channels, **and mostly offset by a negative** positive price / mix **contribution.** contribution due to lower discounts in our wholesale channel.

Net sales for the six months ended January 31, 2024 decreased \$6.1 million, or 2.9%, to \$205.6 million compared to \$211.7 million for the six months ended January 31, 2023. The decrease in net sales for the six months ended January 31, 2024 is primarily driven by negative volume contribution, partially offset by positive price / mix contribution due to lower discounts.

Additionally, net sales included lease income of \$0.9 million and \$1.8 million for the three and six months ended January 31, 2024, respectively, related to the Geyserville winery.

For further discussion of changes in sales volume and changes in sales price and mix, see “—Net sales growth contribution”.

#### Cost of sales

Three months ended October 31,										Change		Three months ended January 31,		Change		Six months ended January 31,		Change	
(in thousands)	(in thousands)	2023	2022	\$	%	(in thousands)	2024	2023	\$	%		2024	2023	\$	%				
Cost of sales	Cost of sales	\$48,656	\$53,461	\$ (4,805)	(9.0)%	Cost of sales	\$44,727	\$48,302	\$ \$(3,575)	(7.4)	(7.4)%	\$93,383	\$101,763	\$ \$(8,380)	(8.2)	(8.2)	%		

Cost of sales decreased by **\$4.8 million** \$3.6 million, or **9.0%** 7.4%, to **\$48.7 million** \$44.7 million for the three months ended **October 31, 2023** January 31, 2024 compared to **\$53.5 million** \$48.3 million for the three months ended **October 31, 2022** January 31, 2023. Cost of sales decreased by \$8.4 million, or 8.2%, to \$93.4 million for the six months ended January 31, 2024 compared to \$101.8 million for the six months ended January 31, 2023. The decreases in cost of sales for the three and six months ended January 31, 2024, were primarily due to lower sales volume contributions in all sales channels that correspondingly decreased cost of sales. We continued to manage our cost of sales through our diversified supply planning strategy.

#### Gross profit

Three months ended October 31,										Change		Three months ended January 31,		Change		Six months ended January 31,		Change	
(in thousands, except percentages)	(in thousands, except percentages)	2023	2022	\$	%	(in thousands, except percentages)	2024	2023	\$	%		2024	2023	\$	%				
Gross profit	Gross profit	\$53,853	\$54,710	\$ (857)	(1.6)%	Gross profit	\$58,318	\$55,186	\$ \$3,132	5.7	5.7%	\$112,171	\$109,896	\$ \$2,275	2.1	2.1	%		
Gross margin		52.5%	50.6%																

## Gross profit margin

Gross profit decreased \$0.9 million increased \$3.1 million, or 1.6% 5.7%, to \$53.9 million \$58.3 million for the three months ended October 31, 2023 January 31, 2024 compared to \$54.7 million \$55.2 million for the three months ended October 31, 2022 January 31, 2023. Gross profit margin was 52.5% 56.6% for the three months ended October 31, 2023 January 31, 2024 compared to 50.6% 53.3% for the three months ended October 31, 2022 January 31, 2023. This increase Gross profit increased \$2.3 million, or 2.1%, to \$112.2 million for the six months ended January 31, 2024 compared to \$109.9 million for the six months ended January 31, 2023. Gross profit margin was 54.6% for the six months ended January 31, 2024 compared to 51.9% for the six months ended January 31, 2023. The increases in gross profit and gross profit margin for the three and six months ended January 31, 2024 were the result of cost of sales improvement and lower discounting for the three months ended October 31, 2023 compared to the prior period, discounts.

## Selling, general and administrative expenses

Three months ended October 31,						Change																								
Three months ended January 31,						Three months ended January 31,														Change		Six months ended January 31,		Change						
(in thousands)	(in thousands)	2023	2022	\$	%	(in thousands)	2024	2023	\$	%		2024	2023	\$	%		2024	2023	\$	%		2024	2023	\$	%		2024	2023	\$	%
Selling expenses	Selling expenses	\$13,233	\$13,526	\$ (293)	(2.2)%	Selling expenses	\$12,977	\$12,355	\$ 622	5.0		\$26,210	\$25,882	\$ 328	1.3															
Marketing expenses	Marketing expenses	2,211	2,290	(79)	(3.4)																									
General and administrative expenses	General and administrative expenses	15,039	9,923	5,116	51.6																									
Total selling, general and administrative expenses	Total selling, general and administrative expenses	\$30,483	\$25,739	\$4,744	18.4	%	Total selling, general and administrative expenses	\$29,247	\$29,579	\$ (332)	(1.1)		\$59,730	\$55,318	\$4,412	8.0														

(in thousands)	Three months ended January 31,		Change		Six months ended January 31,		Change	
	2024	2023	\$	%	2024	2023	\$	%
Interest expense	\$ 4,500	\$ 2,684	\$ 1,816	67.7 %	\$ 8,504	\$ 4,846	\$ 3,658	75.5 %
Other expense, net	2,696	2,743	(47)	1.7 %	883	2,656	(1,773)	(66.8)%
Total other expenses, net	\$ 7,196	\$ 5,427	\$ 1,769	32.6 %	\$ 9,387	\$ 7,502	\$ 1,885	25.1 %

Total other expenses, net increased by \$0.1 million \$1.8 million, to \$2.2 million \$7.2 million for the three months ended October 31, 2023 January 31, 2024, compared to \$2.1 million \$5.4 million for the three months ended October 31, 2022 January 31, 2023. The increases increase in total other expenses, net,

for the three months ended October 31, 2023 January 31, 2024 compared to the prior year period were was driven by higher interest expense as a result of unfavorable interest rate movements on our variable-rate debt and higher average outstanding debt balances compared to the prior year period.

Total other expenses, net increased by \$1.9 million to \$9.4 million for the six months ended January 31, 2024 compared to \$7.5 million for the six months ended January 31, 2023. The increase in interest expense for the six months ended January 31, 2024 compared to the prior year period partially offset was driven by favorable unfavorable interest rate movements on our variable-rate debt and higher average outstanding debt balances compared to the prior year period. The decrease in other expenses, net for the six months ended January 31, 2024 compared to the prior year period was driven by lower unfavorable fair value adjustments on our interest rate swap agreement. See Note 6 (Debt) swaps, compared to the six months ended January 31, 2023.

For the three and Note 7 (Derivative instruments) six months ended January 31, 2023, other expenses, net, included debt issuance costs incurred in connection with the refinancing of our Credit Facility.

#### Income tax expense

(in thousands)	Three months ended January 31,		Change		Six months ended January 31,		Change	
	2024	2023	\$	%	2024	2023	\$	%
Income tax expense	\$ 6,021	\$ 5,265	\$ 756	14.4 %	\$ 11,650	\$ 12,352	\$ (702)	(5.7)%

Income tax expense increased 14.4%, or \$0.7 million, to our Condensed Consolidated Financial Statements \$6.0 million for additional information.

#### Income tax expense

(in thousands)	Three months ended October 31,		Change	
	2023	2022	\$	%
Income tax expense	\$ 5,629	\$ 7,087	\$ (1,458)	(20.6)%

the three months ended January 31, 2024 compared to \$5.3 million for the three months ended January 31, 2023. The increase in income tax expense for the three months ended January 31, 2024 is primarily due to discrete tax adjustments related to the expiration of non-qualified stock options and vested restricted stock units shortfalls and an increase in income before taxes. For the three months ended January 31, 2024 and 2023, the effective tax rates were 27.5% and 26.1%, respectively, mainly reflecting the federal tax rate, state taxes and certain discrete items as previously mentioned.

Income tax expense decreased 20.6% 5.7%, or \$1.5 million \$0.7 million, to \$5.6 million \$11.7 million for the three six months ended October 31, 2023 January 31, 2024 compared to \$7.1 million \$12.4 million for the three six months ended October 31, 2022 January 31, 2023. The decrease in income tax expense for the three six months ended October 31, 2023 January 31, 2024 is primarily due to a decrease in income before taxes. taxes, partially offset by the impact of discrete tax adjustments related to the expiration of non-qualified stock options and vested restricted stock units shortfalls. For the three six months ended October 31, 2023 January 31, 2024 and 2022, 2023, the effective tax rates were 26.6% 27.1% and 26.3% 26.2%, respectively, mainly reflecting the federal tax rate, state taxes and state taxes, certain discrete items as previously mentioned.

#### Non-GAAP financial measures and adjusted EBITDA reconciliation

We believe adjusted EBITDA is a useful measure to us and our investors to assist in evaluating our operating performance because it provides consistency and comparability with our past financial performance across fiscal periods, as the metric eliminates the effects of certain expenses unrelated to our core operating performance that would result in variability in our results for reasons unrelated to overall continuing operations.

Adjusted EBITDA has certain limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under U.S. GAAP. Some of these limitations include:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA does not reflect changes in, or cash requirements for, the Company's working capital needs;
- adjusted EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Company's debt;
- adjusted EBITDA does not reflect income tax payments that may represent a reduction in cash available to the Company; and
- other companies, including companies in the Company's industry, may calculate adjusted EBITDA differently, which reduce their usefulness as comparative measures.

In evaluating adjusted EBITDA, we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of adjusted EBITDA should not be construed as an inference that the Company's future results will be unaffected by the types of items excluded from the calculation of adjusted EBITDA.

For comparative periods presented, our primary operational drivers of adjusted EBITDA have been strong, sustained gross profit margins as we manage our cost of sales and operating expenses through our diversified supply planning strategy.

The following table represents the reconciliation of adjusted EBITDA to net income attributable to The Duckhorn Portfolio, Inc. the most directly comparable measure prepared in accordance with U.S. GAAP:

		Three months ended October 31,							
		Three months ended January 31,		Three months ended January 31,				Six months ended January 31,	
(in thousands)	(in thousands)	2023	2022	(in thousands)	2024	2023	2024	2023	
Net income attributable to The Duckhorn Portfolio, Inc.	Net income attributable to The Duckhorn Portfolio, Inc.	\$15,537	\$19,815						
Interest expense	Interest expense	4,004	2,162						
Income tax expense	Income tax expense	5,629	7,087						
Depreciation and amortization expense <sup>(a)</sup>	Depreciation and amortization expense <sup>(a)</sup>	7,329	5,757						
EBITDA	EBITDA	32,499	34,821						
Purchase accounting adjustments <sup>(a)</sup>	Purchase accounting adjustments <sup>(a)</sup>	25	42						
Transaction expenses <sup>(b)</sup>	Transaction expenses <sup>(b)</sup>	3,236	162						
Change in fair value of derivatives <sup>(c)</sup>	Change in fair value of derivatives <sup>(c)</sup>	(1,889)	(368)						
Change in fair value of derivatives <sup>(c)</sup>									
Change in fair value of derivatives <sup>(c)</sup>									
Equity-based compensation <sup>(d)</sup>	Equity-based compensation <sup>(d)</sup>	1,052	1,008						
Debt refinancing costs									

Debt refinancing costs			
Debt refinancing costs			
Lease income, net(e)	Lease income, net(e)	(210)	—
Adjusted EBITDA	Adjusted EBITDA	\$34,713	\$35,665

- (a) Purchase accounting adjustments relate to the impacts of business combination accounting for our historical acquisition by TSG, and certain other transactions consummated prior to Fiscal 2021, which resulted in fair value adjustments to inventory and long-lived assets. Purchase accounting adjustments in depreciation and amortization expense include amortization of intangible assets of \$1.9 million for both the three months ended October 31, 2023 January 31, 2024 and 2022, 2023, and \$3.8 million for the six months ended January 31, 2024 and 2023.
- (b) Transaction expenses include legal services, professional fees and other due diligence expenses for both periods presented. These expenses are reflected in selling, general and administrative expenses on the Condensed Consolidated Statement of Operations.
- (c) Represents non-cash adjustments to changes in the fair value of derivatives, which are reflected in other income, expense, net on the Condensed Consolidated Statement of Operations.
- (d) Represents non-cash charges related to equity-based compensation, which are reflected in selling, general and administrative expenses and cost of sales on the Condensed Consolidated Statement of Operations.
- (e) Reflects lease income, net related to an operating lease in which we are the lessor of Geyserville winery acquired in Fiscal 2023, reflected in net sales and selling, general and administrative expenses on the Condensed Consolidated Statement of Operations. The lease term expires expired February 2024, with no option 2024. Lease income, net includes net sales of \$0.9 million and \$1.8 million for renewal, the three and six months ended January 31, 2024, and selling, general and administrative expenses of \$0.9 million and \$1.6 million for the three and six months ended January 31, 2024.

## Liquidity and capital resources

### Sources of liquidity

Our primary cash needs are for working capital purposes, such as producing or purchasing inventory and funding operating and capital expenditures. We fund our operational cash requirements with cash flows from operating activities and borrowings under our Credit Facility. As of October 31, 2023 January 31, 2024, we had \$21.2 million \$13.1 million in cash and \$402.0 million \$357.0 million in undrawn capacity on our revolving line of credit, subject to the terms of our Credit Facility.

Due to the seasonal nature of our operations, our cash needs are generally greatest during harvest, a period which can span generally spans from August to November October, based on agricultural conditions and other factors outside our control. We believe that our expected operating cash flows, cash on hand and borrowing capacity on our revolving line of credit, will be adequate to meet our cash needs for the next 12 months. However, changes in our business growth plan, planned capital expenditures or responses to an ever-changing and highly competitive industry landscape may result in changes to our cash requirements.

### Material cash requirements

Beyond the next 12 months, we expect cash flows generated from operations, in addition to our Credit Facility, will be our primary sources of liquidity. Based on our current operating performance, we believe these sources will be adequate to meet the cash requirements necessary to meet our future business growth plans and contractual obligations. Our liquidity needs generally include expected working capital requirements, planned capital expenditures, operating lease payments, estimated tax liabilities and principal and interest payments contractually due pursuant to the terms of our Credit Facility.

For the 2023 harvest, we contracted for grapes at an estimated a total cost of approximately \$85.7 million in Fiscal 2024. Additionally, we have purchase obligations for inventory and various contracts with third parties for custom crush, storage, glass, bottling services and bottling services. equipment. See Note 9 (Commitments and contingencies) to our Condensed Consolidated Financial Statements for further information on other commitments.

As of October 31, 2023 January 31, 2024, we have approximately \$26.5 \$29.1 million in scheduled principal payments and related interest payments due over the next 12 months and approximately \$273.4 \$311.7 million of principal payments and related interest payments due thereafter until our Credit Facility matures on November 4, 2027. The calculated interest payment amounts use actual rates available as of October 2023 January 2024 and assume these rates for all future interest payments on the outstanding Credit Facility, exclusive of any future impact from our interest rate swap agreement. See Note 6 (Debt) to our Condensed Consolidated Financial Statements, where our Credit Facility is described in greater detail. Our future minimum operating lease payments due within the next 12 months total approximately \$4.3 million with \$17.7 \$16.5 million due in the following years.

If our cash needs change in the future, we may seek alternative or incremental funding sources to respond to changes in our business. To the extent required, we may seek to fund additional liquidity through debt or equity financing, although we can provide no assurance that such forms of capital will be available when needed, if at all, or available on terms that are acceptable.

## Cash flows

The following table presents the major components of net cash flows.

		Three months ended October 31,		Six months ended January 31,		Six months ended January 31,	
(in thousands)	(in thousands)	2023	2022	(in thousands)	2024	2023	
Cash flows provided by (used in):	Cash flows provided by (used in):						
Operating activities	Operating activities						
Operating activities	Operating activities	\$18,066	\$26,384				
Investing activities	Investing activities	(10,395)	(6,418)				
Financing activities	Financing activities	7,158	(17,808)				
Net increase in cash	Net increase in cash	\$14,829	\$ 2,158				

### Operating activities

Our cash flows from operating activities consist primarily of net income adjusted for certain non-cash transactions, including depreciation and amortization, amortization of debt issuance costs, changes in the fair values of derivatives, equity-based compensation and deferred income taxes. Operating cash flows also reflect the periodic changes in working capital, primarily inventory, accounts receivable, prepaid expenses, accounts payable and accrued expenses.

For the three six months ended October 31, 2023 January 31, 2024, net cash used in operating activities was \$25.9 million compared to net cash provided by operating activities was of \$18.1 million compared to \$26.4 million for the three six months ended October 31, 2022 January 31, 2023, a decrease of \$8.3 million \$44.0 million. The changes in cash provided by operating activities were primarily driven by the following factors:

- The net income after adjusting for non-cash items decreased operating cash flows by \$4.5 million;
- Changes in accounts payable and accrued expenses decreased operating cash flows by \$4.0 million \$20.1 million due primarily to timing of income taxes and invoice accruals and payments;
- Increases in inventory for the three six months ended October 31, 2023 were due January 31, 2024 primarily related to timing impacts in bulk and bottled wine supply management to support increases in demand grape and bulk wine purchases related to our Fiscal 2024 harvest resulted in a decrease to operating cash flow of \$10.5 \$28.8 million; and
- Changes in accounts receivable were due to normal seasonal timing impacts in net sales related to our wholesale sales channel, generally subject to credit terms, which resulted in a \$10.1 million an \$8.2 million increase in operating cash flow.

### Investing activities

For the three six months ended October 31, 2023 January 31, 2024, net cash used in investing activities related to capital expenditures of \$10.4 million \$17.1 million compared to \$6.4 million \$12.4 million for the three six months ended October 31, 2022 January 31, 2023, which included barrel purchases of approximately \$8.1 \$10.7 million and \$4.7 \$8.8 million, respectively. Additionally, the Company made a nonrefundable advance payment of \$2.4 million related to a planned capital project at the Geyserville winery. From time to time, we evaluate wineries, vineyards and production facilities for potential opportunities to make strategic acquisitions and other capital improvements to support our growth. Any such transactions may require additional investments and capital expenditures in the future.

### Financing activities

For the ~~three six~~ months ended ~~October 31, 2023~~ January 31, 2024, net cash provided by financing activities was \$49.8 million as compared to cash used in financing activities was \$7.2 million as compared to of \$1.6 million for the six months ended January 31, 2023. For the six months ended January 31, 2024, net cash provided by financing activities of \$17.8 million for the three months ended October 31, 2022. For the three months ended October 31, 2023, net cash used in financing activities primarily resulted from our Credit Facility, including borrowings under our line of credit of ~~\$23.0 million~~ \$68.0 million, partially offset by the payments under our line of credit of \$13.0 million and payments of long-term debt of ~~\$2.5 million~~ \$5.0 million. For the ~~three six~~ months ended ~~October 31, 2022~~ January 31, 2023, net cash used in financing activities primarily resulted from the refinancing of our Credit Facility, and included the issuance of new long-term debt of \$225.8 million and borrowings under our line of credit of \$9.0 million, partially offset by the payments under our line of credit of ~~\$20.0 million~~ and ~~\$119.0 million~~, payments of long-term debt of ~~\$2.8 million~~, partially offset by borrowings under our line ~~\$115.2 million~~ and payments of ~~credit debt issuance costs~~ of ~~\$5.0 million~~ ~~\$2.4 million~~.

### Capital resources

As of ~~October 31, 2023~~ January 31, 2024, the Company had unused capacity of ~~\$402.0 million~~ \$357.0 million under the revolving line of credit, excluding the incremental seasonal borrowing amount of an additional \$30.0 million of capacity. As of ~~October 31, 2023~~ January 31, 2024, the Company had outstanding draws of ~~\$23.0 million~~ \$68.0 million on the revolving line of credit. There were no outstanding draws on the delayed draw term loan. The outstanding principal balance was ~~\$218.3 million~~ \$215.8 million for the term loan as of ~~October 31, 2023~~ January 31, 2024. The maturity date for loans borrowed under the Credit Agreement is November 4, 2027.

The Credit Facility is summarized below. See Note 6 (Debt) to our Condensed Consolidated Financial Statements for additional information.

*Revolving Line of Credit* — The revolving line of credit allows the Borrowers to draw amounts up to \$425.0 million, excluding the incremental seasonal borrowing amount of an additional \$30.0 million of capacity. The revolving line of credit matures on November 4, 2027. The interest rate ranges from Term SOFR plus 100 basis points to Term SOFR plus 150 basis points depending on the average availability of the revolving line of credit. The amount available to borrow on the revolving line of credit is subject to a monthly borrowing base calculation, based primarily on the Company's inventory and accounts receivable balances.

*Term Loans* — The term loan facility ~~provides~~ provided an aggregate principal amount equal to \$225.8 million, with quarterly principal payments and the remaining unpaid principal and interest due upon maturity on November 4, 2027. The term loan has an interest rate of Term SOFR plus a 10 to 15 basis points credit spread adjustment and a 1.625% loan margin.

*Delayed Draw Term Loan* — The delayed draw term loan has a maximum, non-revolving draw-down limit of \$25.0 million with quarterly principal payments and the remaining unpaid principal and interest due upon maturity on November 4, 2027. The \$25.0 million is fully available, and undrawn, and has an interest rate of Term SOFR plus a 10 to 15 basis points credit spread adjustment and a 1.625% loan margin.

The Credit Agreement contains customary affirmative covenants, including delivery of audited financial statements and customary negative covenants that, among other things, limit our ability to incur additional indebtedness or to grant certain liens. As of ~~October 31, 2023~~ January 31, 2024, we are in compliance with all covenants.

### Off-balance sheet arrangements

As of ~~October 31, 2023~~ January 31, 2024, we did not have any off-balance sheet arrangements that had, or are reasonably likely to have in the future, a material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

### Critical accounting policies and estimates

Our management's discussion and analysis of our financial condition and results of operations are based on our Condensed Consolidated Financial Statements, which are prepared in accordance with U.S. GAAP. The preparation of these Condensed Consolidated Financial Statements requires the application of appropriate technical accounting rules and guidance, as well as the use of estimates. The application of these policies requires judgments regarding future events. These estimates and judgments could materially impact the Condensed Consolidated Financial Statements and disclosures based on varying assumptions, as future events rarely develop exactly as forecasted, and even the best estimates routinely require adjustment.

There have been no material changes in our critical accounting policies during the ~~three six~~ months ended ~~October 31, 2023~~ January 31, 2024, as compared to those disclosed in the ~~"Management's~~ "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies" in our Annual Report on Form 10-K for Fiscal 2023.

### Recent accounting pronouncements

See Note 2 (Basis of presentation and significant accounting policies) to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Report for additional information regarding recent accounting pronouncements.



### Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our ongoing business operations cause us to be exposed to certain market risks, including fluctuations in interest rates, commodity prices and other costs related to production inputs, foreign currencies and inflation.

#### **Interest rates**

We are subject to interest rate risk in connection with changes in interest rates on our credit facilities, which bear interest at variable rates based upon a Term SOFR based rate plus applicable margins or predetermined alternative rates, as applicable, pursuant to the terms of our Credit Facility. As of **October 31, 2023** **January 31, 2024**, our outstanding borrowings at variable interest rates totaled **\$241.3 million** **\$283.8 million**. A hypothetical increase of 100 basis points in the effective interest rate applied to these borrowings would result in a **\$2.4 million** **\$2.8 million** increase in interest expense on an annualized basis and could impact our results of operation and financial condition. We manage our interest rate risk through normal operating and financing activities and through the use of derivative financial instruments. To mitigate exposure to fluctuations in interest rates, we entered into an interest rate swap in January 2023. See Note 7 (Derivative instruments) to our Condensed Consolidated Financial Statements for further information on our interest rate swap agreement.

#### **Inflation**

We do not believe that inflation has had a material impact on our business, results of operations or financial condition to date. We continue to track the impact of inflation in an attempt to minimize its effects through pricing strategies and cost reductions. If, however, our operations are impacted by significant inflationary pressures, we may not be able to fully offset such impacts through price increases on our products, supply negotiations or production improvements. A higher than anticipated rate of inflation in the future could harm our operations and financial condition.

#### **Foreign currency**

Our revenues and costs are denominated in U.S. dollars and are not subject to significant foreign exchange risk. Fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our Condensed Consolidated Statements of Operations. The Company uses foreign exchange forward contracts to offset a portion of the foreign currency exchange risks associated with forecasted purchases of barrels from France. We generally use foreign exchange forward contracts up to a twelve month duration. See Note 7 (Derivative instruments) to our Condensed Consolidated Financial Statements for further information.

Sensitivity due to fluctuations in foreign currency exchange rates was not material as of **October 31, 2023** **January 31, 2024**.

#### **Commodity prices**

The primary commodity in our product is grapes, and generally, 10% of the grapes are sourced from our Estate **properties that we own or lease** **properties**. For purchased grapes and bulk wine, prices are subject to many factors beyond our control, such as the yields of various grape varieties in different geographies, the annual demand for these grapes and the vagaries of these farming businesses, including poor harvests due to adverse weather conditions, natural disasters and pestilence. Our grape and bulk wine supply mix varies from year to year between pre-contracted purchase commitments and spot purchases; the variation from year to year is based on market conditions and sales demands. We do not engage in commodity hedging on our forecasted purchases of grapes and bulk wine. We continue to diversify our sources of supply and look to changes annually to our product lines to optimize the grapes available each harvest year.

Other raw materials we source include glass, cork and wine additives. We currently source these materials from multiple vendors. We generally negotiate prices with these suppliers on an annual basis, conducting a competitive bidding process for all raw materials to leverage our volume in lowering the input costs of production. We do not engage in forward, future or other derivative hedging activities to attempt to manage future price volatility of raw materials or other production-related inputs. As a result, some of these prices change over time, and future changes to commodity prices, raw materials or other significant inputs in our wine production could have a material impact to our future results of operations.

### Item 4. Controls and Procedures

#### **Disclosure controls and procedures**

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 ("Exchange Act"), as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial disclosure.

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management, under the supervision of and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures defined in Exchange Act Rule 13a-15(e) and 15d-15(e). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of **October 31, 2023** **January 31, 2024**, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in reports we file pursuant to the Exchange Act is communicated to management as appropriate for disclosure consideration, and is accurately and timely recorded, processed, summarized, and reported within the time periods specified by applicable SEC forms and regulations.



### Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the three months ended **October 31, 2023** **January 31, 2024**.

## PART II

### Item 1. Legal Proceedings

From time to time, we are involved in various legal proceedings arising from the normal course of business activities. Legal expenses associated with loss contingencies are accrued if reasonably estimable and the related matter is probable of causing the Company to incur expenses or other losses based on future contingent events in accordance with the Company's policies, otherwise legal expenses are expensed as incurred. We are not presently a party to any litigation the outcome of which, we believe, if determined adversely to us, would individually or, taken together with other matters, have a material adverse effect on our business, operating results, cash flows or financial condition.

#### Item 1A. Risk Factors

The following updates **As of the date of this Quarterly Report on Form 10-Q, there have been no material changes in any of the risk factors previously reported under the heading "Risk Factors" described in our Annual Report on Form 10-K for Fiscal 2023. There have been no material changes since 2023, except as discussed in Part II, "Item 1A. Risk Factors" in our previous 10-K filing other than as set forth below.**

**We may be unable to complete the acquisition of Sonoma-Cutrer within the anticipated timeframe or at all, which could prevent us from receiving the anticipated benefits from the acquisition in the anticipated timeframe or at all.**

On November 16, 2023, we entered into a Merger Agreement with Sonoma-Cutrer. The transaction is expected to close in the third quarter of the Company's Fiscal 2024, and remains subject to customary closing conditions, including receipt of required regulatory approvals, and the required period having elapsed since the mailing to the Company's stockholders of a definitive information statement with respect to approval by the Company's stockholders of the transactions contemplated by the Merger Agreement. As a result, there is no assurance that the acquisition will be consummated in the anticipated timeframe or at all. In addition, the Company may be required to pay Brown-Forman a reverse termination fee of approximately \$5 million, subject to certain limitations set forth in the merger agreement, if the Merger Agreement is terminated as result of a change of control of the Company. Any failure to consummate the acquisition in the anticipated timeframe or at all could prevent the Company from receiving the expected benefits from the Merger.

**We may not successfully manage the transition of leadership associated with the resignation of our CEO, which could have an adverse impact on us.**

As previously disclosed in a Current **Quarterly Report on Form 8-K 10-Q for the fiscal quarter ended October 31, 2023, as filed with the SEC on September 24, 2023, Alex Ryan retired from his positions as President, Chief Executive Officer and Chairman, effective September 27, 2023, and Deirdre Mahlan was appointed interim President, Chief Executive Officer and Chairperson. Ms. Mahlan had previously served as a member of the Board of Directors and chair of the Audit Committee of the Board of Directors.**

In addition, as a result of Ms. Mahlan serving in the role of interim Chief Executive Officer, President and Chairperson, she is no longer an independent director and she resigned as member of the Audit Committee and we are, accordingly, not in compliance with Section 303A.07 of the NYSE Listed Company Manual, which requires that a listed company's audit committee be comprised of at least three members, all of whom are independent. We expect to regain compliance upon the completion of the CEO search process, at which time we expect Ms. Mahlan will rejoin the Audit Committee as an independent director.

Our success will depend, in part, on our management of the transition to, and integration of, the interim CEO and a permanent successor, and the effectiveness of the interim CEO and the permanent successor. The Board of Directors is currently conducting a nationwide search for a permanent CEO. However, there can be no assurance that we will be successful in finding suitable permanent successors or in a timely manner. The CEO position is

critical to executing on and achieving our vision, strategic direction, culture, and products. The leadership transition may create uncertainty among employees, suppliers and customers, divert resources and management attention, impact public or market perception, our stock price or our performance, any of which could negatively impact our ability to operate effectively or execute our strategies and result in an adverse impact on our business. **December 6, 2023.**

### Item 5. Other Information

#### Rule 10b5-1 trading plans

During **From time to time, certain of our executive officers and directors have, and we expect they will in the three months ended October 31, 2023, Pete Przybylinski, Sean Sullivan future, enter into, amend and Zachary Rasmuson, each an officer for purposes of Section 16 terminate written trading arrangements pursuant to Rule 10b5-1 of the Securities and Exchange Act had equity trading plans enacted in accordance with Rule 10b5-1(c)(1) under the Exchange Act. An equity trading plan is a written document that preestablishes the amounts, prices and dates (or formula for determining the amounts, prices and dates) of future**

purchases 1934 or sales otherwise. None of the Company's stock, including sales directors or executive officers adopted, modified or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of shares acquired under the Company's employee and director equity plans.

The following 10b5-1 agreements were entered into Regulation S-K) during the three months month period ended October 31, 2023: January 31, 2024.

Name	Position	Trading Agreement		Aggregate Number of Securities to be Sold under the Trading Agreement
		Adoption Date	Duration of Trading Agreement	
Pete Przybylinski	Executive Vice President, Chief Sales Officer	October 6, 2023	January 5, 2024 - June 30, 2024	140,000
Zachary Rasmuson	Executive Vice President, Chief Operating Officer	October 6, 2023	January 5, 2024 - June 30, 2024	48,000

## Item 6. Exhibits

Exhibit no.	Exhibit no.	Exhibit description	Incorporated by reference				Exhibit no.	Exhibit description	Incorporated by reference			
			Form	Date	Number	File no.			Form	Date	Number	File no.
2.1							2.1	<a href="#">Agreement and Plan of Merger, dated as of November 16, 2023, by and among the Company, Merger Sub, Brown-Forman and Sonoma-Cutrer</a>	8-K	November 16, 2023	2.1	001-40240
3.1	3.1	<a href="#">Amended and Restated Certificate of Incorporation of The Duckhorn Portfolio, Inc.</a>	10-Q	June 8, 2023	3.1	001-40240	3.1	<a href="#">Amended and Restated Certificate of Incorporation of The Duckhorn Portfolio, Inc.</a>	10-Q	June 8, 2023	3.1	001-40240
3.2	3.2	<a href="#">Amended and Restated Bylaws of The Duckhorn Portfolio, Inc.</a>	8-K	March 22, 2021	3.2	001-40240	3.2	<a href="#">Amended and Restated Bylaws of The Duckhorn Portfolio, Inc.</a>	8-K	March 22, 2021	3.2	001-40240
4.1	4.1	<a href="#">Form of Common Stock Certificate</a>	S-1/A	March 10, 2021	4.1	333-253412	4.1	<a href="#">Form of Common Stock Certificate</a>	S-1/A	March 10, 2021	4.1	333-253412
4.2	4.2	<a href="#">Description of Capital Stock</a>	10-K	October 4, 2021	4.2	001-40240	4.2	<a href="#">Description of Capital Stock</a>	10-K	October 4, 2021	4.2	001-40240
10.1	10.1	<a href="#">Separation Agreement, dated as of September 24, 2023, between The Duckhorn Portfolio, Inc. and Alex Ryan</a>	8-K	September 27, 2023	10.1	001-40240	10.1	<a href="#">Amended and Restated Stockholders Agreement, dated as of November 16, 2023, by and among the Company, Mallard and Brown-Forman</a>	8-K	November 16, 2023	10.1	001-40240

10.2	10.2	<a href="#">Interim CEO Agreement, dated as of September 27, 2023, between The Duckhorn Portfolio, Inc. and Deirdre Mahlan</a>	8-K	September 27, 2023	10.2	001-40240	10.2	<a href="#">Amended and Restated Registration Rights Agreement, dated as of November 16, 2023, by and among the Company, Mallard and Brown-Forman</a>	8-K	November 16, 2023	10.2	001-40240
10.3					10.3			<a href="#">Amended &amp; Restated Employment Agreement entered into by and among Duckhorn Wine Company, The Duckhorn Portfolio, Inc and Jennifer Fall Jung, dated January 12, 2024</a>	8-K	January 12, 2024	10.1	001-40240
10.4					10.4			<a href="#">Second Amended &amp; Restated Employment Agreement entered into by and among Duckhorn Wine Company, The Duckhorn Portfolio, Inc and Sean Sullivan, dated January 12, 2024</a>	8-K	January 12, 2024	10.2	001-40240
10.5					10.5			<a href="#">Second Amended &amp; Restated Employment Agreement entered into by and among Duckhorn Wine Company, The Duckhorn Portfolio, Inc and Pete Przybylinski, dated January 12, 2024</a>	8-K	January 12, 2024	10.3	001-40240
10.6					10.6			<a href="#">Second Amended &amp; Restated Employment Agreement entered into by and among Duckhorn Wine Company, The Duckhorn Portfolio, Inc and Zach Rasmuson, dated January 12, 2024</a>	8-K	January 12, 2024	10.4	001-40240
31.1*	31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>										
31.2*	31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>										
	31.2*											
	31.2*											
	32.1*											
	32.1*											

32.1*	32.1* <a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS*	101.INS* XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
	101.INS*
	101.INS*
	101.SCH*
	101.SCH*
101.SCH*	101.SCH* XBRL Taxonomy Extension Schema Document.
101.CAL*	101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document.
	101.CAL*
	101.CAL*
	101.DEF*
	101.DEF*
101.DEF*	101.DEF* XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	101.LAB* XBRL Taxonomy Extension Label Linkbase Document.
	101.LAB*
	101.LAB*
	101.PRE*
	101.PRE*

101.PRE*	101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document.
104*	104* Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
104*	
104*	

\* Filed herewith

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### The Duckhorn Portfolio, Inc.

Date: December 6, 2023 March 7, 2024

By: /s/ Deirdre Mahlan

Deirdre Mahlan

Interim President, Chief Executive Officer and Chairperson

(Principal Executive Officer)

Date: December 6, 2023 March 7, 2024

By: /s/ Jennifer Fall Jung

Jennifer Fall Jung

Executive Vice President, Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

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Exhibit 31.1

## CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Deirdre Mahlan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Duckhorn Portfolio, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities,

particularly during the period in which this report is being prepared;

- b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 6, 2023 March 7, 2024

By: /s/ Deirdre Mahlan

Deirdre Mahlan

Interim President, Chief Executive Officer and Chairperson  
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jennifer Fall Jung, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Duckhorn Portfolio, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 6, 2023 March 7, 2024

By: /s/ Jennifer Fall Jung

Jennifer Fall Jung  
Executive Vice President, Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Deirdre Mahlan, Chief Executive Officer of The Duckhorn Portfolio, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended October 31, 2023 January 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 6, 2023 March 7, 2024

By: /s/ Deirdre Mahlan

Deirdre Mahlan  
Interim President, Chief Executive Officer and Chairperson  
(Principal Executive Officer)

I, Jennifer Fall Jung, Chief Financial Officer of The Duckhorn Portfolio, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended October 31, 2023 January 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 6, 2023 March 7, 2024

By: /s/ Jennifer Fall Jung

Jennifer Fall Jung  
Executive Vice President, Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

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