

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K**

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

For the fiscal year ended July 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



**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:

<b>Title of class</b>	<b>Trading symbol</b>	<b>Name of exchange on which registered</b>
Common Stock, par value \$0.01 per share	NAPA	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 and post 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 type="checkbox"/>	<input checked="" 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

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Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant, based on the last sale price on New York Stock Exchange on January 31, 2024 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$455,415,000.

The registrant had outstanding 147,165,073 shares of common stock, \$0.01 par value per share, as of September 26, 2024.

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## Table of Contents

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	<u>Page</u>
<b>PART I</b>	
<a href="#">Item 1. Business</a>	8
<a href="#">Item 1A. Risk Factors</a>	19
<a href="#">Item 1B. Unresolved Staff Comments</a>	45
<a href="#">Item 1C. Cybersecurity</a>	45
<a href="#">Item 2. Properties</a>	48
<a href="#">Item 3. Legal Proceedings</a>	48
<a href="#">Item 4. Mine Safety Disclosures</a>	49
<b>PART II</b>	
<a href="#">Item 5. Market For Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	50
<a href="#">Item 6. Reserved</a>	51
<a href="#">Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	52
<a href="#">Item 7A. Quantitative and Qualitative Disclosures about Market Risk</a>	70
<a href="#">Item 8. Financial Statements and Supplementary Data</a>	72
<a href="#">Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</a>	112
<a href="#">Item 9A. Controls and Procedures</a>	112
<a href="#">Item 9B. Other Information</a>	114
<a href="#">Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</a>	114
<b>PART III</b>	
<a href="#">Item 10. Directors, Executive Officers and Corporate Governance</a>	115
<a href="#">Item 11. Executive Compensation</a>	124
<a href="#">Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	146
<a href="#">Item 13. Certain Relationships and Related Transactions, and Director Independence</a>	148
<a href="#">Item 14. Principal Accounting Fees and Services</a>	149
<b>PART IV</b>	
<a href="#">Item 15. Exhibits, Financial Statement Schedules</a>	151
<a href="#">Signatures</a>	154

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

This Annual Report on Form 10-K and other materials filed or to be filed by us with the United States (“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:

- risks related to the satisfaction of the conditions to closing of the Merger (as defined herein) (including the failure to obtain necessary regulatory approvals and the requisite approval of the stockholders) in the anticipated timeframe or at all;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement (as defined herein);
- risks related to disruption of management’s attention from Duckhorn’s ongoing business operations due to the Merger;
- disruption from the Merger making it difficult to maintain business and operational relationships, including retaining and hiring key personnel and maintaining relationships with Duckhorn’s customers, distributors, suppliers and others with whom it does business;
- significant transaction costs;
- the risk of litigation and/or regulatory actions related to the Merger;
- the possibility that competing offers or acquisition proposals for Duckhorn will be made;
- restrictions imposed on our business during the pendency of the Merger;
- 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;
- 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 (“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 information technology (“IT”) 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;
- our largest stockholders’ significant influence over us;
- 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 Annual Report on Form 10-K 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” and elsewhere in this Annual Report on Form 10-K. 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 Annual Report on Form 10-K. 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 Annual Report on Form 10-K. 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 Annual Report on Form 10-K 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. Circana refers to Total U.S. Foods scanner data available on a subscription basis from Information Resources, Inc., a technology, analytics and data company.

On April 30, 2024, Auguste Merger Sub, Inc. (“Auguste Merger Sub”), a subsidiary of the Company, completed the acquisition of Sonoma-Cutrer pursuant to the terms and subject to the conditions set forth in the Agreement and Plan of Merger, dated as of November 16, 2023, by and among the Company, Auguste Merger Sub, Brown-Forman Corporation and Sonoma-Cutrer. Accordingly, the results of Sonoma-Cutrer included in our Consolidated Statements of Operations are from May 1, 2024 through July 31, 2024.

## **Risk Factors Summary**

An investment in our common stock involves a high degree of risk. Any of the factors set forth under “Risk Factors” may limit our ability to successfully execute our business strategy. You should carefully consider all of the information set forth in this Annual Report on Form 10-K, and, in particular, you should evaluate the specific factors set forth under “Risk Factors” in deciding whether to invest in our common stock. Among these important risks are the following:

- We may fail to consummate the Merger, and uncertainties related to the consummation of the Merger may have a material adverse effect on our business, results of operations and financial condition and negatively impact the price of our common stock.
- There is no assurance that the Merger and the other transactions contemplated by the Merger Agreement will occur on the terms and timeline currently contemplated or at all.
- While the Merger Agreement is in effect, we are subject to certain interim covenants.
- The Merger Agreement limits our ability to pursue alternatives to the Merger and may discourage other companies from trying to acquire us for greater consideration than what Parent has agreed to pay pursuant to the Merger Agreement.
- The success of our business depends heavily on the strength of our winery brands.
- We face significant competition with an increasing number of products and market participants that could materially and adversely affect our business, results of operations and financial condition.
- Consolidation of the distributors of our wines, as well as the consolidation of retailers, may increase competition in an already crowded space and may have a material adverse effect on our business, results of operations and financial condition.
- A reduction in consumer demand for wine, which may result from a variety of factors, including demographic shifts, desirable substitutes and decreases in discretionary spending, could materially and adversely affect our business, results of operations and financial condition.
- The consumer reception of the launch and expansion of our product offerings is inherently uncertain. New producers may present new and unknown risks and challenges in production and marketing that we may fail to manage optimally and could have a materially adverse effect on our business, results of operations and financial condition.
- Due to the three-tier alcohol beverage distribution system in the United States, we are heavily reliant on our distributors and government agencies that resell alcoholic beverages in all states except California, where we self-distribute our wines to trade accounts. A significant reduction in distributor demand for our wines would materially and adversely affect our sales and profitability.
- Our marketing strategy involves continued expansion of our DTC channel, which may present risks and challenges that we have not yet experienced or contemplated, or for which we are not adequately prepared. These risks and challenges, including changes to the judicial, legal or regulatory framework applicable to our DTC business and failures of third-party shipping and IT partners, could negatively affect our sales in these channels and our profitability.
- Our advertising and promotional investments may affect our financial results but not be effective.
- A decrease in wine score ratings by important rating organizations could have a negative impact on our ability to create demand for and sell our wines. Sustained negative scores could reduce the prominence of our winery brands and carry negative association across our portfolio which could materially and adversely affect our sales and profitability.
- If we are unable to obtain adequate supplies of premium grapes and bulk wine from third-party grape growers and bulk wine suppliers, the quantity or quality of our annual production of wine could be adversely affected, causing a negative impact on our business, results of operations and financial condition.
- Natural disasters, including fires, floods and earthquakes, some of which may be exacerbated by climate change, could destroy, damage or limit access to our wineries and vineyards, and the locations at which we store our inventory, which could materially and adversely affect our business, results of operations and financial condition.
- A failure to adequately prepare for supply chain disruptions or other adverse events that could cause disruption to elements of our business, including our grape harvesting, blending, inventory aging or

distribution of our wines could materially and adversely affect our business, results of operations and financial condition.

- Inclement weather, drought, pests, plant diseases and other factors could reduce the amount or quality of the grapes available to produce our wines, which could materially and adversely affect our business, results of operations and financial condition.
- If we are unable to identify and obtain adequate supplies of quality agricultural, winemaking and packaging materials, water and other supplies, or if there is an increase in the cost of the commodities, power, fuel or other products, as a result of inflation or scarcity, our profitability and production and distribution capabilities could be negatively impacted, which would materially and adversely affect our business, results of operations and financial condition.
- The impact of U.S. and worldwide economic trends and financial market conditions could materially and adversely affect our business, liquidity, financial condition and results of operations.
- Increases in labor costs, labor shortages, and any difficulties in attracting, motivating, and retaining well-qualified employees could have an adverse effect on our ability to successfully manage our business, maintain our reputation within the industry and execute our strategic objectives, which could materially and adversely affect our operating efficiency and financial condition.
- If we are unable to secure and protect our intellectual property in domestic and foreign markets, including trademarks for our winery brands, vineyards and wines, the value of our winery brands and intellectual property could decline, which could have a material and adverse effect on our business, results of operations and financial condition.
- We may not be fully insured against catastrophic perils, including catastrophic loss or inaccessibility of wineries, production facilities and/or distribution systems resulting from fire, wildfire, flood, wind events, earthquake and other perils, which may cause us to experience a material financial loss.
- From time to time, we may become subject to litigation specifically directed at the alcoholic beverage industry, as well as litigation arising in the ordinary course of business.
- A failure of one or more of our key IT systems, networks, processes, associated sites or service providers could have a material adverse impact on business operations, and if the failure is prolonged, our financial condition.
- If we fail to effectively price our products or implement price increases, our financial condition may be adversely affected.
- Failure to appropriately address certain emerging ESG matters important to our investors could have a material adverse impact on our reputation and, as a result, our business.
- As a producer of alcoholic beverages, we are regularly the subject of regulatory reviews, proceedings and audits by governmental entities, any of which could result in an adverse ruling or conclusion, and which could have a material adverse effect on our business, financial condition, results of operations and future prospects.
- New and changing environmental requirements, and new market pressures related to climate change, could materially and adversely affect our business, results of operations and financial condition.
- Changes in foreign and domestic laws and government regulations to which we are currently subject, including changes to the method or approach of enforcement of these government rules and regulations, may increase our costs or limit our ability to sell our wines into certain markets, which could materially and adversely affect our business, results of operations and financial condition.
- We have incurred substantial indebtedness and we may not generate sufficient cash flow from operations to meet our debt service requirements, continue our operations and pursue our growth strategy and we may be unable to raise capital when needed or on acceptable terms.
- As a result of being a public company, we are obligated to develop and maintain proper and effective internal control over financial reporting and any failure to maintain the adequacy of these internal controls may negatively impact investor confidence in our Company and, as a result, the value of our common stock.
- Our largest stockholders have significant influence over us, including influence over decisions that require the approval of stockholders, which could limit our stockholders' ability to influence the outcome of key transactions, including a change of control.

## PART I

### Item 1. Business

The Duckhorn Portfolio, Inc. (collectively, “Company,” “we,” “us,” “our,” “Duckhorn”), is the premier, scaled pure-play producer of luxury wines in North America. We have delighted millions of consumers with authentic, high-quality, approachable wines for over four decades. We make a curated and comprehensive portfolio of highly acclaimed luxury wines across multiple varieties, appellations, brands and price points. Our portfolio is focused exclusively on the desirable luxury segment, which we define as wines sold for \$15 or higher per 750ml bottle.

We sell our wines in all 50 states, the District of Columbia and over 50 countries at prices ranging from \$20 to \$230 per bottle under a world-class luxury portfolio of winery brands, including Duckhorn Vineyards, Decoy, Sonoma-Cutrer, Goldeneye, Paraduxx, Migration, Canvasback, Calera, Kosta Browne, Greenwing and Postmark. Our wines have a strong record of achieving critical acclaim, vintage after vintage. Each winery brand boasts its own winemaking team to create distinct experiences for consumers, to ensure product quality and continuity and to galvanize sustainable farming practices. Beyond our winemaking teams is an organization comprised of passionate, talented employees, including a highly-tenured executive team, which draws upon decades of experience at Duckhorn, at other luxury wine companies and in the broader consumer goods sector and establishments that are licensed to purchase our wine for resale to consumers, such as grocery stores, liquor stores and restaurants (“retail sector”).

We sell our wines in our wholesale channel, to distributors and directly to trade accounts in California, and to consumers in our direct to consumer (“DTC”) channel, each of which leverage long-standing relationships developed for more than 45 years and provide relatively comparable and attractive gross profit margins and adjusted EBITDA margins. Our comprehensive sales force builds deep and impactful relationships with distributors and direct to trade accounts in our wholesale channel. In addition, our DTC channel leverages our multi-winery e-commerce website and features our subscription wine clubs and tasting rooms.

#### *Industry background*

##### *Our target market*

A majority of our wine is sold in the U.S. market, where more wine is consumed than any other nation. Given our scale, exclusive luxury focus, and well established brand reputation in the market, we believe we are well positioned to continue to grow and take market share. We believe the performance of our wholesale business has been driven in part by our ability to identify new accounts that are appropriate to sell our luxury wine and grow our presence in those accounts while continuing to take share in existing accounts.

##### *Luxury wine segment*

American Millennials and Generation X adults have come of age in a culture where cooking shows, celebrity chefs, farmers’ markets and food blogs are the norm. U.S. consumers have had an increasing appetite for high-quality food and drinks and are willing to pay more for items of superior quality. According to Circana data, the luxury wine segment increased its share of the overall wine market by approximately 10% between December 2019 and July 2024. According to the Circana data, U.S. luxury wine segment dollar sales was relatively flat for Fiscal 2024, while our portfolio grew 1.8% during the same period. The luxury wine segment refers to wines sold for \$15 or higher per 750ml bottle and the ultra-luxury wine subsegment refers to wines with suggested retail prices of \$25 or higher per 750ml bottle. We believe that the luxury wine category will continue to outperform other segments of the U.S. wine industry and anticipate that our diversified portfolio of well-established winery brands will enable us to continue taking market share as consumers seek authentic and trusted brands.

##### *Luxury producer fragmentation and distributor consolidation*

Much of the growth in the U.S. wine industry is being driven by suppliers of scale. The luxury wine segment, despite being the fastest growing price segment of the U.S. wine market, remains highly fragmented. In the luxury segment, our winery brands compete with a large number of wine producers for consumers, from a vast number of



small volume local wineries to divisions of large conglomerates. We have the advantage of being one of only a few wine producers of scale that focus exclusively on the luxury category.

Simultaneously, we have witnessed substantial consolidation of distributors. As distribution consolidates, we have observed that distributors often prefer to work with scaled producers that offer a comprehensive portfolio of varied luxury wines, make wines that enjoy a strong consumer following and work to ensure stability of supply and production. In this landscape of distributor consolidation and subscale luxury producer fragmentation, we believe our position as a scaled luxury producer with exceptional brand strength is highly appealing to consumers as well as distributors and retailers for whom our comprehensive portfolio provides a “one-stop shop” for all their luxury wine needs.

***Key drivers of our continued success***

We have consistently been a leader in the wine industry and believe we are well positioned against other producers, large and small, in terms of price, quality, luxury authenticity, portfolio depth, innovation, product visibility and channel presence. In the 52-week period ended July 31, 2024, our off-premise average selling price per bottle over this period was the third highest of the top 25 U.S. wine suppliers, as measured by Circana. We estimate that our on-premise average selling price per bottle is typically between two and three times the off-premise average selling price.

We attribute our success to the following strengths:

*Curated and comprehensive portfolio of luxury wines.* Our portfolio encompasses 11 luxury wine brands that champion more than 14 varieties, appealing to the diverse tastes of luxury wine consumers. Duckhorn Vineyards, Decoy, Sonoma-Cutrer and Kosta Browne are the cornerstones of this curated and comprehensive portfolio and reinforce the credibility and brand strength of our entire portfolio.

Our portfolio breadth and depth also allow us to offer tiered pricing within the luxury wine segment, enabling us to attract new consumers with affordable wines and deepen our relationship with them as they seek more premium offerings. The Decoy brand provides high-quality wines at accessible prices, often serving as the customer gateway into our luxury wine offerings across our broader portfolio. Duckhorn Vineyards, Sonoma-Cutrer, Kosta Browne and our other winery brands provide the consumer an opportunity to both elevate and broaden their experience with the wines in our diverse luxury portfolio.

While we are unable to predict future shifts in consumer behavior, we are constantly assessing the needs and desires of our customers, and our product innovation pipeline allows us to react to changes in consumer demand when appropriate. We believe our curated and comprehensive portfolio positions us to meet the needs of our distributors, accounts and consumers, thereby cementing our place as a premier supplier of luxury wines.

*Exceptional brand strength and critical acclaim.* The Duckhorn Portfolio has consistently received stellar reviews across varieties, geographies and price points from the industry’s top critics and publications. During Fiscal 2024, the Duckhorn Vineyards Napa Valley Monitor Ledge Vineyard Cabernet Sauvignon received one of the industry’s most prestigious awards, Wine of the Year from Wine Enthusiast magazine. In previous years, the Kosta Browne Sonoma Coast Pinot Noir and the Duckhorn Vineyards Napa Valley Three Palms Vineyard Merlot were named Wine Spectator magazine’s Wine of the Year. Critics within our industry widely use a 100-point scale to score individual wines, and we take pride in our consistent track record of 90+ point wines, scores that indicate superior quality. The strength of our winery brands is also demonstrated by our market-leading sales in some of the most popular varieties in the U.S. luxury market. During Fiscal 2024, we had the top selling, by dollar sales, domestic luxury wines for Cabernet Sauvignon (the highest selling luxury variety during the period) and Merlot and the second top selling, by dollar sales, domestic luxury wine for Sauvignon Blanc, in each case according to Circana. These three varieties combined represented approximately 32% of the total U.S. luxury wine market during the same period.

*Scaled luxury pure-play portfolio.* As the luxury wine segment is highly fragmented, we have the advantage of being the largest U.S. pure-play luxury wine company. In this environment, we believe that being a scaled luxury producer is highly appealing to most distributors and retailers because our comprehensive portfolio offering

provides a “one-stop shop” solution for all their luxury wine needs. The recent addition of Sonoma-Cutrer, a well-established chardonnay wine brand, to the portfolio bolsters our scale and portfolio breadth, further strengthening that appeal.

We believe our approach to, and dedicated focus on, high-quality luxury wine energizes our employees, fosters trust and credibility in our customer and grower relationships, and enables category excellence versus our more broadly focused, scaled competitors.

We also have an advantage over our fragmented, smaller-scale competitors because our individual brands each benefit from their place in our larger portfolio, leveraging more efficient operational, branding, marketing, sales and distribution capabilities. For example, our depth of operational capabilities enables us to simultaneously present a curated offering of the most popular wine varieties and prudently develop new offerings in emerging, high-growth categories.

Our large, highly knowledgeable sales force is another key advantage of our scale relative to small luxury producers. We deploy our sales force in the wholesale channel to represent our entire portfolio to our vast network of distributors and trade accounts. While smaller luxury wine brands rely on distributors to introduce and promote brands, our sales force takes direct action to strengthen our account relationships. As a credentialed luxury supplier of choice, we expect to benefit from further enhanced distributor prioritization due to sell-through confidence, increased scale and operational efficiency.

*Differentiated omni-channel sales and distribution platform.* Our innovative, scalable sales and distribution platform enables us to fulfill consumer needs through an integrated experience across channels at attractive gross profit and adjusted EBITDA margins. Our ideal consumers interact with us seamlessly across channels, through our wine clubs and tasting rooms and when grocery shopping or ordering at a restaurant. We believe the strategic combination of our complementary paths to consumers has been an important driver of our sustained growth and will continue to enable long-term scalability. Because the success of our business ultimately depends on our ability to develop connections between our customers and our winery brands, we balance the market accessibility of a broad wholesale reach with direct and authentic customer and consumer touchpoints that drive connectivity, insights and trust.

We leverage our long-standing wholesale channel nationwide, including our direct to trade accounts business in California, to build deep, impactful relationships with our trade accounts. This channel provides a critical path for our winery brands to succeed both on-premise and off-premise, across a wide range of outlets and geographies.

Since our founding more than 45 years ago, we have been selling directly to trade accounts in California, a point of distinction among large California wine producers, many of which sell through a distributor in the state. We believe our direct to trade accounts business in California gives us a competitive advantage by allowing us more control over sales, branding and other marketing support, and more visibility into sell-through rates. In addition, we enjoy significantly stronger gross margins by selling directly to trade accounts, rather than selling through a distributor. However, due to selling expense as a percentage of net sales variability, adjusted EBITDA margins are relatively comparable across the various channels.

Our DTC channel is a powerful marketing engine. This part of our business encompasses our multi-winery e-commerce website, featuring our subscription wine clubs, and is reinforced by our eight stylistically unique and high-touch tasting rooms located throughout Northern California and Washington. Our ultra-luxury wines are prominently featured in this channel, yielding high average bottle prices. Early access to new releases, a compelling slate of member benefits and active cross-marketing throughout the portfolio drive wine club member loyalty and sales. These strategies maximize each winery brand and property while driving awareness for our other world-class wines and properties, resulting in more and longer lasting connections with consumers and wholesale customers.

*Diversified and scalable production model.* The success of The Duckhorn Portfolio is underpinned by our strategic, diversified and scalable supply and production platform. We strive for capital efficiency and secure the majority of our grape supply by leveraging long-standing relationships within a vast, geographically diversified network of more than 300 trusted third-party growers and bulk wine suppliers. During the harvest that occurred in

Fiscal 2024, we complemented our grower-sourced grape supply with fruit from 31 strategically located vineyards controlled or owned by the Company (“Estate properties”) spanning approximately 1,100 acres. This does not include the 1,100 Estate property acres subsequently acquired with Sonoma-Cutrer, which the Company expects to source from moving forward.

We also strive to achieve an optimal balance between in-house production and custom crush partners, with a focus on efficiency, diversification and ensuring the highest quality of our luxury wines. Toward that end, we acquired the Geyserville winery in Fiscal 2023, and took occupancy in Fiscal 2024. We produce most of our wine at one of our state-of-the-art wineries and the remainder at third-party facilities.

This diversified sourcing model provides many benefits:

- *Luxury credentials.* Estate grapes are used primarily in our DTC-only wines to give a sense of place to our iconic winery brand heritage and showcase our award-winning winemaking capabilities.
- *Reliability of supply.* We have a long history of creating a portfolio of wines year after year, at scale, that consistently meets the highest standards of quality. Given our industry’s exposure to climate change risks and extreme weather events, we regularly evaluate impacts of climate change on our business and plan to disclose any such impacts to provide transparency with respect to our efforts to effectively manage the risks and opportunities presented by climate change. We are committed to continuing to take measures to achieve climate resiliency and to expand our agile supply chain with highly diversified grape sourcing to help ensure we mitigate the impact of climate change and unforeseen natural events.
- *Rapid scalability.* Supply contracts with our trusted grape grower and bulk wine supplier network enable us to respond to market trends and grow luxury winery brands quickly while maintaining quality excellence.
- *Cost management.* Our scale provides us with operating leverage, and we believe our strategy to balance Estate-grown and contracted grape supply provides us with increased visibility into our cost structure and makes us less susceptible to margin variability due to market volatility.

### ***Exceptional leadership team***

We have an exceptional, culture-driven leadership team at The Duckhorn Portfolio which is dedicated to the success and growth of the Company. The Company’s executive team, led by the President and Chief Executive Officer, is currently comprised of four strategic and functionally focused executive vice presidents in the following departments: Sales, Production, Finance/IT and Strategy/Legal. This leadership team has grown net sales by successfully managing the business through multiple economic cycles, challenging environmental externalities and the integration of multiple acquisitions. Supporting this leadership team is a deep bench of highly talented managers, many of whom have a long history at the Company and with our winery brands.

### ***Our strategy for continuous growth***

Our entire organization is growth oriented. From product innovation and category expansion to expanding points of distribution, every department plays a role in the growth of The Duckhorn Portfolio. Our growth plan relies on core competencies demonstrated by our organization throughout our history. We expect to deliver meaningful increases in stockholder value by continuing to execute the following strategies:

#### ***Build and leverage brand strength to gain market share***

We believe our comprehensive sales and marketing plan will continue to allow us to grow sales for our winery brands to existing customers and a new generation of customers. By harnessing both the individual and collective brand strength of our diverse luxury wine portfolio, we not only engage consumers but also fortify our reputation in the consolidating luxury wine segment, thereby acting as a strong driver of revenue growth and market share expansion.

The primary aim of our marketing strategy is to increase brand awareness and consumer engagement. We achieve this through public relations, advertising, strategic event participation and partnerships, rich content creation and social/digital engagement, so we can meet the consumer wherever they are.

Because the success of our business relies on our ability to maintain the prestige of our portfolio, another aspect of our sales and marketing efforts is the submission of our wines for scoring with the top industry publications. Our commitment to excellence has resulted in a track record of industry awards, and we believe these recognitions provide our entire luxury wine portfolio with a halo of prestige. We expect to continue to be honored with critical acclaim and 90+ point wine scores and will continue to leverage our marketing strength to amplify these achievements, drive consumer engagement and further solidify the reputation of our entire luxury wine portfolio.

These marketing activities work in tandem with our sales plan, which capitalizes on our brand equity and proven track record to nurture deep distributor and retailer relationships to drive long-term and sustainable sales growth. This plan is made possible by our omni-channel sales platform, which enables us to grow, both through volume increases and periodic price increases. We expect our differentiated platform advantage will continue to increase our brand awareness and presence in the fragmented luxury wine segment. As our portfolio continues to grow across multiple tiers in the luxury category, we believe we will continue to attract greater attention from retailers. We believe that this increased attention from retailers, coupled with the efforts of our exceptional sales force, will provide further motivation for our distributors to broaden our distribution to additional trade customers.

Establishing and maintaining awareness of The Duckhorn Portfolio as a premier luxury winemaker is paramount to our growth and success, and we believe our sales and marketing strength will reinforce this and enable us to continue taking market share in a marketplace increasingly marked by distributor consolidation and increased competitive activities.

#### *Insightful and targeted portfolio evolution*

Our curated and comprehensive portfolio and historical growth result from long-term dedication to continuous evolution and alignment with the luxury wine consumer. As we continue to scale, we believe our product innovation pipeline will enable us to adapt and remain at the forefront of our industry.

One of our most successful growth initiatives has been the long-term development and evolution of Decoy, which began with a single offering and now includes 18 different labels across our Decoy and Decoy Limited offerings. In recent years, we successfully launched nine new Decoy labels, including Decoy Featherweight Sauvignon Blanc during Fiscal 2024. Decoy Featherweight, which is 80 calories per five-ounce serving and has an alcohol content of 9%, which establishes our presence in the lower-in-calorie/lower-in-alcohol wine category. In addition, we launched several other inaugural category offerings: Decoy Limited Paso Robles Cabernet Sauvignon and Decoy Brut Cuvée Sparkling.

#### *Expand and accelerate wholesale channel distribution*

We see an opportunity to continue to expand our retail accounts and increase cases and labels sold per retail account, most prominently by leveraging the strength of our powerhouse Decoy brand. In Fiscal 2024, we increased the number of our accounts and our number of distribution points. While the wholesale channel has experienced significant distributor consolidation and increased competition in recent years, we believe our long-standing commercial relationships coupled with exceptional portfolio strength position us to capture this distribution growth opportunity and accelerate sales to our distributors and trade accounts. Additionally, we anticipate that a formalized set of agreements executed in Fiscal 2024 with our key wholesale distributors will result in greater distributor focus and accountability, thereby providing greater confidence in our ability to achieve growth goals.

We also plan to continue to invest in our wholesale channel sales force to expand our network of distributor and account advocates and to grow our retail presence. In Fiscal 2024, investments in our sales team contributed to our exceptional performance in the markets where such investments were made. Additionally, our scale and luxury focus have allowed us to grow our presence in the competitive international wine market. For the same reasons that we are appealing to domestic distributors and retailers, we believe importers looking to expand their offerings of American wines view us as an attractive supplier.

*Continue to invest in DTC capabilities*

We plan to continue to invest in our DTC channel, which was 13.9% of net sales in Fiscal 2024. This robust channel provides an important means for us to engage with consumers, create brand evangelists and drive adoption across our portfolio. This channel also favorably impacts gross margins, as wines sold through our DTC programs are generally more exclusive and higher-priced wines. However, due to selling expense as a percentage of net sales variability, adjusted EBITDA margins are relatively comparable across the various channels. Our DTC channel will continue to play a critical role in authenticating our luxury credentials with consumers, and we believe our scaled presence and expertise in the channel separates us from our competitors.

*Evaluate strategic acquisitions opportunistically*

As part of our ongoing growth strategy, we strategically evaluate acquisition opportunities. While our growth and success are not contingent upon future acquisitions, we believe our leadership and operational teams have the capabilities and experience to execute and integrate acquisitions to create stockholder value. We actively track and evaluate acquisition opportunities that could create strategic advantages for our business. In Fiscal 2024, this approach led to the successful acquisition of Sonoma-Cutrer, which expands the Company's portfolio of luxury Chardonnay and doubles our Estate property acres. The acquisition of Geyserville winery in Fiscal 2023, which included a production facility and a vineyard, has allowed us to further bolster our in-house production capacity. We expect these acquisitions will work to further optimize our grape sourcing and wine production.

***Farming and winery operations***

*Farming*

During Fiscal 2024, we farmed approximately 1,100 Estate property acres we own or control through leases throughout the premier grape-growing regions in California and Washington. Between 2022 and 2024, our Estate properties produced, on average, 10% of the grapes required to meet our wine production needs. Approximately 90% of grapes were sourced from third-party growers, many of whom we have worked with for decades. Due to our ongoing reinvestment in our vineyard infrastructure, the natural lifecycle of grapevines and other business and agricultural considerations, the exact number of acres that are fallow, bearing fruit or producing a specific variety is in perpetual fluctuation. We are engaged in a number of sustainable winegrowing practices and work diligently to address climate change vulnerability. We further our commitment to responsible land stewardship by designing our vineyards to minimize impact on the surrounding environment and using sophisticated farming practices to encourage soil enhancement, erosion control and healthy ecosystems through native cover crops and water-efficient rootstock.

*Winemaking*

Our wineries are equipped with state-of-the-art technology designed to ensure optimal quality, allowing our winemaking teams a high level of visibility in reaching the desired results. Much of our wine is produced at an ISO-9001-certified plant. Once wine grapes have been harvested, the fruit is delivered by truck from the vineyard to the winery to begin the winemaking process. Each winery brand has its own winemaking team that designs and implements quality control plans for each stage of the production process. For Fiscal 2024, approximately 70% of our grape crush mix by net weight was processed at one of our wineries, and the remaining 30% was processed under our direction at custom crush partner facilities.

Great care is taken in the grape selection process to maximize the quality of grape clusters that are used in our wines. Once the winemaking team is satisfied that the grapes are of consistent ripeness and quality, the grapes are destemmed, crushed and later pumped into fermentation tanks. Once the fermentation process is complete, the wine is moved into barrels or storage tanks for cellaring. Nearly 80% of our wines are bottled at one of our facilities, which allows us to nimbly change bottling schedules at our facilities to meet changing demand. Across our facilities, we believe we have sufficient infrastructure, equipment and entitlements to accommodate our needs as we expand operations in the future.

At the end of bottling, labeled bottles are loaded into cases and placed in storage ready for transit. Wine must be transported by trucks, trailers or rail that are able to maintain the proper temperature to maintain the quality and

integrity of the wine. Most wine sold through the DTC channel, unless collected by the customer at a tasting room, is shipped from one of several storage locations via common carrier in compliance with applicable regulations. Wine sold directly to trade accounts in California is transported by carrier to the retail account. Wine sold in the wholesale channel to distributors and exported internationally is transported by carrier to the distributor or foreign importer that purchased the wine. The distributor or foreign importer stores our wines at staging locations and fulfills orders from on- and off-premise accounts in its respective territory.

*Packaging and production materials*

In addition to grapes and bulk wine, we use additives to support and develop the fermentation, filtration, clarification and stabilization of the wine from tank to bottle. We source barrels from France, glass bottles from Mexico, cork from Portugal and metal packaging components from the U.S. and Europe. We are focused on diversifying our supply chain and product sourcing to be best positioned to respond to unforeseen natural events.

*Long production cycle*

Our red wines generally have a harvest-to-release inventory lifecycle that can range from 14 to 48 months. Our white, rosé and sparkling wines generally have a harvest-to-release inventory lifecycle that can range from six to 43 months. While there is a cost to cellaring and storing wine for long periods before release, we believe the length of our production cycle is beneficial because it provides us visibility into future costs of goods sold, margin and return on investment, as well as an opportunity to adjust inventory volume in anticipation of changes in demand.

***Our omni-channel sales and distribution platform***

Once our wine is produced, there are two primary routes for it to reach our consumers: our wholesale channel, which includes sales directly to trade accounts in California and sales through distributors, and our DTC channel, through which we sell directly to our consumers. Our distributors, California direct to trade accounts business and DTC channel made up 69.8%, 16.3% and 13.9%, respectively, of our net sales in Fiscal 2024.

*The wholesale channel: Distributors and California direct to trade*

Our wholesale business, other than our direct to trade business in California, operates as a part of the state and federal government-mandated three-tier system, which establishes three categories of licensees: the producer (the party that makes the wine), the distributor (the party that buys the wine from the producer and, in turn, sells it to the retailer) and the retailer (the party that sells the wine to the ultimate consumer). The U.S. alcoholic beverage regulatory framework generally prohibits alcohol producers from selling alcohol in the wholesale channel directly to trade accounts located outside of the producer's home state. However, we are able to sell directly to trade accounts in California, as a benefit of our California (Type 02) winegrowers license.

In some states, an exclusive distributor must be assigned for each brand, and that distributor retains long-term rights to sell the brand in that state. We pride ourselves on our strong relationships with our distributors and structure these relationships within applicable law to maximize continuity and flexibility. We are sensitive to the detrimental effect on consumer buying behavior if a wine is unavailable, so we work closely with distributors to ensure consumer expectations are satisfied.

In California, our ability to sell directly to trade accounts allows us to have greater control of brand messaging and focus within the state. While few scaled producers use this route to market, The Duckhorn Portfolio has made use of this approach in California since 1980. Additionally, a small percentage of our wines are sold directly to accounts outside of California, including cruise ships, airlines and duty-free shops.

We deploy our sales force, comprised of approximately 90 dedicated sales professionals as of July 31, 2024, in our wholesale channel to support our vast network of distributors and trade accounts. Understanding how consumers will connect with brands is critical in allocating shelf and menu space. While many smaller luxury brands rely on distributors to introduce and promote their brands to retailers, our sales force takes direct action to deepen our existing distributor relationships as well as to work with trade accounts to strengthen our brand equity.



### *The DTC channel*

Our DTC channel activities encompass eight tasting rooms, several popular wine clubs, a robust multi-winery e-commerce website and universal shopping cart, a powerful Kosta Browne member allocation model and high-touch customer service teams. Our team of approximately 100 hospitality professionals, including seasonal and on-call employees, serve as ambassadors for our winery brands in our tasting rooms.

One catalyst of the DTC business is by-appointment seated tasting experiences supported by highly trained wine specialists who connect guests with our rarest wines, dynamic people and beautiful properties. The tasting room experience is designed to turn each guest into a brand evangelist and encourage future connections and purchases throughout our portfolio and channels.

Nearly all winery brands are available on the website via our universal shopping cart so that a consumer who discovers us for one brand or particular label will quickly be introduced to our other winery brands to fulfill their future wine needs. These strategies maximize each brand and property while driving awareness for our other world-class wines and properties, resulting in more and longer lasting connections with consumers and accounts. DTC is the channel with the highest gross profit margins and a critical marketing engine that creates brand strength to drive sales of our most expensive wines.

## **Marketing**

### *Strategy*

Our marketing strategy is centered around our goal of making The Duckhorn Portfolio the producer of choice for luxury wine consumers and accounts. To that end, our marketing activities are organized around three major functional areas: consumer marketing, account marketing and new product development.

Consumer marketing activities are focused on increasing awareness and creating engaged consumers through public relations, advertising, rich content creation and social/digital engagement for our wines and tasting experiences offered in our DTC channel. Our account marketing activities are focused on cultivating strong relationships and success with our top distributors and national chain accounts, including display merchandising, promotions and distribution expansion. Our approach to consumer and account marketing enables us to effectively leverage and cross-promote our two top selling winery brands: Decoy and Duckhorn Vineyards.

New product development and innovation are also critical to our marketing strategy. We continue to see growth in net sales from labels developed within the last five years, such as Decoy Limited Alexander Valley Cabernet Sauvignon, Decoy Featherweight Sauvignon Blanc, Duckhorn Vineyards Oakville Cabernet Sauvignon, Postmark Paso Robles Cabernet Sauvignon, and a sparkling Decoy Brut Cuvée. The success of our higher-priced Decoy Limited tier is cementing Decoy as a luxury winery brand with both breadth and depth.

As a globally recognized wine company, we strive to consistently and responsibly market our products in a legal, safe and compliant manner. We promote health and safety by requiring employees, partners and vendors involved in the promotion of our winery brands to engage in practices and messaging consistent with responsible and safe consumption of our wines.

### *Marketing spend*

Our annual marketing spend is divided into two major components: account-focused activities to create unique and dynamic programs and consumer-focused activities to raise winery brand and portfolio awareness, create engagement and ultimately make a sale. Account spending primarily includes support for national accounts and display merchandising materials, support for e-commerce curbside pick-up and grocery delivery services and other advertising. Consumer spending includes public relations, advertising, events, content creation and digital spend on social media and paid search marketing. Having a strategic focus and budget dedicated to our top customers has yielded strong relationships and results. Kosta Browne's consumer-focused marketing predominantly supports the annual member offerings, digital marketing programs and high-touch collateral for member communication and events.

### *Social media and engagement*

Our social media marketing is designed to employ captivating content to re-create the powerful community-building prowess of our winery brands online. With approximately 483,000 followers combined, across Instagram, Facebook and X, we increased our followers by approximately 49%, including newly acquired Sonoma-Cutrer accounts, in Fiscal 2024 as compared to Fiscal 2023. The significant increase was primarily driven by the addition of Sonoma-Cutrer's followers. We surpass many of our competitors and are capitalizing on the current social media consumption trends to drive awareness, engagement, lead generation and sales, and many of our social media posts celebrate diversity and the inclusive culture we enjoy. Duckhorn Vineyards, Sonoma-Cutrer and Decoy primarily focus on driving awareness and engagement, while Kosta Browne is particularly adept at using lead acquisition social engagement to drive new DTC membership. A portion of our annual marketing budget is spent on social media influencer marketing, social advertising and social monitoring. These efforts primarily support our Decoy, Duckhorn Vineyards and Sonoma-Cutrer winery brands given their larger audience size.

### *Human capital management*

#### *Our team, our values*

Our values are an integral part of our Company's success and provide the foundation for continued growth. Our company culture has evolved as we have grown, but it has remained rooted in the shared values that were central to the vision of our founders, who focused on respect, hard work, collaboration, innovation and commitment to our mission. We work to cultivate an environment where all employees are treated fairly and with dignity, and where each team member can participate in a rewarding, challenging and productive career.

We are proud of the average tenure of our full-time employees, at approximately five years, which we believe is partially a result of our particular continuous focus on employee enrichment. For example, because many roles at the Company have a physical component, we maintain a comprehensive injury and illness prevention program to enhance employee safety. We believe our company culture is a key competitive advantage and a strong contributor to our success.

#### *Workforce*

Our people are the core of our company and are a part of every aspect of our business. Our workforce is comprised of dedicated, passionate employees who bring insights and knowledge to the Company through a wide variety of professional experiences and backgrounds. As of July 31, 2024, we had approximately 560 full-time, 25 part-time and 45 seasonal employees, all of which are employed in the U.S. We rely on temporary personnel to supplement our workforce, primarily on our farming teams. None of our employees are represented by a labor union or covered by a collective bargaining agreement.

#### *Compensation and Benefits; Health and Wellness*

Through our comprehensive benefit plans, educational opportunities and recognition programs, we aim to position all of our employees for success in their careers and enable them to lead well-balanced and meaningful lives. Our benefits package is designed to attract, engage, motivate, and retain top talent. We strive to provide compensation, benefits, and services that help meet the varying needs of our employees. Our benefits package includes competitive market pay and comprehensive benefits that are among the best in our industry, including insurance to protect and maintain health, income protection through our short- and long-term disability programs, paid parental leave, and services to assist in balancing work and personal life, such as an employee assistance program.

#### *Training and Development*

The attraction, development, and retention of employees is a critical factor for our success. To support the growth and advancement of our employees, we offer tuition reimbursement and an array of training and professional development opportunities, including a mentorship program, professional development reviews and a variety of training workshops.



### *Diversity, Equity and Inclusion*

We embrace diversity, equity, and inclusion (“DE&I”) as essential values. Our teams represent diverse backgrounds including geographies, cultures, ethnicities, religions, races, genders, sexual orientations, abilities and generations. We are dedicated to fostering an inclusive work environment across our business and within the wine industry. We value equity, ensuring fair access to resources for all, as well as inclusion, by fostering understanding and equal opportunities for our employees and communities.

### ***Our commitment to environmental, social and governance leadership***

We believe that the management of Environmental, Social and Corporate Governance (“ESG”) risks and opportunities we face as a company and an industry is central to our Company’s mission, because our overall success is directly linked to how responsibly and sustainably we run our business. We routinely take steps to address environmental concerns and climate change, strengthen the support of our employees and the communities in which we live and adhere to best practices in corporate governance and risk mitigation. Our ESG priorities, which are subject to change during the year, include, but are not limited to: sustainable agriculture, water conservation, responsible packaging, DE&I, human capital management, health and safety, responsible beverage service practices, enterprise risk management, data privacy and cybersecurity. We make strategic investments to continuously strengthen our ESG program and allow for responsible management of ESG factors that may impact the long-term interests of our stockholders. Our annual Responsibility and Sustainability Report examines the oversight and management of ESG elements that are fundamental to our business, discusses how we are operationally combating climate change, as well as details our work to support our employees and communities.

Our ESG program and the respective initiatives are organized into pillars, each containing specific goals and focus areas:

- *Fostering healthy habits and communities.* This pillar focuses on supporting the positive consumption habits of our consumers and the overall health of our employees and communities. Our goals in this pillar focus on decreasing total recordable incident rates in our employee base as well as increasing employee use of volunteer time off in our communities.
- *Elevating DE&I.* This pillar focuses on encouraging and supporting DE&I practices throughout our organization. Our goals in this pillar focus on enacting policies reflective of our business and employee worldviews and maintaining and enhancing representation in managerial positions at the Company.
- *Advancing water stewardship.* This pillar focuses on protecting valuable and limited water resources through sustainable water management. Our goals in this pillar focus on reducing our water withdrawn per ton of grapes crushed at our production facilities and increasing water resiliency in our Estate vineyards.
- *Championing a low carbon future.* This pillar focuses on taking strong climate action towards a low carbon future. Our goal in this pillar focuses specifically on continuing to decrease emissions caused by our supply chain. We made great progress against this goal through our successful transition to lightweight glass serving approximately 50% of our bottle molds, translating to a reduction of about 46 metric tons of CO<sub>2</sub> annually.
- *Modeling sustainability and efficiency.* This pillar focuses on ensuring our consumption and production patterns are sustainable by design. Our goals in this pillar focus on decreasing our product footprint in our internal supply chain, supplying some of the energy for our production facilities using solar panels and elevating biodiversity.

Our ESG program is led by our Strategy and Legal Department, which supports the execution of ESG initiatives through partnership with stockholders across all departments in the Company. The Company's Nominating and Corporate Governance Committee of the Board of Directors, as well as our President, Chief Executive Officer and Chairperson, provide strategic direction and oversight with respect to the evolving priorities of the ESG program

and receive quarterly reports with respect to the quantitative and qualitative progress of goal attainment. In addition, we report to our stockholders the results of our ESG initiatives on an annual basis.

***Regulatory matters***

We, along with our third-party growers, producers, manufacturers, distributors, trade accounts and ingredients and packaging suppliers, are subject to extensive regulation in the U.S. by federal, state and local government authorities with respect to registration, production processes, product attributes, packaging, labeling, storage and distribution of wine and other products we make.

We are also subject to state and local tax requirements in all states where our wine is sold. We monitor the requirements of relevant jurisdictions to maintain compliance with all tax liability and reporting matters. In California, we are subject to a number of governmental authorities, and are also subject to city and county building, land use, licensing and other codes and regulations.

We believe we are in compliance with these statutes and regulations and that they did not adversely affect our business, liquidity, financial condition and/or results of operations during Fiscal 2024.

***Intellectual property***

We establish, protect and defend our intellectual property in a number of ways, including through intellectual property laws, domestic and foreign trademark protections, intellectual property licenses and social media and information security policies. We focus significant resources on tracking and monitoring our trademarks for potentially infringing marks. Our trademarks are valuable assets that reinforce the distinctiveness of our winery brands and our portfolio strength. As of July 31, 2024, we had four registered copyrights, 77 unique-mark trademarks, 14 pending trademark applications and 253 issued trademarks with the U.S. Patent and Trademark Office, foreign nations and international intellectual property organizations, such as the World Intellectual Property Organization.

In addition to trademark protection, we own numerous URL designations, including [duckhorn.com](http://duckhorn.com), [decoywines.com](http://decoywines.com), [kostabrowne.com](http://kostabrowne.com), [duckhornportfolio.com](http://duckhornportfolio.com) and [duckhornwineshop.com](http://duckhornwineshop.com). We maintain and actively manage numerous company websites and social media accounts on social media platforms, including Facebook, Instagram, X and LinkedIn. We claim copyright ownership of all unique content created by and for our Company published on those websites and platforms.

We also rely on, and carefully protect, proprietary knowledge and expertise, including the sources of certain supplies, formulations, production processes, innovation regarding product development and other trade secrets necessary to maintain and enhance our competitive position.

***Available information***

Our internet website is [www.duckhornportfolio.com](http://www.duckhornportfolio.com). We make available on the Investor Relations section of our website, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Proxy Statements, and Forms 3, 4 and 5, and amendments to those reports as soon as reasonably practicable after filing such documents with, or furnishing such documents to, the SEC. On the Investor Relations section of our website, we webcast our earnings calls and certain events we participate in or host with members of the investment community. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases.

Further corporate governance information, including our board committee charters, and, code of ethics, is also available on our Investor Relations website under the heading “Governance—Governance Documents.” The SEC maintains a website ([www.sec.gov](http://www.sec.gov)) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

Our internet website is included herein as an inactive textual reference only. The information contained on our website is not incorporated by reference herein and should not be considered part of this report.

## Item 1A. Risk Factors

### Risks Related to the Proposed Merger

On October 6, 2024, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Marlee Buyer, Inc., a Delaware corporation (“Parent”) and affiliate of Butterfly Equity LP (“Butterfly”), and Marlee Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Parent (“Merger Sub”, and together with Parent, the “Buyer Parties”), providing for the merger of Merger Sub with and into the Company, with the Company continuing as the surviving corporation (the “Merger”). Under the terms of the Merger Agreement, the Company’s stockholders will receive \$11.10 per share in cash upon completion of the proposed transaction. See Note 19 (Subsequent Events), appearing in this Annual Report on Form 10-K for further information.

The Merger Agreement was unanimously approved by our Board of Directors. The description of the Merger Agreement in these Risk Factors does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement, which is filed as Exhibit 2.1 to this Annual Report on Form 10-K.

***We may fail to consummate the Merger, and uncertainties related to the consummation of the Merger may have a material adverse effect on our business, results of operations and financial condition and negatively impact the price of our common stock.***

The Merger is subject to the satisfaction of a number of conditions beyond our control, including receiving stockholder approval and other customary closing conditions. Failure to satisfy the conditions to the Merger could prevent or delay the completion of the Merger. Further, regulators may impose conditions, obligations or restrictions on the Merger that may have the effect of delaying or preventing its completion. If the Merger does not close, we may suffer other consequences that could adversely affect our business, financial condition, operating results, and stock price, and our stockholders would be exposed to additional risks, including, but not limited to:

- to the extent that the current market price of our common stock reflects an assumption that the Merger will be completed, the market price of our common stock could decrease if the Merger is not completed;
- investor confidence in us could decline, stockholder litigation could be brought against us, relationships with existing and prospective customers, service providers, investors, lenders and other business partners may be adversely impacted, we may be unable to retain key personnel, and our operating results may be adversely impacted due to costs incurred in connection with the Merger;
- we have incurred, and will continue to incur, significant expenses for professional services in connection with the Merger for which we will have received little or no benefit if the Merger is not consummated;
- any disruptions to our business resulting from the announcement and pendency of the Merger, including adverse changes in our relationships with customers, suppliers, partners and employees, may continue or intensify in the event the Merger is not consummated or is significantly delayed; and
- the requirement that we pay a termination fee under certain circumstances.

In addition, Butterfly has obtained significant equity and debt financing commitments for the transactions contemplated by the Merger Agreement, but the obligations of any lenders to provide the debt financing under the Debt Commitment Letter (as such term is defined in the Merger Agreement) are subject to a number of conditions, including the receipt of executed loan documentation, accuracy of representations and warranties, consummation of the transactions contemplated in the Merger Agreement and contribution of the equity contemplated by the Equity Commitment Letter (as such term is defined in the Merger Agreement). Parent is dependent upon its limited partners funding into Butterfly-managed investment funds to fund its equity commitment. If any of Butterfly’s limited partners fail to follow-through on its commitment to fund a Butterfly-managed fund at the closing of the proposed transaction, Butterfly may be unable to fund the required equity to consummate the transaction, and the proposed transaction may not close.

In addition, the efforts and costs to satisfy the closing conditions of the Merger may place a significant burden on management and internal resources, and the Merger and related transactions, whether or not consummated, may result in a diversion of management’s attention from day-to-day operations. Any significant diversion of management’s attention away from ongoing business and difficulties encountered in the Merger process could have a material adverse effect on our business, results of operations and financial condition.

***There also is no assurance that the Merger and the other transactions contemplated by the Merger Agreement will occur on the terms and timeline currently contemplated or at all.***

If the proposed Merger is delayed or not completed, the price of our common stock may decline, including to the extent that the current market price of our common stock reflects an assumption that the Merger and the other transactions contemplated by the Merger Agreement will be consummated without further delays, which could have a material adverse effect on our business, results of operations and financial condition. If the Merger Agreement is terminated and we determine to seek another business combination, we may not be able to negotiate a transaction with another party on terms comparable to, or better than, the terms of the Merger.

***If the Merger Agreement is terminated, we may, under certain circumstances, be obligated to pay a termination fee to Parent. These costs could require us to use available liquidity that would have otherwise been available for other uses.***

If the Merger is not completed, in certain circumstances, we could be required to pay a termination fee of up to \$53.5 million. If the Merger Agreement is terminated, the termination fee we may be required to pay, if any, under the Merger Agreement may require us to use available liquidity that would have otherwise been available for general corporate purposes or other uses. For these and other reasons, termination of the Merger Agreement could materially and adversely affect our business, results of operations or financial condition, which in turn would materially and adversely affect the price of our common stock.

***We are subject to various uncertainties while the Merger is pending, which could have a material adverse effect on our business, results of operations and financial condition.***

Uncertainty about the pendency of the Merger and the effect of the Merger on employees, customers and other third parties who deal with us may have a material adverse effect on our business, results of operations and financial condition. These uncertainties may impair our ability to attract, retain and motivate key personnel pending the consummation of the Merger, as such personnel may experience uncertainty about their future roles following the consummation of the Merger. Additionally, these uncertainties could cause customers and other third parties who deal with us to seek to change existing business relationships with us or fail to extend an existing relationship with us, all of which could have a material adverse effect on our business, results of operations, financial condition and market price of our common stock.

***While the Merger Agreement is in effect, we are subject to certain interim covenants.***

The Merger Agreement generally requires us to operate our business in the ordinary course, subject to certain exceptions, including as required by applicable law, pending consummation of the Merger, and subjects us to customary interim operating covenants that restrict us from taking certain specified actions until the Merger is completed or the Merger Agreement is terminated in accordance with its terms. These restrictions could prevent us from pursuing certain business opportunities that may arise prior to the consummation of the Merger and may affect our ability to execute our business strategies and attain financial and other goals and may impact our financial condition, results of operations and cash flows.

***The Merger Agreement limits our ability to pursue alternatives to the Merger and may discourage other companies from trying to acquire us for greater consideration than what Parent has agreed to pay pursuant to the Merger Agreement.***

The Merger Agreement contains provisions that make it more difficult for us to sell our business to a party other than Parent. Under the Merger Agreement, beginning at 11:59 p.m. (Pacific time) on November 20, 2024 we will become subject to customary “no-shop” restrictions on our ability to solicit alternative acquisition proposals from third parties and to provide information to, and participate in discussions and engage in negotiations with, third parties regarding any alternative acquisition proposals, subject to a customary “fiduciary out” provision. These restrictions, including the added expense of the termination fees that may become payable by us in certain circumstances, might discourage a third party that has an interest in acquiring all or a significant part of the Company from considering or proposing that acquisition, even if that party were prepared to pay consideration with a higher per share value than the consideration payable in the Merger pursuant to the Merger Agreement.

***We and our directors and officers may be subject to lawsuits relating to the Merger.***

Litigation is very common in connection with the sale of public companies, regardless of whether the claims have any merit. One of the conditions to consummating the Merger is that no material order preventing or materially delaying the consummation of the Merger shall have been issued by any court. Consequently, if any such lawsuit challenging the Merger is successful in obtaining an order preventing the consummation of the Merger, that order may delay or prevent the Merger from being completed. While we will evaluate and defend against any lawsuits, the time and costs of defending against litigation relating to the Merger may adversely affect our business.

***We will continue to incur substantial transaction-related costs in connection with the Merger.***

We have incurred significant legal, advisory and financial services fees in connection with Merger. We have incurred, and expect to continue to incur, additional costs in connection with the satisfaction of the various conditions to closing of the Merger, including seeking approval from our stockholders and from applicable regulatory agencies. If there is any delay in the consummation of the Merger, these costs could increase significantly.

***Efforts to complete the Merger could disrupt our relationships with third parties and employees, divert management's attention, or result in negative publicity or legal proceedings, any of which could negatively impact our operating results and ongoing business.***

We have expended, and continue to expend, significant management time and resources in an effort to complete the Merger, which may have a negative impact on our ongoing business and operations. Uncertainty regarding the outcome of the Merger and our future could disrupt our business relationships with our existing and potential customers, suppliers, vendors and other business partners, who may attempt to negotiate changes in existing business relationships or consider entering into business relationships with parties other than us. Uncertainty regarding the outcome of the Merger could also adversely affect our ability to recruit and retain key personnel and other employees. The pendency of the Merger may also result in negative publicity and a negative impression of us in the financial markets, and may lead to litigation against us and our directors and officers. Such litigation would be distracting to management and, may, in the future, require us to incur significant costs. Such litigation could result in the Merger being delayed and/or enjoined by a court of competent jurisdiction, which could prevent the Merger from becoming effective. The occurrence of any of these events individually or in combination could have a material and adverse effect on our business, financial condition and results of operations.

***If the Merger is consummated, our stockholders will not be able to participate in any further upside to our business.***

If the Merger is consummated, our stockholders will receive \$11.10 in cash per common share owned by them, without interest and subject to applicable tax withholding, and will not receive any equity interests of Parent. As a result, if our business following the Merger performs well, our current stockholders will not receive any additional consideration and will therefore not receive any benefit from any such future performance of our business.

**Risks related to our competitive position and winery brands**

***The success of our business depends heavily on the strength of our winery brands.***

Maintaining and expanding our reputation as a premier producer of luxury wine among our customers and the luxury wine market generally is critical to the success of our business and our growth strategy. The luxury wine market is driven by a relatively small number of active and well-regarded wine critics within the industry who have outsized influence over the perceived quality and value of wines. We have consistently produced critically acclaimed, award-winning wines across multiple winery brands in our portfolio. However, if we are unable to maintain the actual or perceived quality of our wines, including as a result of contamination or tampering, environmental or other factors impacting the quality of our grapes or other raw materials, or if our wines otherwise do not meet the subjective expectations or tastes of one or more of a relatively small number of wine critics, the actual or perceived quality and value of one or more of our wines could be harmed, which could negatively impact not only the value of that wine, but also the value of the vintage, the particular brand or our

broader portfolio. The winemaking process is a long and labor-intensive process that is built around yearly vintages, which means that once a vintage has been released, we are not able to make further adjustments to satisfy wine critics or consumers. As a result, we are dependent on our winemakers and tasting panels to ensure that every wine we release meets our exacting quality standards.

With the use of social media, word within the luxury wine market spreads quickly, which can accentuate both the positive and the negative reviews of our wines and of wine vintages generally. Public perception of our winery brands could be negatively affected by adverse publicity or negative commentary on social media outlets, particularly negative commentary on social media outlets that goes “viral,” or our responses relating to, among other things:

- an actual or perceived failure to maintain high-quality, safety, ethical, social and environmental standards for all of our operations and activities;
- an actual or perceived failure to address concerns relating to the quality, safety or integrity of our wines and the hospitality we offer to our guests at our tasting rooms;
- our environmental impact, including our use of agricultural materials, packaging, water and energy use, and waste management; or
- an actual or perceived failure by us to promote the responsible consumption of alcohol.

If we do not produce wines that are well-regarded by the relatively small wine critic community, the luxury wine market will quickly become aware and our reputation, winery brands, business, results of operations and financial condition could be materially and adversely affected. In addition, if certain vintages receive negative publicity or consumer reaction, whether as a result of our wines or wines of other producers, our wines in the same vintage could be adversely affected. Unfavorable publicity, whether accurate or not, related to our industry, us, our winery brands, marketing, personnel, operations, business performance or prospects could also unfavorably affect our corporate reputation, stock price, ability to attract high-quality talent or the performance of our business.

Any contamination or other quality control issue could have an adverse effect on sales of the impacted wine or our broader portfolio of winery brands. If any of our wines become unsafe or unfit for consumption, cause injury or are otherwise improperly packaged or labeled, we may have to engage in a product recall and/or be subject to liability and incur additional costs. A widespread recall, multiple recalls or a significant product liability judgment against us could cause our wines to be unavailable for a period of time, depressing demand and our brand equity. Even if a product liability claim is unsuccessful or is not fully pursued, any resulting negative publicity could adversely affect our reputation with existing and potential customers and accounts, as well as our corporate and individual winery brand images in such a way that current and future sales could be diminished. In addition, should a competitor experience a recall or contamination event, we could face decreased consumer confidence by association as a producer of similar products. Although we carry insurance to protect against certain potential errors in the production process, such insurance is subject to deductibles and may not be sufficient to compensate for the value of losses incurred in connection with product liability claims or recalls.

Additionally, third parties may sell wines or inferior brands that imitate our winery brands or that are counterfeit versions of our labels, and customers could be duped into thinking that these imitation labels are our authentic wines. For example, from time to time we have been notified of instances of potential counterfeiting related to a small amount of wine in foreign jurisdictions. Third parties, including third parties who acquire our wine and resell it on the secondary market, may also fail to properly store our wines in advance of offering them for sale, possibly resulting in a product that would not meet our high-quality standard. A negative consumer experience with such a wine could cause them to refrain from purchasing our winery brands in the future and damage our brand integrity. Any failure to maintain the actual or perceived quality of our wines could materially and adversely affect our business, results of operations and financial condition.

Damage to our reputation or loss of consumer confidence in our wines for any of these or other reasons could result in decreased demand for our wines and could have a material adverse effect on our business, results of operations and financial condition, as well as require additional resources to rebuild our reputation, competitive position and winery brand strength.



***We face significant competition with an increasing number of products and market participants that could materially and adversely affect our business, results of operations and financial condition.***

Our industry is intensely competitive and highly fragmented. Our wines compete in the luxury and ultra-luxury tiers within the wine industry and with many other domestic and foreign wines. Our wines also compete with popularly priced generic wines and with other alcoholic and, to a lesser degree, non-alcoholic beverages, for drinker acceptance and loyalty, shelf space and prominence in retail stores, presence and prominence on restaurant wine lists and for marketing focus by the Company's independent distributors, many of which carry extensive portfolios of wines and other alcoholic beverages. This competition is driven by established companies as well as new entrants in our markets and categories. In the U.S., wine sales are relatively concentrated among a limited number of large suppliers. Our competitors may have more robust financial, technical, marketing and distribution networks and public relations resources than we have. As a result of this intense competition, combined with our growth goals, we have experienced and may continue to face upward pressure on our selling, marketing and promotional efforts and expenses. There can be no assurance that in the future we will be able to successfully compete with our competitors or that we will not face greater competition from other wineries and beverage manufacturers.

If we are unable to successfully compete with existing or new market participants, or if we do not effectively respond to competitive pressures, we could experience reductions in market share and margins that could have a material and adverse effect on our business, results of operations and financial condition.

***Consolidation of the distributors of our wines, as well as the consolidation of retailers, may increase competition in an already crowded space and may have a material adverse effect on our business, results of operations and financial condition.***

Other than sales made directly to trade accounts in California or directly to consumers through our DTC channel, the majority of our wine sales are made through independent distributors for resale to retail outlets, restaurants, hotels and private clubs across the U.S. and in some overseas markets. Sales to distributors are expected to continue to represent a substantial portion of our future net sales. Consolidation among wine producers, distributors, wholesalers, suppliers and retailers could create a more challenging competitive landscape for our wines. Consolidation at any level could hinder the distribution and sale of our wines as a result of reduced attention and resources allocated to our winery brands both during and after transition periods, because our winery brands might represent a smaller portion of the new business portfolio. Furthermore, consolidation of distributors may lead to the erosion of margins as newly consolidated distributors take down prices or demand more margin from existing suppliers. Changes in distributors' strategies, including a reduction in the number of brands they carry or the allocation of resources for our competitors' brands or private label products, may adversely affect our growth, business, results of operations, financial condition and market share. Distributors of our wines offer products that compete directly with our wines for inventory and retail shelf space, promotional and marketing support and consumer purchases. Expansion into new product categories by other suppliers or innovation by new entrants into the market could increase competition in our product categories.

An increasingly large percentage of our net sales is concentrated within a small number of wholesale customers. Our five largest customers represented approximately 45% of total net sales in Fiscal 2024. Additionally, a substantial portion of our wholesale channel is commanded by large retailers. The purchasing power of these companies is significant, and they have the ability to command concessions. There can be no assurance that the distributors and retailers we use will continue to purchase our wines or provide our wines with adequate levels of promotional and merchandising support. In addition, changes to any of our distribution partners in important markets could result in temporary or longer-term sales disruption, higher costs and harm to other business relationships we may have. In May 2024, we announced that we entered into distribution agreements with Republic National Distributing Company ("RNDC") and Breakthru Beverage Group ("BBG"), with the goal of driving profitable growth of sales through an increase in focus and investment in the wholesale channel. These distributor changes could result in temporary disruption to our deliveries to retailers. Further, there can be no assurance that the distributor changes will achieve the intended benefits on the time frame we expect or at all. The loss of one or more major accounts or the need to make significant concessions to retain one or more such accounts could have a material and adverse effect on our business, results of operations and financial condition.

***A reduction in consumer demand for wine, which may result from a variety of factors, including demographic shifts, desirable substitutes and decreases in discretionary spending, could materially and adversely affect our business, results of operations and financial condition.***

Consumer preferences may shift due to a variety of factors, including changes in demographic or social trends, changes in discretionary income (including as a result of inflation and the resulting economic disruption), public health policies and perceptions and changes in leisure, dining and beverage consumption patterns. Our continued success will require us to anticipate and respond effectively to shifts in consumer behavior and drinking tastes. If consumer preferences were to move away from our luxury winery brands or labels, our results of operations would be materially and adversely affected.

A limited or general decline in consumer demand could occur in the future due to a variety of factors, including:

- a general decline in economic or geopolitical conditions including, as a result of inflation, or the increase in price of consumer products;
- a general decline in the consumption of alcoholic beverage products in on-premise establishments, such as those that may result from stricter laws relating to driving while under the influence of alcohol and changes in public health policies;
- a generational, demographic or other shift in consumer preferences away from wines to other alcoholic beverages or other substitutes;
- increased activity of anti-alcohol groups;
- concern about the health consequences of consuming alcoholic beverage products;
- increased federal, state, provincial, and foreign excise, or other taxes on beverage alcohol products and increased restrictions on beverage alcohol advertising and marketing; and
- consumer dietary preferences favoring lower-calorie alcoholic and non-alcoholic beverages.

Our portfolio includes a range of luxury and ultra-luxury wines, and demand for these winery brands may be particularly susceptible to changing economic conditions and consumer tastes, preferences and spending habits, which may reduce our sales of these products and adversely affect our profitability. Many of these consumers are from the Generation X and Baby Boomer generations, and we have not yet seen equivalent adoption by the Millennial generation. An unanticipated decline or change in consumer demand or preference could also materially impact our ability to forecast for future production requirements, which could, in turn, impair our ability to effectively adapt to changing consumer preferences. Any reduction in the demand for our wines would materially and adversely affect our business, results of operations and financial condition.

***The consumer reception of the launch and expansion of our product offerings is inherently uncertain. New producers may present new and unknown risks and challenges in production and marketing that we may fail to manage optimally and could have a materially adverse effect on our business, results of operations and financial condition.***

New product development and innovation is a key part of our marketing strategy. To continue our growth and compete with new and existing competitors, we may need to innovate and develop a robust pipeline of new wines. The launch and continued success of a new wine is inherently uncertain, particularly with respect to consumer appeal and market share capture. An unsuccessful launch may impact consumer perception of our existing winery brands and reputation, which are critical to our ongoing success and growth. Unsuccessful implementation or short-lived success of new wines may result in write-offs or other associated costs which may materially and adversely affect our business, results of operations and financial condition. In addition, the launch of new product offerings may result in cannibalization of sales of existing products in our portfolio.

***Due to the three-tier alcohol beverage distribution system in the United States, we are heavily reliant on our distributors and government agencies that resell alcoholic beverages in all states except California, where we self-distribute our wines to trade accounts. A significant reduction in distributor demand for our wines would materially and adversely affect our sales and profitability.***

Due to regulatory requirements in the U.S., we sell a significant portion of our wines to wholesalers for resale to trade accounts, and in some states, directly to government agencies for resale. In California we sell directly to



retail accounts rather than via a wholesaler, which we refer to as direct to trade. Additionally, a small percentage of our wines are sold directly to accounts outside of California, including cruise ships, airlines and duty-free shops. A change in the relationship with any of our significant distributors could harm our business and reduce our sales.

The laws and regulations of several states prohibit changes of distributors, except under certain limited circumstances, making it difficult to terminate or otherwise cease working with a distributor for poor performance without reasonable justification, as defined by applicable statutes in those states. Any difficulty or inability to replace distributors, poor performance of our major distributors or our inability to collect accounts receivable from our major distributors could harm our business. In addition, an expansion of the laws and regulations limiting the sale of our wine would materially and adversely affect our business, results of operations and financial condition. There can be no assurance that the distributors and accounts to which we sell our wines will continue to purchase our wines or provide our wines with adequate levels of promotional support, which could increase competitive pressure to increase sales and market spending and could materially and adversely affect our business, results of operations and financial condition.

***Our marketing strategy involves continued expansion of our DTC channel, which may present risks and challenges that we have not yet experienced or contemplated, or for which we are not adequately prepared. These risks and challenges, including changes to the judicial, legal or regulatory framework applicable to our DTC business and failures of third-party shipping and IT partners, could negatively affect our sales in these channels and our profitability.***

The marketplace in which we operate is highly competitive and in recent years has seen the entrance of new competitors and products targeting similar customer groups to our business. To stay competitive and forge new connections with customers, we are continuing to invest in the expansion of our DTC channel.

Expanding our DTC channel may require significant investment in tasting room development, e-commerce platforms, marketing, fulfillment, IT infrastructure and other known and unknown costs. The success of our DTC channel depends on our ability to maintain the efficient and uninterrupted operation of online order processing and fulfillment and delivery operations. As such, we are heavily dependent on the performance of our shipping and technology partners. Any system interruptions or delays could prevent potential customers from purchasing our wines directly or from receiving the wine they purchase in a timely manner, both of which could negatively impact our business.

Our ability to ship wines directly to our customers is the result of court rulings, including the U.S. Supreme Court ruling in *Granholm v. Heald*, which allow, in certain circumstances, shipments to customers of wines from out-of-state wineries. Any changes to the judicial, legal or regulatory framework applicable to our DTC business that reduce our ability to sell wines in most states in the DTC channel could have a materially adverse effect on our business, results of operations and financial condition.

We may be unable to adequately adapt to shifts in consumer preferences for points of purchase, such as an increase in at-home delivery, and our competitors may react more rapidly or with improved customer experiences. A failure to react quickly to these and other changes in consumer preferences, or to create infrastructure to support new or expanding sales channels may materially and adversely affect our business, results of operations and financial condition.

***Our advertising and promotional investments may affect our financial results but not be effective.***

We have incurred, and expect to continue to incur, significant advertising and promotional expenditures to enhance our winery brands and raise consumer awareness in both existing and emerging categories. These expenditures may adversely affect our results of operations in a particular quarter or even a full fiscal year, and may not result in increased sales. Variations in the levels of advertising and promotional expenditures have in the past caused, and are expected in the future to continue to cause, variability in our quarterly results of operations. While we strive to invest only in effective advertising and promotional activities in both the digital and traditional segments, it is difficult to correlate such investments with sales results, and there is no guarantee that our expenditures will be effective in building brand strength or growing long-term sales.

***A decrease in wine score ratings by important rating organizations could have a negative impact on our ability to create demand for and sell our wines. Sustained negative scores could reduce the prominence of our winery brands and carry negative association across our portfolio which could materially and adversely affect our sales and profitability.***

Our winery brands and individual labels are issued ratings or scores by wine rating organizations, and higher scores often drive greater demand and, in some cases, higher pricing. Many of our winery brands and labels have consistently ranked among the top U.S. luxury wine brands and have generally received positive reviews across multiple appellations, varieties, styles and price points from many of the industry's top critics and publications. These positive third-party reviews have been important to maintaining and expanding our reputation as a luxury wine producer. However, we have no control over ratings issued by third parties or the methodology they use to evaluate our wines, which may not continue to be favorable to us in the future. If our new or existing winery brands or labels are assigned significantly lower ratings, if our winery brands or labels consistently receive lower ratings over an extended period of time or if any of our competitors' new or existing brands are assigned comparatively higher ratings, our customers' perception of our winery brands and our labels and demand for our wines could be negatively impacted, which could materially and adversely affect our sales and profitability.

### **Risks related to our production of wine and the occurrence of natural disasters**

***If we are unable to obtain adequate supplies of premium grapes and bulk wine from third-party grape growers and bulk wine suppliers, the quantity or quality of our annual production of wine could be adversely affected, causing a negative impact on our business, results of operations and financial condition.***

The production of our luxury wines and the ability to fulfill the demand for our wines is restricted by the availability of premium grapes and bulk wines from third-party growers. On average, between 2022 and 2024, approximately 10% of our grape inputs per year came from our own Estate properties and the remaining amount primarily came from third parties in the form of contracted grapes and contracted bulk wine.

As we continue to grow, we anticipate that a greater percentage of our production will rely on third-party suppliers as the yield from our Estate properties is likely to remain relatively stable. If we are unable to source grapes and bulk wine of the requisite quality, varieties and geographies, among other factors, our ability to produce wines to the standards, quantity and quality demanded by our customers could be impaired.

Factors including climate change, agricultural risks, competition from other grape purchasers, water availability, land use, wildfires, floods, drought, disease and pests could impact the quality and quantity of grapes and bulk wine available to our Company. Furthermore, these potential disruptions in production may drive up demand for grapes and bulk wine creating higher input costs or the inability to purchase these materials. In recent years, we have observed volatility in the grape market. We may experience upward price pressure in future harvest seasons due to factors including the general volatility in the grape and bulk wine markets, widespread insured and/or uninsured losses and overall stress on the agricultural portion of the supply chain. As a result, our business, results of operations and financial condition could be materially and adversely affected both in the year of the harvest and in future periods.

***Natural disasters, including fires, floods and earthquakes, some of which may be exacerbated by climate change, could destroy, damage or limit access to our wineries and vineyards, and the locations at which we store our inventory, which could materially and adversely affect our business, results of operations and financial condition.***

In recent years, we have seen an increase in the number and severity of extreme temperature events and unusual weather patterns, as well as the increase in both the frequency and severity of natural disasters, including fires, earthquakes and floods. These natural disasters and severe weather events may cause disruptions to our supply chain, which may negatively impact our wines by causing disruption or damage to our wineries, inventory holdings, suppliers, transportation or sales channels.

A significant portion of our agricultural yield, wineries and tasting rooms, and our corporate headquarters, are located in a region of California that is prone to natural disasters such as wildfires, floods and earthquakes.

Natural disasters may also interrupt critical infrastructure, such as electricity, which may be suspended for a prolonged period of time as a preventative or reactive measure to natural disasters. In recent years, we have experienced wildfires of varying duration and severity in California. At various times during some of these fires, operations at certain of our properties were impacted. These fires also resulted in power outages and limited our access to and productivity at certain of our facilities, which negatively impacted our production and operations. The grapes in our vineyards and the vineyards of the growers from which we are contracted to purchase grapes are susceptible to potential smoke damage as a result of wildfires in the region, which, in some cases, can impact the quality of the grapes, making them unusable or decreasing their value in the production of our wine, as occurred as a result of the fires in 2020.

A significant portion of our net sales is derived from our DTC channel, which depends in part on guest visits to our tasting rooms. Natural disasters and severe weather, and negative press coverage of such incidents, have in the past and could in the future negatively impact the number of tourists visiting Northern California, which could, in turn, decrease visits to our tasting rooms. Any decrease in visits to our tasting rooms could negatively impact our DTC channel, which could have a materially adverse impact on our business, results of operations and financial condition.

Some of our vineyards and wineries are located in areas susceptible to flooding. In 2019, substantial flooding in the Russian River Valley caused damage to one of our facilities and tasting rooms and caused more substantial damage to other nearby wineries and vineyards. Additionally, in 2014, a 6.0 magnitude earthquake occurred in Napa County that caused significant damage to certain wineries and businesses in the area.

While we have mitigation and avoidance strategies in place to minimize the damage to our properties, remediate smoke taint present in some wine and mitigate other losses resulting from fires, floods and other natural disasters, we cannot be certain such strategies will be sufficient in the event of future fires, earthquakes or flooding, particularly if such events increase in severity, duration or geographic scope. Failure to adequately mitigate future climate risks or more extreme and adverse conditions at any of our properties or the properties of our suppliers could result in the partial or total loss of physical inventory, production facilities, tasting rooms or event spaces, which could have a materially adverse impact on our business, results of operations and financial condition.

***A failure to adequately prepare for supply chain disruptions or other adverse events that could cause disruption to elements of our business, including our grape harvesting, blending, inventory aging or distribution of our wines could materially and adversely affect our business, results of operations and financial condition.***

Disruptions to our operations, or the operations of any of our suppliers or third-party production or storage facilities or shipping partners, caused by adverse weather, natural disasters, public health emergencies, human errors or other unforeseen circumstances may adversely affect our business, results of operations and financial condition. A consequence of any of these or supply chain disruptions, including the temporary inability to produce our wines due to the closure of our production sites or an inability to transport our wines at a reasonable cost or at all, could prevent us from meeting consumer demand in the near term or long-term for our aged wines. The occurrence of any such disruptions during a peak time of demand for such processed materials could increase the magnitude of the effect on our distribution network and sales. In addition, distributors may seek to maintain larger inventories of our wine as a consequence of these disruptions. Failure to adequately prepare for and address any such disruptions could materially and adversely affect our business, results of operations and financial condition.

A catastrophic event causing physical damage, disruption or failure at any one of our major production or storage facilities, or any third-party facility where our wine is produced or stored, could adversely affect our business. As many of our wines require aging for some period of time, we maintain a substantial inventory of aged and maturing wines in warehouses at a number of different locations in California and Washington. Human error in the production process, including during wine blending, as well as human errors that lead to leaks or spillage may result in lost or damaged inventory. The loss of a substantial amount of aged inventory through fire, accident, earthquake, other natural or man-made disaster, contamination or otherwise could significantly reduce the supply of the affected wine or wines, including our aged wines, which are typically our highest priced and limited production wines.

Any disruptions that cause forced closure or evacuation could materially harm our business, results of operations and financial condition. Additionally, should multiple closings occur, we may lose guest confidence that could result in a reduction in visitation to our tasting rooms and direct sales, which could materially and adversely affect our business, results of operations and financial condition.

***If we fail to effectively expand or optimize our processing, manufacturing and production capacity as we continue to grow and scale our business, our business and operating results and our brand reputation could be harmed.***

While our current supply, processing and manufacturing capabilities are sufficient to meet our present business needs, we may need to expand these capabilities in the future as we continue to grow and scale our business. There is risk in our ability to effectively scale and optimize production and processing and effectively manage our supply chain requirements. We must accurately forecast demand for our products to ensure we have sufficient processing and manufacturing capacity to effectively meet consumer demand. Conversely, if we overestimate our demand or overbuild our capacity, we may have significantly underutilized supply or other assets and may experience reduced margins. If we do not accurately align our processing and manufacturing capabilities with demand, our business, results of operations and financial condition could be adversely affected.

We may occasionally acquire or build new wine production or tasting rooms to meet business needs. If the design, permitting, or building process do not go as planned, if acquired facilities are not brought up to full processing or use capacity, or if we are unable to hire, train and retain employees to support additional production facilities or tasting rooms, we may not be able to fully realize the potential benefits of such additional facilities and our business, results of operations and financial condition could be adversely affected.

***The inherent uncertainty in supply/demand forecasting could adversely affect our business, particularly with respect to our aged products.***

Due to the long production cycle of our products, there is an inherent risk of forecasting imprecision in determining the quantity of aged and maturing products to produce and hold in inventory in a given year for future sale. The forecasting strategies we use to balance product supply with fluctuations in consumer demand may not be effective for particular years or products. Factors that affect our ability to forecast accurately include changes in business strategy, market demand, consumer preferences, macroeconomic conditions, introductions of competing products, and other changes in market conditions. Additionally, our supply of aged products can deviate from expectations and forecasts. Such forecasting errors could lead to our inability to meet the objectives of our business strategy, failure to meet future demand, or a future surplus of inventory. Further, we may not be successful in using certain strategies, such as pricing changes, to create the desired balance of available supply and consumer demand. As a result, we may be unable to meet consumer demand for the affected products for a period of time. Furthermore, not having our products in the market consistently may adversely affect our brand equity and future sales.

***Inclement weather, drought, pests, plant diseases and other factors could reduce the amount or quality of the grapes available to produce our wines, which could materially and adversely affect our business, results of operations and financial condition.***

A shortage in the supply of quality grapes may result from the occurrence of any number of factors that determine the quality and quantity of grape supply, including adverse weather conditions (including more frequent and intense heatwaves, frosts, drought and excessive rainfall), and various diseases, pests, fungi and viruses such as Red Blotch, Pierce's Disease or the European Grapevine Moth. Factors that reduce the quantity of grapes we, or the growers with which we contract, grow may also reduce their quality. We cannot anticipate changes in weather patterns and conditions, and we cannot predict their impact on our operations if they were to occur. We also cannot guarantee that our efforts to prevent and control any pest and plant disease infestation will be successful, or that any such infestations will not have a material impact on the properties of any of our suppliers. Any shortage could cause an increase in the price of some or all of the grape varieties required for our wine production or a reduction in the amount of wine we are able to produce, which could materially and adversely affect our business, results of operations and financial condition.

***If we are unable to identify and obtain adequate supplies of quality agricultural, winemaking and packaging materials, water and other supplies, or if there is an increase in the cost of the commodities, power, fuel or other products, as a result of inflation or scarcity, our profitability and production and distribution capabilities could be negatively impacted, which would materially and adversely affect our business, results of operations and financial condition.***

We use a large volume of grapes and other raw materials to produce and package our wine, including barrels, glass bottles, corks, winemaking additives and water, as well as large amounts of packaging materials, including metal, cork, glass and cardboard. We purchase raw materials and packaging materials under contracts of varying maturities from domestic and international suppliers. Glass bottle costs are one of our largest packaging components of cost of goods sold. In North America, glass bottles have only a small number of producers. An inability of any of our glass bottle suppliers to satisfy our requirements could materially and adversely affect our business. In addition, costs and programs related to mandatory recycling and recyclable materials deposits have and could continue to be adopted in states or countries of manufacture, imposing additional and unknown costs to manufacture products utilizing glass bottles.

The amount of water available for use is important to the supply of our grapes and winemaking, other agricultural raw materials and our ability to operate our business. If climate patterns change and droughts become more severe, there may be a scarcity of water or poor water quality, which may affect our production costs, consistency of yields or impose capacity constraints. We depend on sufficient amounts of quality water for the operation of our wineries, as well as to irrigate our vineyards and conduct our other operations. The suppliers of the grapes and other agricultural raw materials we purchase also depend upon sufficient supplies of quality water for their vineyards and fields. Prolonged or severe drought conditions in the western U.S. or restrictions imposed on our irrigation options by governmental authorities could have an adverse effect on our operations in the region. If water available to our operations or the operations of our suppliers becomes scarcer, restrictions are placed on our usage of water or the quality of that water deteriorates, we may incur increased production costs or face manufacturing constraints which could negatively affect our production. Even if quality water is widely available to us, water purification and waste treatment infrastructure limitations could increase our costs or constrain the operation of our production facilities and vineyards. Any of these factors could materially and adversely affect our business, results of operations and financial condition.

Our production facilities also use a significant amount of energy in their operations, including electricity, propane and natural gas. We have experienced increases in energy costs in the past, and energy costs could rise in the future, which would result in higher transportation, freight and other operating costs, such as aging and bottling expenses. Our freight cost and the timely delivery of our wines could be adversely affected by a number of factors that could reduce the profitability of our operations, including driver shortages, higher fuel costs, weather conditions, traffic congestion, increased government regulation, and other matters. In addition, increased labor costs or insufficient labor supply could materially increase our production costs.

Our supply and the price of raw materials, packaging materials and energy and the cost of freight and labor used in our productions and distribution activities could be affected by a number of factors beyond our control, including market demand, supply chain issues, global geopolitical events (especially their impact on energy prices), economic factors affecting growth decisions, exchange rate fluctuations and inflation. To the extent any of these factors, including inflation, affect the prices of ingredients or packaging, or we do not effectively or completely hedge changes in commodity price risks, or are unable to recoup costs through increases in the price of our finished wines, our business, results of operations and financial condition could be materially and adversely affected.

#### **Risks related to our business**

***The impact of U.S. and worldwide economic trends and financial market conditions could materially and adversely affect our business, liquidity, financial condition and results of operations.***

We are subject to risks associated with adverse economic conditions in the U.S. and globally, including economic slowdown or recession, pandemic risk, inflation, and the disruption, volatility and tightening of credit and capital markets. Since our operations and our customers are mainly in the U.S., we are particularly susceptible to

consumer trends, market fluctuations, adverse regulations, the economic climate and other adverse events in the U.S. Recent events, including military conflicts in Ukraine and the Middle East, inflationary conditions and high interest rates, have caused disruptions in the U.S. and global economy, and uncertainty regarding general economic conditions, including concerns about a potential U.S. or global recession, may lead to decreased consumer spending on discretionary items, including wine.

In general, positive conditions in the broader economy promote customer spending on wine, while economic weakness, which generally results in a reduction of customer spending, may have a more pronounced negative effect on spending on wine. Unemployment, tax increases, governmental spending cuts or a return of high levels of inflation could affect consumer spending patterns and purchases of our wines and other alcoholic beverage products. Reduced consumer discretionary spending and reduced consumer confidence could negatively affect the trend towards consuming luxury wines and could result in a reduction of wine and beverage alcohol consumption in the U.S. generally. In particular, extended periods of high unemployment, lower consumer discretionary spending and low consumer confidence could result in lower DTC sales than expected, lower wholesale sales of our ultra-luxury winery brands in favor of luxury winery brands which have a lower average sales price, and generally lower gross profit margins and lower overall sales, which could negatively impact our business and results of operations. These conditions could also create or worsen credit issues, cash flow issues, access to credit facilities and other financial hardships for us and our suppliers, distributors, accounts and consumers. Our inability, or an inability of our suppliers, distributors and retailers, to access liquidity could impact our ability to produce and distribute our wines.

***Increases in labor costs, labor shortages, and any difficulties in attracting, motivating, and retaining well-qualified employees could have an adverse effect on our ability to successfully manage our business, maintain our reputation within the industry and execute our strategic objectives, which could materially and adversely affect our operating efficiency and financial condition.***

Our workforce is a significant contributor to the success of our business. If we face labor shortages, increased labor costs due to increased competition for employees and higher employee turnover rates, increases in the federal, state, or local minimum wage, or other employee benefits costs, our operating expenses could increase and our growth, results of operations, and financial condition could be negatively impacted. Wage growth, as a result of labor shortages or otherwise, may also lead to higher costs to purchase the services of third parties and reduce our results of operations.

We are highly dependent on the contributions of our senior management team, sales team, and other key employees, such as our winemakers, and certain employees at our corporate headquarters, wineries, tasting rooms and vineyards. Our ability to deliver on strategic targets is dependent on our ability to recruit, retain and motivate key employees. Attracting and retaining such employees can be competitive in the locations in which our facilities are located, and the inability to attract and retain qualified employees may impact our ability to achieve our targets. We believe that the background and experience of our management team has been a major factor in our success and growth. The loss of current key employees could result in the loss of business knowledge, negatively impact relationships with suppliers, distributors or customers or hurt Company culture and morale, and ultimately, our operating efficiency and financial condition.

***Our financial performance is subject to significant seasonality and variability.***

Our sales and pricing are subject to seasonal fluctuations. Our net sales are typically highest in the first half of our fiscal year due to increased consumer demand leading up to and 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, which has the effect of lowering average selling prices as a result of the shift in sales channel mix as well as the use of distributor and retail sales discounts and promotions in our wholesale channel. We typically experience a higher concentration of sales through our DTC channel in the first and fourth fiscal quarters since wine club and allocation shipments are timed to avoid hot summer weather. In Fiscal 2024, our net sales in the first, second, third and fourth fiscal quarters represented approximately 27%,



27%, 24% and 22%, respectively, of our total net sales for the year, excluding net sales related to Sonoma-Cutrer. Due to the relative importance of the first and second fiscal quarters, slower than anticipated demand for our wines in those quarters could have a materially adverse effect on our annual fiscal results. A failure by us to adequately prepare for periods of increased demand, or any event that disrupts our distribution channels during the first half of each fiscal year, could have a material adverse effect on our business and results of operations. A number of other factors which are difficult to predict could also affect the seasonality or variability of our financial performance. Therefore, you should not rely on the results of a single fiscal quarter as an indication of our annual results or future performance.

***If we are unable to secure and protect our intellectual property in domestic and foreign markets, including trademarks for our winery brands, vineyards and wines, the value of our winery brands and intellectual property could decline, which could have a material and adverse effect on our business, results of operations and financial condition.***

Our future success depends significantly on our ability to protect our current and future winery brands and wines and to enforce and defend our trademarks and other intellectual property rights. We rely on a combination of trademark, copyright and trade secret laws, as well as confidentiality procedures and contractual restrictions, to secure and protect our intellectual property rights. We have been granted 77 trademark registrations in the U.S. and numerous trademark registrations in other countries covering many of our winery and wine brands, and we have filed, and expect to continue to file, trademark applications seeking to protect newly-developed winery and wine brands. We cannot be sure that trademark registrations will be issued to us under any of our trademark applications. Our trademark applications could be opposed by third parties, and our trademark rights, including registered trademarks, could also be challenged. There can be no assurance that we will be successful in defending our trademarks in actions brought by third parties.

There is also a risk that we could fail to timely maintain or renew our trademark registrations or otherwise protect our trademark rights, which could result in the loss of those trademark rights (including in connection with failure to maintain consistent use of these trademarks). If we fail to maintain our trademarks or our trademarks are successfully challenged, we could be forced to rebrand our wineries, wines and other products, which could result in a loss of winery brand recognition and could require us to devote additional resources to the development and marketing of new winery brands.

Notwithstanding any trademark registrations held by us, a third party could bring a lawsuit or other claim alleging that we have infringed that third party's trademark rights. Any such claims, with or without merit, could require significant resources to defend, could damage the reputation of our winery brands, could result in the payment of compensation (whether as a damages award or settlement) to such third parties, and could require us to stop using our winery brands' trademarks or otherwise agree to an undertaking to limit that use. In addition, our actions to monitor and enforce trademark rights against third parties may not prevent counterfeit products or products bearing confusingly similar trademarks from entering the marketplace, which could divert sales from us, tarnish our reputation or reduce the demand for our products or the prices at which those products are sold. Any enforcement litigation brought by us, whether or not successful, could require significant costs and resources, and divert the attention of management, which could negatively affect our business, results of operations and financial condition. Third parties may also acquire and register domain names that are confusingly similar to or otherwise damaging to the reputation of our trademarks, and we may not be able to prevent or cancel any such domain name registrations.

***We may not be fully insured against catastrophic perils, including catastrophic loss or inaccessibility of wineries, production facilities and/or distribution systems resulting from fire, wildfire, flood, wind events, earthquake and other perils, which may cause us to experience a material financial loss.***

If any of our vineyards or facilities were to experience a catastrophic loss in the future, it could disrupt our operations, delay production, shipments and our recognition of revenue, and result in potentially significant expenses to repair or replace the vineyard or facility. If such a disruption were to occur, we could breach agreements, our reputation could be harmed, and our business and operating results could be materially and adversely affected. Although we carry insurance to cover property and inventory damage and business

interruption, these coverages are subject to deductibles and self-insurance obligations, as well as caps on coverage that could be below the value of losses we could incur in certain catastrophic perils. Furthermore, claims for recovery against our insurance policies can be time-consuming, and may result in significant delays between when we incur damages and when we receive partial or full payment under our insurance policies.

Furthermore, increased incidence or severity of natural disasters has adversely impacted our ability to obtain adequate property damage, inventory and business interruption insurance at financially viable rates, if at all. For example, we have observed certain insurers ceasing to offer certain inventory protection policies, and we have supplemented our insurance coverage recently by purchasing policies at higher premiums. If these trends continue and our insurance coverage is adversely affected, and to the extent we elect to increase our self-insurance obligations, we may be at greater risk that similar future events will cause significant financial losses and materially and adversely affect our business, results of operations and financial condition.

***From time to time, we may become subject to litigation specifically directed at the alcoholic beverage industry, as well as litigation arising in the ordinary course of business.***

We and other companies operating in the alcoholic beverage industry are, from time to time, exposed to class action or other private or governmental litigation and claims relating to product liability, alcohol marketing, advertising or distribution practices, alcohol abuse problems or other health consequences arising from the excessive consumption of or other misuse of alcohol, including underage drinking. Various groups have, from time to time, publicly expressed concern over problems related to harmful use of alcohol, including drinking and driving, underage drinking and health consequences from the misuse of alcohol. These campaigns could result in an increased risk of litigation against the Company and our industry. Lawsuits have been brought against beverage alcohol companies alleging problems related to alcohol abuse, negative health consequences from drinking, problems from alleged marketing or sales practices and underage drinking. While these lawsuits have been largely unsuccessful in the past, others may succeed in the future.

From time to time, we may also be party to other litigation or proceedings in the ordinary course of our operations, including in connection with commercial disputes, employment disputes, personal injury claims, enforcement or other regulatory actions by tax, customs, competition, environmental, anti-corruption and other relevant regulatory authorities, or securities-related class action lawsuits, particularly following any significant decline in the price of our securities. Any such litigation or other actions may be expensive to defend and result in damages, penalties or fines as well as reputational damage to our Company and our winery brands and may impact the ability of management to focus on other business matters. Furthermore, any adverse judgments may result in an increase in future insurance premiums, and any judgments for which we are not fully insured may result in a significant financial loss and may materially and adversely affect our business, results of operations and financial condition.

***Our failure to adequately manage the risks associated with acquisitions or divestitures, or the failure of an entity in which we have an equity or membership interest, could have a material adverse effect on our business, liquidity, financial condition or results of operations.***

As part of our growth strategy, we make acquisitions from time to time that we believe will provide a strategic fit with our business and will increase long-term stockholder value. For example, in April 2024 we consummated the acquisition of Sonoma-Cutrer. Acquisitions, including the acquisition of Sonoma-Cutrer, involve risk and uncertainties, including potential difficulties integrating the acquired company into our operations and culture, implementing and maintaining consistent U.S. public company standards and controls, or controlling exposure to unknown liabilities, as well as possible loss of key accounts, customers or employees and impacts on the perception of existing brands. We may not effectively integrate the business or product offerings of acquired companies into our business or may fail to do so within the anticipated costs or timeframes. We may also fail to retain key customers and suppliers or key employees of acquired companies or successfully implement our business plan for the combined business. In addition, our management makes significant accounting judgments and estimates related to the application of acquisition accounting of acquisitions, including the acquisition of Sonoma-Cutrer under United States Generally Accepted Accounting Principles (“U.S. GAAP”) as well as the underlying valuation models. Our final determinations and appraisals of the estimated fair value of assets acquired



and liabilities assumed in our acquisitions, including the acquisition of Sonoma-Cutrer may vary materially from previous estimates and we may fail to realize fully anticipated cost savings, growth opportunities or other potential synergies. We cannot be certain that the fair value of acquired companies or investments will remain constant.

The Sonoma-Cutrer acquisition has, and future acquisitions and investments could result in additional debt and related interest expenses and the issuance of additional shares, which may consequently result in a reduction in our earnings or other financial results. If the financial performance of our Company, as supplemented by the companies acquired, does not meet our expectations, it may make it more difficult for us to service our debt obligations and our results of operations may fail to meet market expectations.

We may also consider the potential divestiture of assets or businesses that no longer meet our financial or strategic objectives. When selling assets, we may record material losses as a result of market conditions or unfavorable prices for the assets. Additionally, we may provide various indemnifications in connection with the divestiture of businesses or assets. We may also find it difficult to find a suitable or timely buyer of the assets which may result in financial losses or the delay of strategic objectives. The unfavorable outcome or unforeseen risks associated with acquisitions or divestitures may negatively affect our reputation or materially harm our financial results.

There can be no assurance that we will realize the expected benefits of acquisitions, divestitures, investments, or new products. There can be no assurance that the internal control over financial reporting of entities which we consolidate as a result of our investment activities will be as robust as the internal control over financial reporting for our wholly-owned subsidiaries. Our failure to adequately manage the risks associated with acquisitions, divestitures, investments, or new products or the failure of an entity with which we have an equity or membership interest could have a material adverse effect on our business, results of operations or financial condition.

***A failure of one or more of our key IT systems, networks, processes, associated sites or service providers could have a material adverse impact on business operations, and if the failure is prolonged, our financial condition.***

We rely on IT systems, networks, and services, including internet sites, data hosting and processing facilities and tools, hardware (including laptops and mobile devices), software and technical applications and platforms, some of which are managed, hosted, provided and used by third-parties or their vendors, to assist us in the management of our business. The various uses of these IT systems, networks and services include, but are not limited to: hosting our internal network and communication systems; wine, grape and other inventory tracking; supply and demand planning; production; shipping wines to customers; hosting our winery websites and marketing products to consumers; collecting and storing customer, consumer, employee, stockholder, and other data; processing transactions; summarizing and reporting results of operations; hosting, processing and sharing confidential and proprietary research, business plans and financial information; complying with regulatory, legal or tax requirements; providing data security; and handling other processes necessary to manage our business.

Increased IT security threats and more sophisticated cybercrimes and cyberattacks, including computer viruses and other malicious codes, ransomware, unauthorized access attempts, denial of service attacks, phishing, social engineering, hacking and other types of attacks pose a potential risk to the security of our IT systems, networks and services, as well as the confidentiality, availability, and integrity of our data, and we have in the past, and may in the future, experience cyberattacks and other unauthorized access attempts to our IT systems. Because the techniques used to obtain unauthorized access are constantly changing and often are not recognized until launched against a target, we or our vendors may be unable to anticipate these techniques or implement sufficient preventative or remedial measures. If we are unable to efficiently and effectively maintain and upgrade our system safeguards, we may incur unexpected costs and certain of our systems may become more vulnerable to unauthorized access. In the event of a ransomware or other cyber-attack, the integrity and safety of our data could be at risk or we may incur unforeseen costs impacting our financial condition. Although we carry insurance covering cyber-attacks, including ransomware, these coverages are subject to deductibles and self-insurance obligation, as well as caps on coverage that could be below the value of losses we could incur. If the IT systems, networks or service providers we rely upon fail to function properly, or if we suffer a loss or disclosure of business or other sensitive information due to any number of causes ranging from catastrophic events, power outages, security breaches, unauthorized use or usage errors by employees, vendors or other third parties and

other security issues, we may be subject to legal claims and proceedings, liability under laws that protect the privacy and security of personal information (also known as personal data), litigation, governmental investigations and proceedings and regulatory penalties, and we may suffer interruptions in our ability to manage our operations and reputational, competitive or business harm, which may adversely affect our business, results of operations and financial condition. In addition, such events could result in unauthorized disclosure of material confidential information, and we may suffer financial and reputational damage because of lost or misappropriated confidential information belonging to us or to our employees, stockholders, customers, suppliers, consumers or others. In any of these events, we could also be required to spend significant financial and other resources to remedy the damage caused by a security breach or technological failure and the reputational damage resulting therefrom, to pay for investigations, forensic analyses, legal advice, public relations advice or other services, or to repair or replace networks and IT systems. A greater percentage of our employees are now working remotely some or all of the time, which may further increase our vulnerability to cybercrimes and cyberattacks and increase the stress on our technology infrastructure and systems. Although we maintain cyber risk insurance, this insurance may not be sufficient to cover all of our losses from any future breaches or failures of our IT systems, networks and services.

***Our failure to adequately maintain and protect or otherwise process personal information of our customers or our employees in compliance with evolving legal requirements could have a material adverse effect on our business.***

We collect, use, store, disclose, transfer and protect (collectively, “process”) personal information, including from employees, customers and potential customers, in connection with the operation of our business. A wide variety of federal, state, local and international laws as well as regulations and industry guidelines apply to the processing of personal information and may vary between jurisdictions or conflict with other rules. Data protection and privacy laws and regulations are evolving, subject to differing interpretations and being tested in courts and may result in increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions.

A variety of data protection legislation apply in the U.S. at both the federal and state level, including new laws that may impact our operations. For example, in June 2018, the State of California enacted the California Consumer Privacy Act of 2018 (“CCPA”). The CCPA defines “personal information” in a broad manner and generally requires companies that collect, use, share and otherwise process personal information of California residents to make disclosures about their data collection, use, and sharing practices, allows consumers to opt-out of certain data sharing with third parties for purposes of cross-contextual advertising or the sale of personal information, allows consumers to exercise certain rights with respect to any personal information collected and provides a new cause of action for data breaches.

Failure to comply with the CCPA could result in and provides for penalties for noncompliance of up to \$7,500 per violation. Additional states have either passed or are considering data protection laws with similarly broad requirements. Other states, including Virginia, Connecticut, and Colorado, have adopted privacy laws with similarly significant requirements. However, these regulations will only apply to us in the event that we process the personal information of more than 100,000 residents of those states in a given year.

Additionally, the Federal Trade Commission, and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination, and security of data. The burdens imposed by the CCPA and other similar laws that have been or may be enacted at the federal and state level may require us to modify our data collection and processing practices and related policies and to incur substantial expenditures in order to comply with the additional laws.

Global privacy and data protection legislation, enforcement, and policy activity are rapidly expanding and evolving, and may be inconsistent from jurisdiction to jurisdiction. For example, the European Union’s General Data Protection Regulation 2016/679 (“GDPR”), which became effective in May 2018, imposes a broad array of requirements for processing personal data, including elevated disclosure requirements regarding collection and use of such data, requirements that companies allow individuals to obtain copies or demand deletion of personal data held by those companies, limitations on retention of information, and public disclosure of significant data breaches, among other things. The GDPR provides for substantial penalties for non-compliance of up to the

greater of €20 million or 4% of global annual revenue for the preceding financial year. From January 1, 2021, the GDPR has been retained in the United Kingdom (“U.K.”), as it forms part of the law of England and Wales, Scotland and Northern Ireland by virtue of section 3 of the European Union (Withdrawal) Act 2018, as amended by the Data Protection, Privacy and Electronic Communications (Amendments etc.) (EU Exit) Regulations 2019 (SI 2019/419) (“U.K. GDPR”), alongside the U.K.’s Data Protection Act 2018. Although we do not currently operate in Europe, should our operations expand there or if we are deemed to target our services to individuals in the European Economic Area or the United Kingdom, we could be required to comply with the GDPR and U.K. GDPR, which could expose us to significant compliance costs and potential penalties in the event of any actual or alleged violation.

Compliance with these and any other applicable privacy and data protection laws and regulations is a rigorous and time-intensive process, and we may be required to put in place additional mechanisms ensuring compliance with the new privacy and data protection laws and regulations. Our actual or alleged failure to comply with any applicable privacy and data protection laws and regulations, industry standards or contractual obligations, or to protect such information and data that we process, could result in litigation, regulatory investigations, and enforcement actions against us, including fines, orders, public censure, claims for damages by employees, customers and other affected individuals, public statements against us by consumer advocacy groups, damage to our reputation and competitive position and loss of goodwill (both in relation to existing customers and prospective customers) any of which could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Evolving and changing definitions of personal information, personal data, and similar concepts within the European Union, U.K., the U.S. and elsewhere, especially relating to classification of IP addresses, device identifiers, location data, household data and other information we may collect, may limit or inhibit our ability to operate or expand our business, including limiting strategic partnerships that may involve the sharing of such information and data. Additionally, if third parties that we work with, such as vendors or developers, violate applicable laws or our policies, such violations may also place personal information at risk and have an adverse effect on our business. Even the perception of privacy concerns, whether or not valid, may harm our reputation, subject us to regulatory scrutiny and investigations, and inhibit adoption of our wines by existing and potential customers.

***If we fail to effectively price our products or implement price increases, our financial condition may be adversely affected.***

The prices of our products are driven by numerous factors, including supply costs, consumer demand, inflation and market conditions. In response to such conditions, we may increase prices on certain of our products, which may result in a decrease in sales volume, demand for our products, and an ability to attract new customers. If price increases result in a greater spread between the price of our products and the price of competitors’ products, consumers may be less willing to pay a premium for our products, particularly in times of economic uncertainty. Additionally, our retail customers may not accept such price increases or may require increased promotional activity. If we cannot effectively price our products or carry out price increases, our business, results of operations and financial condition, could be adversely affected.

***Failure to appropriately address certain emerging ESG matters important to our investors could have a material adverse impact on our reputation and, as a result, our business.***

There is an increased focus from investors, customers, associates, business partners and other stockholders with respect to certain ESG matters. The expectations related to ESG matters are rapidly evolving, and we announce initiatives and goals related to ESG matters from time to time. We could fail in achieving our ESG initiatives or goals or fail, or be perceived to fail, to act responsibly in our ESG efforts or in accurately reporting our progress on our initiatives and goals. In addition, we could be criticized for the scope of such initiatives or goals. Such events could cause us to suffer negative publicity and our reputation could be adversely impacted, which in turn could have a negative impact on investor perception and our appeal to consumers. This may also impact our ability to attract and retain talent to compete in the marketplace.

## **Risks related to regulation**

*As a producer of alcoholic beverages, we are regularly the subject of regulatory reviews, proceedings and audits by governmental entities, any of which could result in an adverse ruling or conclusion, and which could have a material adverse effect on our business, financial condition, results of operations and future prospects.*

We are subject to extensive regulation in the U.S. by federal, state and local laws regulating the production, distribution and sale of consumable food items, and specifically alcoholic beverages, including by the Alcohol and Tobacco Tax and Trade Bureau and the Food and Drug Administration. These and other regulatory agencies impose a number of product safety, labeling and other requirements on our operations and sales. In California, where most of our wines are made, we are subject to alcohol-related licensing and regulations by many authorities, including the Department of Alcohol Beverage Control, which investigates applications for licenses to sell alcoholic beverages and reports on the moral character and fitness of alcohol license applicants and the suitability of premises where sales are to be conducted.

Any governmental litigation, fines or restrictions on our operations resulting from the enforcement of these existing regulations or any new legislation or regulations could have a material adverse effect on our business, results of operations and financial condition. Any government intervention challenging the production, marketing, promotion, distribution or sale of beverage alcohol or specific brands could affect our ability to sell our wines. Because litigation and other legal proceedings can be costly to defend, even actions that are ultimately decided in our favor could have a negative impact on our business, results of operations or financial condition. Adverse developments in major lawsuits concerning these or other matters could result in management distraction and have a material adverse effect on our business. Changes to the interpretation or approach to enforcement of regulations may require changes to our business practices or the business practices of our suppliers, distributors or customers. The penalties associated with any violations or infractions may vary in severity and could result in a significant impediment to our business operations and could cause us to have to suspend sales of our wines in a jurisdiction for a period of time.

*New and changing environmental requirements, and new market pressures related to climate change, could materially and adversely affect our business, results of operations and financial condition.*

There has been significant public discussion related to concerns that carbon dioxide and other greenhouse gases in the atmosphere have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. Federal regulations govern, among other things, air emissions, wastewater and stormwater discharges, and the treatment, handling and storage and disposal of materials and wastes. State environmental regulations and authorities intended to address and oversee environmental issues are largely state-level analogs to federal regulations and authorities intended to serve similar purposes. In California, we are also subject to state-specific rules, such as those contained in the California Environmental Quality Act, California Air Resources Act, Porter-Cologne Water Quality Control Act, California Water Code sections 13300-13999 and Title 23 of the California Administrative Code and various sections of the Health and Safety Code. We are subject to local environmental regulations that address a number of elements of our wine production process, including air quality, the handling of hazardous waste, recycling, water use and discharge, emissions and traffic impacts. Compliance with these and other environmental regulations requires significant resources. Continued regulatory and market trends towards sustainability may require or incentivize us to make changes to our current business operations. We may experience significant future increases in the costs associated with environmental regulatory compliance, including fees, licenses and the cost of capital improvements for our vineyards and wineries to meet environmental regulatory requirements. In addition, we may be party to various environmental remediation obligations arising in the normal course of our business or relating to historical activities of businesses we acquire. Due to regulatory complexities, uncertainties inherent in litigation and the risk of unidentified contaminants in our current and former properties, the potential exists for remediation, liability and indemnification costs to differ materially from the costs that we have estimated. We may incur costs associated with environmental compliance arising from events we cannot control, such as unusually severe floods, earthquakes or fires. There can be no assurance that our costs in relation to these matters will not exceed our projections or otherwise have a material adverse effect on our business, results of operations and financial condition.

***Changes in foreign and domestic laws and government regulations to which we are currently subject, including changes to the method or approach of enforcement of these government rules and regulations, may increase our costs or limit our ability to sell our wines into certain markets, which could materially and adversely affect our business, results of operations and financial condition.***

Government laws and regulations may result in increased production and sales costs, including an increase in the applicable tax in various state, federal and foreign jurisdictions in which we do business. The amount of wine that we can sell directly to consumers outside of California is regulated, and in certain states we are not allowed to sell wines directly to consumers at all. Changes in these laws and regulations that tighten current rules could have an adverse impact on sales or increase costs to produce, market, package or sell wine.

Changes in regulation that require significant additional source data for registration and sale, changes in labeling or warning requirements, or limitations on the permissibility of any component, condition or ingredient, in the places in which our wines can be legally sold could inhibit sales of affected products in those markets.

The wine industry is subject to extensive regulation by a number of foreign and domestic agencies, state liquor authorities and local authorities. These regulations and laws dictate such matters as licensing requirements, land use, production methods, trade and pricing practices, permitted distribution channels, permitted and required labeling, advertising, and sequestration of classes of wine and relations with wholesalers and retailers. Any expansion of our existing facilities or development of new vineyards, wineries or tasting rooms may be limited by present and future zoning ordinances, use permit terms, environmental restrictions and other legal requirements. In addition, new or updated regulations, requirements or licenses, particularly changes that impact our ability to sell DTC and/or retain accounts in California, or new or increased excise taxes, income taxes, property and sales taxes or international tariffs, could affect our financial condition or results of operations. From time to time, states consider proposals to increase state alcohol excise taxes. New or revised regulations or increased licensing fees, requirements or taxes could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to health, safety and labor laws. Regulatory reviews, proceedings and audits by governmental entities could result in an adverse ruling or conclusion, which may have a material adverse effect on our business. Changes to the enforcement of these rules and regulations may increase our costs or limit our ability to operate, which could materially and adversely affect our business, results of operations and financial condition.***

We are required to comply with labor, health and safety laws and regulations in California, Washington and the other states in which we operate. Our operations are subject to periodic inspections by government authorities. The regulations require, among other things, health and safety protocols and procedures, fair and legal employment and in the case of some workers, health benefits. A failure to comply with these laws and any new or changed regulations could increase our operating costs and materially and adversely affect our business, results of operations and financial condition.

#### **Risks related to our indebtedness**

***We have incurred substantial indebtedness and we may not generate sufficient cash flow from operations to meet our debt service requirements, continue our operations and pursue our growth strategy and we may be unable to raise capital when needed or on acceptable terms.***

We have incurred substantial indebtedness to fund various corporate activities and our ongoing operations. Our business may not generate sufficient cash flow from operations to meet all of our debt service requirements, to pay dividends and to fund our general corporate and capital requirements.

Our ability to satisfy our debt obligations will depend upon our future operating performance. We do not have complete control over our future operating performance because it is subject to prevailing economic conditions, interest rates, consumer preferences, and financial, business and other factors.

Our current and future debt service obligations and covenants and any failure to satisfy any such obligations and covenants could limit:

- our ability to pay dividends;
- our ability to obtain financing for future working capital needs or acquisitions or other purposes;
- our funds available for operations, expansions, dividends or other distributions; and
- our ability to conduct our business.

Also, our vulnerability to adverse economic conditions may be greater than less leveraged competitors and, as a result, our ability to withstand competitive pressures may be limited.

Restrictive covenants in our Credit Facility (first lien credit facility pursuant to that certain Amended and Restated First Lien Loan and Security Agreement, dated as of November 4, 2022, see Note 10 (Debt)) place limits on our ability to conduct our business. Covenants in our Credit Facility include those that restrict our ability to:

- make acquisitions, incur debt, encumber or sell assets;
- amend our constitutional documents;
- pay dividends;
- engage in mergers and consolidations;
- enter into transactions with affiliates;
- make investments; and
- permit our subsidiaries to enter into certain agreements.

Our Credit Facility also contains financial covenants, including a debt to capitalization ratio test and fixed charge coverage ratio test.

Our Credit Facility also contains change of control provisions which, if triggered upon the occurrence of a merger or other change of control transaction, may result in an acceleration of our obligation to repay the debt. If we fail to comply with the obligations contained in our Credit Facility or future loan agreements, we could be in default under those agreements, which could require us to immediately repay the related debt and also debt under any other agreements containing cross-acceleration or cross-default provisions.

Our capacity to fund working capital or operational expenses depends upon our net cash available. Any decline in our net cash or changes in the terms of our Credit Facility, lines of credit, bank credit agreements or other sources of credit could limit our access to the capital resources required to fund our expenses.

We rely on cash generated from our operating activities as our primary source of liquidity. To support our operations, execute our growth strategy as planned and pay dividends, if declared, we will need to continue generating significant amounts of cash from operations, including funds required to pay our employees, related benefits and other operating expenses, finance future acquisitions, invest in technologies and pay for the increased direct and indirect costs associated with operating as a public company. If our business does not generate sufficient cash flow from operations to fund these activities, and if sufficient funds are not available under our Credit Facility, we may need to seek additional capital, including by incurring additional debt.

Additional capital may not be available to us on acceptable terms or at all. In addition, incurring indebtedness requires that a portion of cash flow from operating activities be dedicated to interest and principal payments. Debt service requirements could reduce our ability to use our cash flow to fund operations and capital expenditures, to capitalize on future business opportunities, including additional acquisitions, or to pay dividends or increase dividends. Any of these risks could materially adversely affect our business, results of operations or financial condition.

***We utilize derivative financial instruments to manage our exposure to interest rate fluctuations associated with our variable rate indebtedness. We may be exposed to interest rate risk based on our ability to hedge effectively, as well as risk related to nonperformance based on the creditworthiness of counterparties to these financial instruments.***

We have entered into interest rate swap derivative instruments to attempt to limit our exposure to changes in variable interest rates. While our intended strategy is to minimize the impact to our interest cost due to increases in interest rates applicable to our variable rate debt, there can be no guarantee that our strategy will be effective. We are also exposed to potential credit losses due to the risk of non-performance of the counterparty to our



interest rate swaps. Consequently, we may experience credit-related losses in the future. See Note 11 (Derivative Instruments) to our audited Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

### **Risks related to our common stock**

***As a result of being a public company, we are obligated to develop and maintain proper and effective internal control over financial reporting and any failure to maintain the adequacy of these internal controls may negatively impact investor confidence in our Company and, as a result, the value of our common stock.***

We are required pursuant to Section 404 of the Sarbanes Oxley Act to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. Any failure to comply with the applicable requirements of Section 404 in a timely manner could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, we could be subject to sanctions or investigations by the New York Stock Exchange (“NYSE”), the SEC or other regulatory authorities and our access to the capital markets could be restricted in the future. In addition, we have incurred and will continue to incur significant legal, accounting and other expenses related to our compliance with the Sarbanes-Oxley Act and other applicable securities rules and regulations.

***Our largest stockholders have significant influence over us, including influence over decisions that require the approval of stockholders, which could limit our stockholders’ ability to influence the outcome of key transactions, including a change of control.***

As of July 31, 2024, affiliates of TSG Consumer Partners LLC (“TSG”) and Brown-Forman Corporation (“Brown-Forman”) owned approximately 41.8% and 21.4% of our outstanding common stock, respectively. Although we are no longer a “controlled company” within the meaning of the corporate governance standards of the NYSE, affiliates of TSG and Brown-Forman are able to significantly influence our decisions.

Additionally, TSG’s and Brown-Forman’s interests may not align with the interests of our other stockholders. TSG and Brown-Forman both may make investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. They may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us.

***Certain of our directors have relationships with TSG or Brown-Forman, which may cause conflicts of interest with respect to our business.***

Three of our directors are affiliated with TSG and two are affiliated with Brown-Forman. Our TSG-affiliated directors and Brown-Forman-affiliated directors have fiduciary duties to us and, in addition, have duties to TSG or Brown-Forman, as applicable. As a result, these directors may face real or apparent conflicts of interest with respect to matters affecting both us and TSG or Brown-Forman, as applicable, whose interests may be adverse to ours in some circumstances.

***Provisions of our corporate governance documents could make an acquisition of our Company more difficult and may prevent attempts by our stockholders to replace or remove our current management, even if beneficial to our stockholders.***

Our certificate of incorporation and bylaws and the Delaware General Corporation Law contain provisions that could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our stockholders. These provisions include:

- the division of our board of directors into three classes and the election of each class for three-year terms;
- advance notice requirements for stockholder proposals and director nominations;
- the ability of the board of directors to fill a vacancy created by the expansion of the board of directors;

- the ability of our board of directors to issue new series of, and designate the terms of, preferred stock, without stockholder approval, which could be used to, among other things, institute a rights plan that would have the effect of significantly diluting the stock ownership of a potential hostile acquirer, likely preventing acquisitions that have not been approved by our board of directors;
- limitations on the ability of stockholders to call special meetings and to take action by written consent; and
- the required approval of holders of at least 75% of the voting power of the outstanding shares of our capital stock to adopt, amend or repeal certain provisions of our certificate of incorporation and bylaws or remove directors for cause.

Because our board of directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt to replace current members of our management team. As a result, you may lose your ability to sell your stock for a price in excess of the prevailing market price due to these protective measures, and efforts by stockholders to change the direction or management of the Company may be unsuccessful.

***Your percentage ownership in us may be diluted by future issuances of capital stock, which could reduce your influence over matters on which stockholders vote.***

Pursuant to our certificate of incorporation and bylaws, our board of directors has the authority, without action or vote of our stockholders, to issue all or any part of our authorized but unissued shares of common stock, including shares issuable upon the exercise of options, or shares of our authorized but unissued preferred stock. Issuances of common stock or voting preferred stock would reduce your influence over matters on which our stockholders vote and, in the case of issuances of preferred stock, would likely result in your interest in us being subject to the prior rights of holders of that preferred stock.

***We are subject to additional laws, regulations and stock exchange listing standards, which impose additional costs on us and may strain our resources and divert our management's attention.***

We are subject to the reporting requirements of the Exchange Act, as amended, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the listing requirements of the NYSE and other applicable securities laws and regulations. Compliance with these laws and regulations increases our legal and financial compliance costs and makes some activities more difficult, time-consuming or costly. We also expect that being a public company and being subject to new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. However, the incremental costs that we incur as a result of becoming a public company could exceed our estimate. These factors may therefore strain our resources, divert management's attention and affect our ability to attract and retain qualified members of our board of directors.

***A significant portion of our total outstanding shares may be sold into the market at any time. This could cause the market price of our common stock to drop significantly, even if our business is performing well.***

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. We have outstanding 147,073,614 shares of common stock as of July 31, 2024. This figure assumes no exercises of outstanding options. TSG and Brown-Forman each have certain demand registration rights. Such sales by TSG and, following the expiration of the lock-up agreement over Brown-Forman's shares in October 2025 or any applicable early release in accordance with the terms of such lock-up, Brown-Forman could be significant. Such shares can be freely sold in the public market, subject to any lock-up agreements. The market price of our stock could decline if the holders of restricted shares sell them or are perceived by the market as intending to sell them.

***We have no current plans to pay regular cash dividends on our common stock as such, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it.***

We do not anticipate paying any regular cash dividends on our common stock. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other



things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our board of directors may deem relevant. In addition, our ability to pay dividends is, and may be, limited by covenants of existing and any future outstanding indebtedness we or our subsidiaries incur. Therefore, any return on investment in our common stock is solely dependent upon the appreciation of the price of our common stock on the open market, which may not occur.

***If securities or industry analysts do not continue to publish research or reports about our business, if they adversely change their recommendations regarding our shares or if our results of operations do not meet their expectations, our share price and trading volume could decline.***

The trading market for our shares is influenced by the research and reports that industry or securities analysts publish about us and our business. We do not have any control over these analysts. In the event one or more of these analysts cease coverage of our Company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline. Moreover, if one or more of the analysts who cover us downgrade our stock, or if our results of operations do not meet their expectations, our share price could decline.

***Our certificate of incorporation designates courts in the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, and also provide that the federal district courts will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, each of which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, stockholders or employees.***

Our certificate of incorporation provides that, subject to limited exceptions, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders;
- any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law, our certificate of incorporation or our bylaws;
- any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or bylaws; and
- any other action asserting a claim against us that is governed by the internal affairs doctrine (each, a "Covered Proceeding").

Our certificate of incorporation also provides that the federal district courts of the United States of America are the exclusive forum for the resolution of any complaint asserting a cause of action against us or any of our directors, officers, employees or agents and arising under the Securities Act. However, Section 22 of the Securities Act provides that federal and state courts have concurrent jurisdiction over lawsuits brought under the Securities Act or the rules and regulations thereunder. To the extent the exclusive forum provision restricts the courts in which claims arising under the Securities Act may be brought, there is uncertainty as to whether a court would enforce such a provision. We note that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. This provision does not apply to claims brought under the Securities Exchange Act of 1934 ("Exchange Act").

Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to these provisions. These provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees.

Alternatively, if a court were to find these provisions of our certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

## General risks

### ***Our operating results and share price may be volatile, and the market price of our common stock may drop below the price you pay.***

Our quarterly operating results are likely to fluctuate in the future. In addition, securities markets worldwide have experienced, and are likely to continue to experience, significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could subject the market price of our shares to wide price fluctuations regardless of our operating performance. You may not be able to resell your shares at or above the price you purchased them for or at all. Our operating results and the trading price of our shares may fluctuate in response to various factors, including:

- market conditions in the broader stock market;
- actual or anticipated fluctuations in our quarterly financial and operating results;
- introduction of new wines by us or our competitors;
- issuance of new or changed securities analysts' reports or recommendations;
- results of operations that vary from expectations of securities analysis and investors;
- guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance;
- strategic actions by us or our competitors;
- announcement by us, our competitors or our vendors of significant contracts or acquisitions;
- sales, or anticipated sales, of large blocks of our stock;
- additions or departures of key personnel;
- regulatory, legal or political developments;
- public response to press releases or other public announcements by us or third parties, including our filings with the SEC;
- litigation and governmental investigations;
- changing economic conditions;
- changes in accounting principles;
- default under agreements governing our indebtedness;
- exchange rate fluctuations; and
- other events or factors, including those from natural disasters, war, acts of terrorism or responses to these events.

These and other factors, many of which are beyond our control, may cause our operating results and the market price and demand for our shares to fluctuate substantially. While we believe that operating results for any particular quarter are not necessarily a meaningful indication of future results, fluctuations in our quarterly operating results could limit or prevent investors from readily selling their shares and may otherwise negatively affect the market price and liquidity of our shares. In addition, in the past, when the market price of a stock has been volatile, holders of that stock have sometimes instituted securities class action litigation against the company that issued the stock. If any of our stockholders brought a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of our management from our business, which could significantly harm our profitability and reputation.

### ***We may require additional debt and equity capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances. If such capital is not available to us, our business, financial condition and results of operations may be materially and adversely affected.***

We may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, including to increase our marketing expenditures to improve our winery brand awareness, build and maintain our product inventory, develop new wines, enhance our operating infrastructure and acquire complementary businesses. Accordingly, we may need to engage in equity or debt financings to secure additional funds. However, additional funds may not be available when we need them on terms that are acceptable to us or at all. Moreover, any debt financing that we secure in the future could involve restrictive covenants, which may make it more difficult for us to obtain additional capital and to pursue business

opportunities. Volatility in the credit markets may also have an adverse effect on our ability to obtain debt financing. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, we may be forced to obtain financing on undesirable terms or our ability to continue to pursue our business objectives and to respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, financial condition and results of operations could be materially and adversely affected.

***Changes in tax law may adversely affect our business, results of operations or financial condition.***

The tax laws applicable to our business activities are subject to change and uncertain interpretation. Our tax position could be adversely impacted by changes in tax rates, tax laws, tax practice, tax treaties or tax regulations or changes in the interpretation thereof by the tax authorities in jurisdictions in which we do business. Changes to tax laws (which changes may have retroactive application) could adversely affect us. Future changes in U.S. tax laws (which changes may have retroactive application) could have a material adverse effect on our business, cash flow, financial condition or results of operations. Our actual tax rate may vary from our expectation and that variance may be material. A number of factors may increase our future effective tax rates, including: (1) the jurisdictions in which profits are determined to be earned and taxed; (2) the resolution of issues arising from any future tax audits with various tax authorities; (3) changes in the valuation of our deferred tax assets and liabilities; (4) our ability to use net operating loss carryforwards to offset future taxable income and any adjustments to the amount of the net operating loss carryforwards we can utilize, and (5) changes in tax laws or the interpretation of such tax laws, and changes in U.S. GAAP.

***Recent negative developments affecting the financial services industry could adversely affect our current and projected business operations, our financial condition and results of operations.***

Although we have not been materially impacted by recent disruptions in the financial services industry, we cannot guarantee that the banks or other financial institutions that hold our funds will not experience similar issues. If failures in financial institutions occur where we hold deposits, we could experience additional risk and any such loss or limitation on our cash and cash equivalents would adversely affect our business.

These market developments have negatively impacted customer confidence in the safety and soundness of regional and smaller community banks, and investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systematic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire financing on terms favorable to us, or at all, and could have material adverse impacts on our liquidity, our business, financial condition or results of operations and our prospects. Our business may be adversely impacted by these developments in ways that we cannot predict at this time, there may be additional risks that we have not yet identified, and we cannot guarantee that we will be able to avoid negative consequences directly or indirectly from any failure of one or more banks or other financial institutions.

***International operations, worldwide and domestic economic trends and financial market conditions, geopolitical uncertainty or changes to international trade agreements and tariffs, import and excise duties, other taxes or other governmental rules and regulations could have a material adverse effect on our business, liquidity, financial condition and results of operations.***

Our wines are sold in numerous countries, and we source production materials from foreign countries, including barrels from France, glass bottles from Mexico and cork from Portugal. Risks associated with international operations, any of which could have a material adverse effect on our business, liquidity, financial condition and/or results of operations, include:

- changes in local political, economic, social, and labor conditions;
- potential disruption from socio-economic violence, including the military conflict between Russia and Ukraine, terrorism and drug-related violence;

- restrictions on foreign ownership and investments or on repatriation of cash earned in countries outside the U.S.;
- import and export requirements and border accessibility;
- currency exchange rate fluctuations;
- a less developed and less certain legal and regulatory environment in some countries, which, among other things, can create uncertainty regarding contract enforcement, intellectual property rights, privacy obligations, real property rights and liability issues; and
- inadequate levels of compliance with applicable anti-bribery laws, including the Foreign Corrupt Practices Act.

Our wine aging programs often incorporate the use of French oak barrels. We contract with barrel cooperages in Europe for French oak wine barrels that meet our specifications. These contracts are paid in Euros once per year. We hedge our exposure to foreign currency fluctuations with respect to Euro-U.S. Dollar conversion rates by entering foreign currency forward contracts. We cannot perfectly hedge our exposure to foreign currency fluctuations, and such exposure could negatively impact our results of operations.

Unfavorable global or regional economic conditions, including economic slowdown and the disruption, volatility and tightening of credit and capital markets, as well as unemployment, tax increases, governmental spending cuts, a return of high levels of inflation, or public perception that any of these adverse effects have occurred or may occur in the future, could affect consumer spending patterns and purchases of our wines. These could also create or exacerbate credit issues, cash flow issues and other financial hardships for us and our suppliers, distributors, retailers and consumers. The inability of suppliers, distributors and retailers to access liquidity could impact our ability to produce and distribute our wines.

We are also exposed to risks associated with interest rate fluctuations. We could experience changes in our ability to manage fluctuations in interest rates and, accordingly, there can be no assurance that we will be successful in reducing those risks.

We could also be affected by nationalization of our international operations, unstable governments, unfamiliar or biased legal systems, intergovernmental disputes or animus against the U.S. Any determination that our operations or activities did not comply with applicable U.S. or foreign laws or regulations could result in the imposition of fines and penalties, interruptions of business, terminations of necessary licenses and permits, and other legal and equitable sanctions.

The military conflict between Russia and Ukraine and the escalating geopolitical tensions resulting from such conflict have resulted and may continue to result in sanctions, tariffs, and import-export restriction which, when combined with any retaliatory actions that have been and may be taken by Russia, could cause further inflationary pressures and economic supply chain disruptions.

The U.S. and other countries in which we operate impose duties, excise taxes, and/or other taxes on beverage alcohol products, and/or on certain raw materials used to produce our beverage alcohol products, in varying amounts. The U.S. federal government or other governmental bodies may propose changes to international trade agreements, tariffs, taxes and other government rules and regulations. Significant increases in import and excise duties or other taxes on, or that impact, beverage alcohol products could have a material adverse effect on our business, liquidity, financial condition and/or results of operations. Any such tariffs, particularly on imports from Mexico and any retaliatory tariffs imposed by the Mexican government, may have a material adverse effect on our results of operations, including our sales and profitability.

In addition, federal, state, provincial, local and foreign governmental agencies extensively regulate the beverage alcohol products industry concerning such matters as licensing, warehousing, trade and pricing practices, permitted and required labeling, advertising and relations with wholesalers and retailers. Certain federal, state or local regulations also require warning labels and signage. New or revised regulations or increased licensing fees, requirements or taxes could have a material adverse effect on our business, liquidity, financial condition and/or results of operations. Additionally, various jurisdictions may seek to adopt significant additional product labeling or warning requirements or limitations on the marketing or sale of our wines because of what our wines contain or

allegations that our wines cause adverse health effects. If these types of requirements become applicable to our wines under current or future environmental or health laws or regulations, they may inhibit sales of such products.

These international, economic and political uncertainties and regulatory changes could have a material adverse effect on our business, liquidity, financial condition and/or results of operations, especially to the extent these matters, or the decisions, policies or economic strength of our suppliers and distributors, affect our business, liquidity, financial condition and/or results of operations.

**Item 1B. Unresolved Staff Comments**

None.

## **Item 1C. Cybersecurity**

The Company recognizes the importance of developing, implementing and maintaining cybersecurity measures designed to safeguard our information systems and protect the confidentiality, integrity and availability of our data. The Company employs a holistic process for overseeing and managing cybersecurity and information security risks, which is supported by management, the Audit Committee and the Board.

### ***Cybersecurity Risk Management and Strategy***

We have strategically integrated cybersecurity risk management into our broader risk management framework to promote a company-wide culture of cybersecurity risk management. This includes, among other initiatives, annual and ongoing security awareness training for employees, mechanisms to detect and monitor unusual network and endpoint activity, integrated threat intelligence and containment and incident response tools.

Our information security program is managed by our Vice President, Information Technology (“VPIT”), whose team is responsible for leading enterprise-wide cybersecurity strategy, policy, standards, architecture and processes. The VPIT reports directly to the Chief Financial Officer (“CFO”), who provides quarterly reports to our Audit Committee and periodic reports to our Board, as well as our Chief Executive Officer and other members of our executive team, as appropriate. These reports include updates on the Company’s cyber risks and threats, the status of projects to strengthen our information security systems, assessments of the information security program and the emerging threat landscape. Our program is regularly evaluated by internal and external experts with the results of those reviews also reported by the VPIT to the CFO and, subsequently, to our executive team, Board and Audit Committee, as appropriate. We also actively engage with key third-party vendors, industry participants, and intelligence and law enforcement communities as part of our continuing efforts to evaluate and enhance the effectiveness of our information security policies and procedures.

The Company's approach to cybersecurity risk management includes the following key elements:

*Multi-Layered Defense and Continuous Monitoring.* The Company employs various approaches to protect its computing environments and products from cybersecurity threats through multi-layered defenses and apply lessons learned from its defense and monitoring efforts to proactively prevent future attacks. The Company's internal cybersecurity team and third-party security services provide comprehensive cyber threat detection and response capabilities and maintain a full-time monitoring system which complements the technology, processes and threat detection techniques we use to monitor, manage and mitigate cybersecurity threats. From time to time, the Company engages third-party consultants or other advisors to assist in assessing, identifying and/or managing cybersecurity threats.

*Third-Party Risk Assessments.* The Company engages with a range of external experts, including cybersecurity assessors, consultants, legal advisors and auditors in evaluating and testing potential threats to Duckhorn systems. Our collaboration with these parties includes regular reporting, threat assessments and consultation on security enhancements.

*Training and Awareness.* The Company’s cybersecurity team provides periodic awareness training to our employees to help identify, avoid and mitigate cybersecurity threats. Employees with network access participate annually in required trainings, which cover timely and relevant topics, including social engineering, phishing, password protection, confidential data protection, asset use and mobile security and educate employees on the importance of reporting all incidents promptly to the Company’s centrally managed cyber defense and security operations teams. The Company also periodically hosts tabletop exercises with management and other employees to practice rapid cyber incident response.

*Supplier Engagement.* The Company requires its suppliers to comply with its standard information security terms and conditions as a condition of doing business with us. Certain suppliers are also required to complete information security questionnaires to review and assess any potential cyber-related risks depending on the nature of services provided. The Company allows its suppliers limited and monitored access to certain of its networks and systems.



*Incident Response Plan.* The Company's cybersecurity team, overseen by our VPIT, implements and oversees processes for the monitoring of our information systems. This includes the deployment of security measures and system audits to identify potential vulnerabilities. In the event of a cybersecurity incident, we deploy an Incident Response Plan, which includes migrating actions, stakeholder engagement and long-term strategies for remediation and prevention of future incidents.

As of the date of this report, we have not experienced a cybersecurity incident that resulted in a material effect on our business strategy, results of operations, or financial condition, but we cannot provide assurance that we will not be materially affected in the future by such risks or any future material incidents. For more information, see Item 1A. Risk Factors.

### ***Cybersecurity Governance and Oversight***

The Company's cybersecurity risk management program is supervised by our VPIT, who reports directly to the Company's CFO. The VPIT and his team are responsible for leading enterprise-wide cybersecurity strategy, policy, standards, architecture and processes. Our current VPIT has over 20 years of experience in the IT industry and more than 13 years of dedicated service to The Duckhorn Portfolio, where he has played a pivotal role in shaping the company's IT infrastructure and security posture. He brings expertise in Sarbanes-Oxley compliance and is supported by a team of seasoned IT professionals.

The Duckhorn Portfolio Cybersecurity Policy outlines our processes for determining, assessing the materiality of, monitoring and responding to cyber security incidents. The VPIT, CFO and Chief Strategy and Legal Officer, in conjunction with outside counsel and consultants, review the materiality and disclosure of any cyber security incidents, which ultimately are reviewed by the Company's Disclosure Committee and Audit Committee. The Company's Incident Response Team, overseen by our VPIT, is primarily responsible for implementing our Incident Response Plan for assessing, identifying, communicating and managing cybersecurity threats, incidents and risks.

The Incident Response Team manages cybersecurity incidents and drives awareness, ownership and alignment across broad governance and risk stakeholder groups. The Incident Response Team consists of IT team members (management, infrastructure and cybersecurity) and, as appropriate, senior leaders from our legal, finance and other internal departments, who may engage external subject matter experts, if required. The Incident Response Team is responsible for overseeing and validating the Company's cybersecurity strategic direction, risks and threats, priorities, resource allocation, capabilities and planning. The Incident Response Team typically operates under the authority of the Company's executive team and in alignment with Duckhorn's Risk Steering Committee, a cross-functional management committee that oversees and provides strategic direction for Duckhorn's Enterprise Risk Management program.

The Audit Committee of the Board of Directors is charged with oversight of cybersecurity matters and receives quarterly reports from the VPIT and/or CFO regarding, among other things, the Company's cyber risks and threats, the status of projects to strengthen the Company's information security systems, assessments of the Company's security program and the emerging threat landscape. The Audit Committee also conducts a semiannual review of our cybersecurity posture and the effectiveness of our risk management strategies. The Chair of the Audit Committee regularly briefs the full Board on matters of cyber security. The Board also periodically receives cybersecurity updates directly from management.

**Item 2. Properties**

Our headquarters and principal executive offices are located at 1201 Dowdell Lane, Saint Helena, California. This 12,000 square foot space is leased pursuant to an agreement that expires on March 31, 2029, subject to certain renewal options through 2034. We also lease approximately 5,100 square feet of space at 3663 North Laughlin Road, Santa Rosa, California, which is leased until December 31, 2026. In addition, many of our employees work in office space at our winery and tasting room facilities, consistent with applicable zoning and other regulations. As of July 31, 2024, we own or lease approximately 2,200 acres of Estate properties and ten winemaking facilities across California and Washington. Eight of our wineries feature tasting rooms where we welcome guests.

**Winemaking facilities**

<b>Name</b>	<b>Location</b>	<b>Production capacity</b>	<b>Tasting room</b>	<b>Owned/Leased</b>
Duckhorn Vineyards	St. Helena, CA	160,000 gallon production entitlement	Yes	Owned
Paraduxx	Yountville, CA	300,000 gallon production entitlement	Yes	Owned
Migration	Napa, CA	720,000 gallon production entitlement	Yes	Leased
Goldeneye	Philo, CA	No production limitations	Yes	Owned
Canvasback	Walla Walla, WA	66,000 gallon production allowance	Yes	Leased
Calera	Hollister, CA	No production limitations	Yes	Owned
Kosta Browne	Sebastopol, CA	143,000 gallon production entitlement	Yes	Leased
Geyserville	Geyserville, CA	8,300,000 gallon production entitlement	No	Owned
Decoy	Hopland, CA	No production limitations	No	Owned
Sonoma-Cutrer	Windsor, CA	2,000,000 gallon production entitlement	Yes	Owned

**Estate properties**

<b>Location</b>	<b>Total vine acres <sup>(a)</sup></b>	<b>Owned/Leased</b>
Napa County	287	Owned/Leased
San Luis Obispo County	259	Owned
Sonoma County	1,366	Owned/Leased
Mendocino County	236	Owned/Leased
San Benito County	82	Owned
Benton County	17	Owned
<b>Total</b>	<b>2,247</b>	

(a) Vine Acres refers to land, measured in acres, reserved for grape vines.

We intend to procure additional space as we add employees and expand geographically. We believe that our facilities along with our third party contracts are adequate to meet our needs for the immediate future and that suitable space will be available to accommodate our needs as we expand operations in the future.

**Item 3. 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.

On March 22, 2024, a former employee of the Company filed a putative class action in San Benito County Superior Court, seeking to represent all non-exempt workers of the Company in the State of California. The complaint alleges various wage and hour violations under the California Labor Code and related statutes. Plaintiff has also served a Private Attorneys General Act ("PAGA") notice for the same alleged wage and hour violations. The claims predominantly relate to alleged unpaid wages (overtime) and missed meal and rest breaks. The lawsuit seeks, among other things, compensatory damages, statutory penalties, attorneys' fees and costs. The Company has retained outside legal counsel to defend this action. The claim is in an early stage, and the amount of any loss cannot be reasonably estimated at this date.

Except as mentioned above, 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 4. Mine Safety Disclosures**

None.

## PART II

### Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### ***Market information***

Our common stock began trading on the NYSE, which is the principal market, under the symbol “NAPA” on March 18, 2021. Prior to that date, there was no public trading market for our common stock.

#### ***Holders of our common stock***

As of September 26, 2024, there were approximately 220 stockholders of record of our common stock, which include persons whose stock is held in nominee or “street name” accounts through brokers, banks and intermediaries.

#### ***Securities Authorized for Issuance Under Our Equity Compensation Plans***

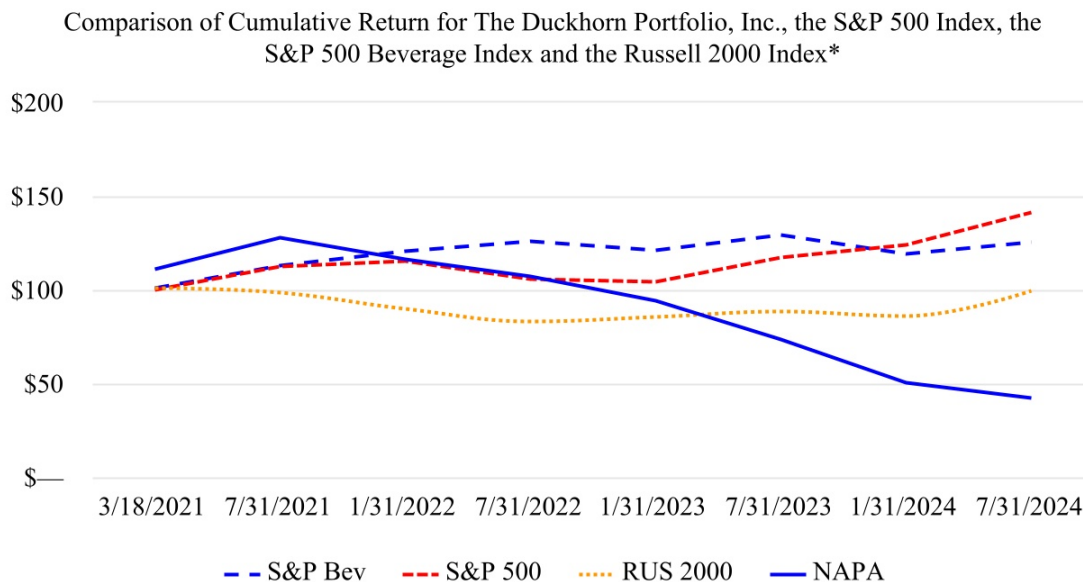
Information regarding securities authorized for issuance under our equity compensation plans is incorporated herein by reference to Item 12., “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” of Part III of this Annual Report on Form 10-K.

#### ***Dividends***

Since our initial public offering (“IPO”), we have never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and future earnings and do not anticipate declaring or paying any cash dividends in the foreseeable future. Any future determination to declare cash dividends would be subject to the discretion of our Board of Directors and would depend on then-existing factors, including our results of operations, financial condition and capital requirements, restrictions that may be imposed by applicable law, and other factors deemed relevant by our Board of Directors.

**Performance graph**

The following graph compares the cumulative total return to stockholders on our common stock with the cumulative total returns of the Standard & Poor's 500 Index, Standard & Poor's 500 Beverage Index and the Russell 2000 Index. An investment of \$100 is assumed to have been made in our common stock and in each index on March 18, 2021, the date our common stock began trading on the NYSE, and its relative performance is tracked through July 31, 2024. The returns shown are based on historical results and are not intended to suggest future performance.



\* \$100 invested on March 18, 2021 in stock or index. Data points are the last day of each fiscal second quarter and fiscal year. The following performance graph shall not be deemed soliciting material or to be filed with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our other filings under the Securities Act or the Exchange Act.

**Item 6. Reserved**

## **Item 7. 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 Annual Report on Form 10-K. Refer to Item 7. Management’s Discussion and Analysis (“MD&A”) of Financial Condition and Results of Operations located in our Annual Report on Form 10-K for the fiscal year ended July 31, 2023, filed on September 27, 2023 and amended on October 19, 2023, for discussion of the fiscal year ended July 31, 2022, the earliest of the three fiscal years presented, and incorporated by reference herein. 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 Annual Report on Form 10-K. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those set forth in Part I “Item 1A. Risk Factors” included in this Annual Report on Form 10-K.*

### **Introduction**

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

MD&A 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 Fiscal 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 Fiscal 2024 as compared to Fiscal 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 U.S. GAAP for Fiscal 2024 as compared to Fiscal 2023.
- *Liquidity and capital resources.* This section provides a discussion of our financial condition and liquidity as of July 31, 2024, which includes (i) a discussion of our sources of liquidity (ii) a discussion of our material cash requirements as of July 31, 2024; (iii) an analysis of changes in our cash flows for Fiscal 2024 as compared to Fiscal 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 July 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 Significant Accounting Policies) to the accompanying 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, Sonoma-Cutrer, Goldeneye, Paraduxx, Migration, Canvasback, Calera, Kosta Browne, Greenwing and Postmark. The U.S. is the primary market for our wines.

We sell our wines to distributors both inside and 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 eight tasting rooms, wine clubs and our e-commerce websites. 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 to increase brand awareness, grow sales of our winery brands to our existing consumer base as well as a new generation of consumers 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, we announced the launch of Decoy Featherweight Sauvignon Blanc, which is 80 calories per five-ounce serving and has an alcohol content of 9%, which establishes our 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 within the U.S. and retail accounts in California. As previously communicated, the Company has conducted a comprehensive evaluation of its distribution network and announced on May 24, 2024 that it has entered into distribution agreements with key distribution partners with the goal of driving the profitable growth of the Company's sales in the wholesale channel.
- *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. On April 30, 2024, we completed the acquisition of Sonoma-Cutrer as discussed below, see “—Key factors affecting our performance — Recent developments”. Sonoma-Cutrer is well-known for its luxury Chardonnay brand, with six estate vineyards in both the Russian River Valley and Sonoma Coast appellations spanning approximately 1,100 acres. In addition, 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 includes seven acres of planted Cabernet Sauvignon for approximately \$54.6 million.

**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.

<i>(in thousands)</i>	Fiscal years ended July 31,	
	2024	2023
Net sales	\$ 405,481	\$ 402,996
Gross profit	\$ 214,926	\$ 215,689
Net income attributable to The Duckhorn Portfolio, Inc.	\$ 56,013	\$ 69,298
Adjusted EBITDA	\$ 155,084	\$ 144,509

**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, acquisition integration expenses, changes in the fair value of derivatives, equity-based compensation, net lease income and debt refinancing 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 optimize engagement with our customers across our complementary distribution channels.

	<b>Fiscal years ended July 31,</b>	
	<b>2024</b>	<b>2023</b>
Wholesale — Distributors	69.8 %	67.9 %
Wholesale — California direct to trade	16.3	17.1
DTC	13.9	15.0
Net sales	<u>100.0 %</u>	<u>100.0 %</u>

We saw relative consistency in net sales percentage by channel between Fiscal 2024 and 2023. In our wholesale channel, volume contributions increased mainly related to increases in trade accounts and points of distribution and the acquisition of Sonoma-Cutrer in Fiscal 2024, partially offset by decreases due to shipment pressure related to tighter management of inventory at wholesalers and retailers. For further discussion of intra-period seasonality, see “—Key factors affecting our performance—Seasonality”.

#### *Net sales percentage by brand*

We calculate net sales percentage by brand as net sales for our Duckhorn Vineyards and Decoy and Sonoma-Cutrer winery brands and net sales for our other winery brands, respectively, as a percentage of our total net sales. We consider net sales percentage by brand as an important measure of the sales mix contributed by our winery brands, Duckhorn Vineyards and Decoy, Sonoma-Cutrer and our eight other complementary winery brands. We monitor net sales percentage by brand on an annual basis to normalize the impact of seasonal fluctuations in demand and sales cycles across our winery brands from quarter to quarter that we do not believe are reflective of the overall performance of our winery brands or our business. See “—Key factors affecting our performance—Seasonality”.

	<b>Fiscal years ended July 31,</b>	
	<b>2024</b>	<b>2023</b>
Duckhorn Vineyards & Decoy	76.1 %	79.2 %
Sonoma-Cutrer	5.3	—
Other winery brands	18.6	20.8
Net sales	<u>100.0 %</u>	<u>100.0 %</u>

Net sales percentage by brand attributable to Duckhorn Vineyards and Decoy decreased in Fiscal 2024 from Fiscal 2023, primarily as a result of the acquisition of Sonoma-Cutrer on April 30, 2024, partially offset by increases in trade accounts and points of distribution. Decoy continues to extend its presence and address new label opportunities. This expansion includes the growth in our new Decoy labels in our elevated Decoy Limited offerings and the addition of Decoy Featherweight Sauvignon Blanc. Decoy Featherweight, which is 80 calories per five-ounce serving and has an alcohol content of 9%, establishes our presence in the lower-in-calorie/lower-in-alcohol wine category. We expect Duckhorn Vineyards, Decoy and Sonoma-Cutrer to continue to drive the substantial majority of our net sales growth in future periods.

#### *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 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.

	Fiscal years ended July 31,	
	2024	2023
Net sales growth	0.6 %	8.2 %
Volume contribution	3.1 %	5.6 %
Price / mix contribution	(2.5)%	2.6 %

For Fiscal 2024, growth in net sales versus Fiscal 2023 was attributable to volume growth related to the acquisition of Sonoma-Cutrer, partially offset by negative volume contribution in our wholesale and DTC channels, excluding Sonoma-Cutrer, as well as a negative price / mix contribution. Volume contribution continues to be impacted by tighter inventory control across the supply chain and softer demand, partially offset by trade account growth for Fiscal 2024 compared to the prior year.

Revenue growth in Fiscal 2023 was mainly attributable to solid sales volume growth, driven by strength in off-premise within wholesale and DTC growth as well as a positive price / mix contribution. Our focus on trade account growth and pricing optimization, resulting in reduced discounting, were primary drivers of our sales performance in Fiscal 2023.

We expect that volume contribution will continue to be a primary driver of changes in our net sales in future periods. To the extent our growth is fueled by sales of lower-priced luxury winery brands, we may see lower or negative price / mix contribution in the future.

### Key factors affecting our performance

#### Sales channels

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

- *Wholesale channel.* Consistent with sales practices in the wine industry, sales to distributors and to trade accounts in California 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.* 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 margins 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 30 to 90 days of 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 each 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, eight distinctive tasting room experiences located throughout Northern California and Washington, and 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 2024, our net sales in the first, second, third and fourth fiscal quarters represented approximately 27%, 27%, 24% and 22%, respectively, of our total net sales for the year, excluding net sales contributed by Sonoma-Cutrer. 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.

With the acquisition of Sonoma-Cutrer, we expect further optimization of the grape supply and production model with the addition of approximately 1,100 acres of estate vineyards in the Russian River Valley and Sonoma Coast appellations. See “—Key factors affecting our performance — Recent developments” below for additional information.

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. 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 14 to 48 months. Our white, rosé and sparkling wines generally have a harvest-to-release inventory lifecycle that can range from six to 43 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***

#### ***Agreement and Plan of Merger***

On October 6, 2024, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Marlee Buyer, Inc., a Delaware corporation and affiliate of Butterfly (“Parent”), and Marlee Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Parent (“Merger Sub”, and together with Parent, the “Buyer Parties”), providing for the merger of Merger Sub with and into the Company, with the Company continuing as the surviving corporation (the “Merger”). Pursuant to the terms of the Merger Agreement, holders of common stock of the Company will receive \$11.10 per share in cash. See Note 19 (Subsequent Events) for further information. The Merger, which was unanimously approved by the Company’s Board of Directors, is expected to close this winter, subject to customary closing conditions, including approval by the Company’s stockholders and the receipt of required regulatory approvals. The completion of the transaction is not subject to a financing condition.

#### ***Acquisition of Sonoma-Cutrer***

On April 30, 2024, (the “Closing Date”) the Company completed the acquisition of Sonoma-Cutrer, a wholly-owned subsidiary of Brown-Forman. Sonoma-Cutrer is well-known for its luxury Chardonnay 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 \$70 per bottle.

In connection with the acquisition, the Closing Date purchase consideration to Brown-Forman, inclusive of preliminary working capital adjustments, was comprised of 31,531,532 shares of the Company’s common stock valued at approximately \$267.1 million, based on a per-share value of \$8.47 per share (the closing price of the Company’s common stock on the NYSE on the closing of the acquisition), and approximately \$50.0 million, mainly funded from the revolver portion of the Company’s Credit Facility, exclusive of net working capital adjustments of \$1.0 million. As of July 31, 2024, we had a related party payable of \$1.7 million outstanding with Brown-Forman for preliminary working capital adjustments and accounts payable.

In addition, we entered into a transitional services agreement with Brown-Forman (“TSA”). The TSA governs services including certain distribution services, IT services, finance and accounting services and sales and marketing services for a limited time to ensure an orderly transition following the acquisition. The agreed-upon charges for such services are intended to cover any costs and expenses incurred in providing such services to us by Brown-Forman (with a mark-up to reflect the management and administrative cost of providing the services).

#### ***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.

### **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 distributor channel, and California sales, 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 all bulk wine production costs, winemaking, bottling, packaging, warehousing and shipping and handling costs. Costs associated with the Company's leased vineyards or owned estate properties include annual farming costs and amortization of vineyard development expenditures. Costs incurred for wines that age longer than one year prior to sale, including winemaking and processing costs, continue to be capitalized into inventory 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.

***Total other expenses, net***

Total other expenses, 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. The effective rate differs from statutory rates due to the effect of state and local income taxes and certain permanent tax adjustments.

### Results of operations

The following table sets forth our results of operations for the periods presented and expresses the relationship of each line item shown as a percentage of net sales for the periods indicated. The table below should be read in conjunction with the corresponding discussion and our audited annual Consolidated Financial Statements and related footnotes included elsewhere in this Annual Report on Form 10-K:

<i>(in thousands, except percentages)</i>	Fiscal years ended July 31,			
	2024		2023	
Net sales	\$ 405,481	100.0 %	\$ 402,996	100.0 %
Cost of sales	190,555	47.0	187,307	46.5
Gross profit	214,926	53.0	215,689	53.5
Selling, general and administrative expenses	120,083	29.6	109,711	27.2
Income from operations	94,843	23.4	105,978	26.3
Interest expense	18,103	4.5	11,721	2.9
Other income, net	(84)	—	(212)	(0.1)
Total other expenses, net	18,019	4.4	11,509	2.9
Income before income taxes	76,824	18.9	94,469	23.4
Income tax expense	20,803	5.1	25,183	6.2
Net income	56,021	13.8	69,286	17.2
Net loss (income) attributable to non-controlling interest	(8)	—	12	—
Net income attributable to The Duckhorn Portfolio, Inc.	\$ 56,013	13.8 %	\$ 69,298	17.2 %

### Net sales

<i>(in thousands)</i>	Fiscal years ended July 31,		Change	
	2024	2023	\$	%
Net sales	\$ 405,481	\$ 402,996	\$ 2,485	0.6 %

Net sales for Fiscal 2024 increased \$2.5 million, or 0.6%, compared to Fiscal 2023. The increase was primarily driven by increased sales volume due to the Sonoma-Cutrer acquisition, partially offset by negative volume contribution in the wholesale and DTC channels during Fiscal 2024 and negative price / mix contribution. For further discussion of changes in sales volume and changes in sales price and mix, see “—Key operating metrics—Net sales growth contribution”.

Additionally, net sales included lease income of \$2.2 million and \$0.4 million for Fiscal 2024 and 2023, respectively, related to the Geyserville winery.

### Cost of sales

<i>(in thousands)</i>	Fiscal years ended July 31,		Change	
	2024	2023	\$	%
Cost of sales	\$ 190,555	\$ 187,307	\$ 3,248	1.7 %

Cost of sales for Fiscal 2024 increased \$3.2 million, or 1.7%, compared to Fiscal 2023, primarily due to the acquisition of Sonoma-Cutrer driving increased volumes and recognition of step-up cost of goods sold related to acquired inventories, partially offset by lower sales volume contributions in the wholesale and DTC channels, excluding Sonoma-Cutrer, that correspondingly impacted cost of sales. We continued to manage our cost of sales through our diversified supply planning strategy.

**Selling, general and administrative expenses**

<i>(in thousands)</i>	Fiscal years ended July 31,		Change	
	2024	2023	\$	%
Selling expenses	\$ 50,398	\$ 51,812	\$ (1,414)	(2.7)%
Marketing expenses	9,164	9,997	(833)	(8.3)
General and administrative expenses	60,521	47,902	12,619	26.3
Total selling, general and administrative expenses	\$ 120,083	\$ 109,711	\$ 10,372	9.5%

Total selling, general and administrative expenses increased \$10.4 million, or 9.5%, for Fiscal 2024 compared to Fiscal 2023. Total selling, general and administrative expenses as a percentage of net sales increased to 29.6% in Fiscal 2024 compared to 27.2% in Fiscal 2023. The increase was related to the increase in general and administrative expenses and was largely attributable to higher transaction and integration costs mainly related to our acquisition of Sonoma-Cutrer and higher depreciation expense related to Sonoma-Cutrer and the asset acquisition of the Geyserville winery in Fiscal 2023. See “—Non-GAAP financial measures and adjusted EBITDA reconciliation” for additional information on transaction and acquisition integration expenses reflected in operating expenses during the period. For Fiscal 2024, these increases were partially offset by lower compensation costs compared to Fiscal 2023.

**Total other expenses, net**

<i>(in thousands)</i>	Fiscal years ended July 31,		Change	
	2024	2023	\$	%
Interest expense	\$ 18,103	\$ 11,721	\$ 6,382	54.4%
Other income, net	(84)	(212)	128	(60.4)
Total other expenses, net	\$ 18,019	\$ 11,509	\$ 6,510	56.6%

Total other expenses, net, increased by \$6.5 million, for Fiscal 2024 compared to Fiscal 2023. The increase in interest expense for Fiscal 2024 was primarily a result of higher average outstanding debt balances compared to Fiscal 2023. See “—Liquidity and capital resources” for discussion of our credit facilities. See Note 10 (Debt) to our Consolidated Financial Statements for additional information.

**Income tax expense**

<i>(in thousands)</i>	Fiscal years ended July 31,		Change	
	2024	2023	\$	%
Income tax expense	\$ 20,803	\$ 25,183	\$ (4,380)	(17.4)%

Income tax expense decreased \$4.4 million, or 17.4%, for Fiscal 2024 compared to Fiscal 2023. The income tax expense for Fiscal 2024 is primarily due to the decrease in income before taxes, partially offset by the impact of discrete tax adjustments related to nondeductible transaction costs.

For Fiscal 2024 and Fiscal 2023, the effective tax rates were 27.1% and 26.7%, respectively, mainly reflecting the federal statutory tax rate, state taxes and certain discrete items as previously mentioned. For Fiscal 2024, the effective tax rate increase was primarily due to the impact of a permanent item related to nondeductible transaction costs compared to Fiscal 2023.

### **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:

<i>(in thousands)</i>	<b>Fiscal years ended July 31,</b>	
	<b>2024</b>	<b>2023</b>
Net income attributable to The Duckhorn Portfolio, Inc.	\$ 56,013	\$ 69,298
Interest expense	18,103	11,721
Income tax expense	20,803	25,183
Depreciation and amortization expense <sup>(a)</sup>	37,168	27,768
<b>EBITDA</b>	<b>132,087</b>	<b>133,970</b>
Purchase accounting adjustments <sup>(a)</sup>	3,379	350
Transaction expenses <sup>(b)</sup>	9,963	4,051
Acquisition integration costs <sup>(c)</sup>	923	—
Change in fair value of derivatives <sup>(d)</sup>	716	34
Equity-based compensation <sup>(e)</sup>	6,420	5,462
Impairment loss <sup>(f)</sup>	1,200	—
Debt refinancing costs <sup>(g)</sup>	—	865
Loss on property and equipment	710	—
Lease income, net <sup>(h)</sup>	(314)	(223)
<b>Adjusted EBITDA</b>	<b>\$ 155,084</b>	<b>\$ 144,509</b>

(a) Purchase accounting adjustments relate to the impacts of business combination accounting for Sonoma-Cutrer, 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 \$7.6 million for both Fiscal 2024 and 2023.

(b) Transaction expenses include legal services, professional fees and other due diligence expenses for both periods presented. Also included are expenses incurred for secondary offerings completed in April 2023. These expenses are reflected in selling, general and administrative expenses on the Consolidated Statements of Operations.

(c) Represents integration costs related to the acquisition of Sonoma-Cutrer, see Note 4 (Acquisitions). These expenses are reflected in selling, general and administrative expenses on the Consolidated Statements of Operations.

(d) Represents non-cash adjustments to changes in the fair value of derivatives, which are reflected in other income, net on the Consolidated Statements of Operations.

(e) Represents non-cash charges related to equity-based compensation, which are reflected in selling, general and administrative expenses and cost of sales on the Consolidated Statements of Operations.

(f) Represents expense related to the trade name impairment, see Note 8 (Goodwill and Intangible Assets, net). This expense is reflected in impairment loss in selling, general and administrative expenses on the Consolidated Statements of Operations.

(g) Represents expenses related to the execution of the Credit Facility, which are reflected in other income, net on the Consolidated Statements of Operations.

(h) Reflects lease income, net related to an operating lease in which we were the lessor of Geyserville winery acquired in Fiscal 2023, reflected in net sales and selling, general and administrative expenses on the Consolidated Statements of Operations. The lease term expired February 2024. Lease income, net in Fiscal 2024 and 2023 includes lease income of \$2.2 million and \$0.4 million, respectively, recognized in net sales on the Consolidated Statements of Operations and selling, general and administrative expenses of \$1.9 million and \$0.1 million, recognized on the Consolidated Statements of Operations, respectively.

## **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 July 31, 2024, we had \$10.9 million in cash and \$324.0 million in undrawn capacity on our revolving line of credit, subject to the terms of our Credit Facility. During Fiscal 2024, we borrowed \$135.0 million on the revolving credit facility, of which approximately \$50.0 million was used to fund the cash consideration of the Sonoma-Cutrer acquisition. See Note 4 (Business Combination) for additional information. Other borrowings were in the normal course of business, in part to meet cash needs for harvest.

Due to the seasonal nature of our operations, our cash needs are generally greatest during harvest, a period which generally spans from August to 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 2024 harvest, we contracted for approximately 36,000 tons of grapes at an estimated cost of approximately \$92.0 million, subject to the final determination of yield quantities and our quality acceptance provisions being met. Additionally, we have purchase obligations, for inventory and various contracts with third-parties for custom crush, storage, glass, bottling services and equipment. For the 2024 harvest, we entered into commitments to purchase barrels for approximately \$12.5 million, of which approximately \$10.5 million will be paid in Euros in the next 12 months. See Note 15 (Commitments and Contingencies) to our Consolidated Financial Statements for further information on other commitments.

As of July 31, 2024, we have approximately \$30.8 million in scheduled principal payments and related interest payments due over the next 12 months and approximately \$332.4 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 July 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 10 (Debt) to our Consolidated Financial Statements, where our Credit Facility is described in greater detail. Our future minimum lease payments due within the next 12 months total approximately \$4.2 million with \$30.1 million due in the following years. See Note 7 (Leases) to our Consolidated Financial Statements for further information on our leases.

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.

<i>(in thousands)</i>	<b>Fiscal years ended July 31,</b>	
	<b>2024</b>	<b>2023</b>
Cash flows provided by (used in):		
Operating activities	\$ 4,160	\$ 70,092
Investing activities	(77,274)	(72,572)
Financing activities	77,633	5,666
Net increase in cash	<u>\$ 4,519</u>	<u>\$ 3,186</u>

#### *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 Fiscal 2024, net cash provided by operating activities was \$4.2 million, compared to \$70.1 million for Fiscal 2023, a decrease of \$65.9 million. The changes in cash provided by operating activities were primarily driven by the following factors:

- Changes in accounts payable and accrued expenses decreased operating cash flows by \$20.9 million due primarily to timing of income taxes and invoice accruals and payments;
- Increases in inventory primarily related to increases in grape and bulk wine purchases related to our 2023 harvest resulted in a decrease to operating cash flow of \$28.0 million;
- 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 \$8.1 million decrease in operating cash flow; and
- Changes in accrued compensation of \$8.9 million based on the changes of certain compensation-related accruals and payments resulted in a corresponding decrease in operating cash flow.

#### *Investing activities*

In Fiscal 2024, net cash used in investing activities was \$77.3 million, compared to \$72.6 million for Fiscal 2023, an increase of \$4.7 million. For Fiscal 2024, net cash used in investing activities included capital expenditures of \$28.0 million compared to \$72.8 million for Fiscal 2023, including barrel purchases of approximately \$10.6 million and \$9.0 million, respectively. We completed the purchase of Geyserville winery and related assets for a total of \$54.6 million, included within capital expenditures in Fiscal 2023, see Note 4 (Acquisitions). Our investing activities for Fiscal 2024 included cash used of \$49.6 million as cash consideration related to the acquisition of Sonoma-Cutrer. Additionally, included in investing activities in Fiscal 2024 was a nonrefundable advance payment of \$4.8 million related to the planned capital project of a bottling line 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*

In Fiscal 2024, net cash provided by financing activities was \$77.6 million as compared to \$5.7 million for Fiscal 2023. In Fiscal 2024, net cash provided by financing activities primarily related from borrowings under our line of credit of \$135.0 million, partially offset by the payments under our line of credit of \$47.0 million and payments of long-term debt of \$10.0 million.



In Fiscal 2023, net cash provided by financing activities primarily resulted from our Credit Facility, including the issuance of new long-term debt of \$225.8 million and borrowings under our line of credit of \$24.0 million, partially offset by payments on our line of credit of \$121.0 million, payments of long-term debt of \$120.2 million and payments of debt issuance costs of \$2.7 million.

### ***Capital resources***

As of July 31, 2024, the Company had unused capacity of \$324.0 million under the revolving line of credit, excluding the incremental seasonal borrowing amount of an additional \$30.0 million of capacity. As of July 31, 2024, the Company had outstanding draws of \$101.0 million on the revolving line of credit. There were no outstanding draws on the delayed draw term loan. The outstanding principal balance was \$210.8 million for the term loan as of July 31, 2024. The maturity date for loans borrowed under the Credit Agreement is November 4, 2027.

The Credit Facility is summarized below. See Note 10 (Debt) to our 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 ranged 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. “Term SOFR” refers to the forward-looking term rate based on the Secured Overnight Financing Rate. 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 an aggregate principle 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 July 31, 2024, we are in compliance with all covenants. See Note 10 (Debt) to our Consolidated Financial Statements for additional information.

### ***Off-balance sheet arrangements***

As of July 31, 2024, we did not have any material 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 other than as discussed under “*Material cash requirements*” above or disclosed in the notes to our Consolidated Financial Statements included in this report.

### ***Critical accounting policies and estimates***

Our management’s discussion and analysis of our financial condition and results of operations are based on our Consolidated Financial Statements, which are prepared in accordance with U.S. GAAP. The preparation of these 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 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.

While all significant accounting policies are more fully described in Note 2 (Basis of Presentation and Significant Accounting Policies) to our Consolidated Financial Statements, we believe that the following accounting policies and estimates are critical to our business operations and understanding of our financial results.

***Business Combination***

On April 30, 2024, the Company completed the acquisition of Sonoma-Cutrer. See Note 4 (Acquisitions) for additional information. The acquisition was accounted for using the acquisition method of accounting prescribed by Accounting Standards Codification (“ASC”) Topic 805, *Business Combinations*, whereby the results of operations, including the revenues and earnings of Sonoma-Cutrer, are included in the financial statements from the date of acquisition. Assets acquired and liabilities assumed as of the date of acquisition are recognized at their fair values based on widely accepted valuation techniques in accordance with ASC Topic 820, *Fair Value Measurements*. Goodwill is recognized for the excess of the consideration transferred over the net fair values of assets acquired and liabilities assumed. Management’s assessment of qualitative factors affecting goodwill for each acquisition includes estimates of market share at the date of purchase, ability to grow in the market, synergy with existing Company operations and the payor profile in the markets. The fair value assigned to the intangible asset was determined using the income approach, specifically the relief from royalty method. The process for estimating fair values requires the use of significant estimates, assumptions and judgments, including determining the timing and estimates of future cash flows and developing appropriate discount and royalty rates. The estimates of fair value are based upon assumptions believed to be reasonable using the best information available. These assumptions are inherently uncertain and unpredictable and, as a result, actual results may differ materially from estimates.

ASC Topic 805, *Business Combinations* establishes a measurement period to provide the Company with a reasonable amount of time to obtain the information necessary to identify and measure various items in a business combination and cannot extend beyond one year from the acquisition date. Measurement period adjustments are recognized in the reporting period in which the adjustments are determined and calculated as if the accounting had been completed as of acquisition date. The Company expects to complete the final fair value determination of the assets acquired and liabilities assumed as soon as practicable within the measurement period, but not to exceed one year from the acquisition date.

***Revenue recognition***

We recognize revenue from the sale of wine to customers when the performance obligation is fulfilled and control transfers to the customer, either at the point of shipment or delivery as dictated by the shipping terms. Payment terms vary by location and customer. However, the duration between when revenue is recognized and when payment is due is less than one year, indicating we do not have any significant financing components to recognize. We have elected to account for shipping and handling costs that we bill our customers as a fulfillment activity rather than as separate performance obligations. Additionally, shipping and handling costs, grape sales and lease income are included within net sales.

When we receive payment from a customer prior to transferring the product under the terms of a contract, we record deferred revenue, which represents a contract liability. Our deferred revenue is primarily comprised of cash collected during DTC club sales or member offering periods throughout the year, as the period that elapses from a customer’s payment for their allocated purchase to the shipment date may cross reporting periods. Deferred revenue is reported within other current liabilities on the Consolidated Statements of Financial Position until all revenue recognition criteria have been met (generally when the wine is shipped), at which time revenue is recognized.

Revenue subject to variability is constrained to an amount which will not result in a significant reversal in future periods when the contingency that creates variability in revenue is resolved. Revenue is recorded net of excise taxes, and net of consideration given to customers through various incentive programs, including depletion-based incentives paid to distributors, volume discounts and pricing discounts on single transactions. The allowances for the depletion-based incentives are reassessed at each reporting date to reflect changes in facts and circumstances that could impact allowance estimates. The consideration to customers is deemed variable consideration under

ASC Topic 606, *Revenue Recognition*, and is estimated and recognized as a reduction of the transaction price based on the expected amounts at the time of revenue recognition for the related sale.

### ***Income taxes***

Income taxes are recognized using enacted tax rates and are accounted for based on the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the consolidated financial statement and tax bases of assets and liabilities at the applicable statutory tax rates. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Other significant temporary differences that impact the Company's deferred taxes primarily relate to the tax basis of assets that were acquired in business combinations that remain at historical bases although the assets were recorded at fair value for financial reporting purposes. The differences primarily relate to inventory, property and equipment and intangible assets. Other temporary differences include differing depreciation and inventory costing methods. Goodwill associated with a prior period acquisition of the Company created a permanent difference. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. We evaluate the realizability of our deferred tax assets by assessing our valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization include our forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income in applicable tax jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in our effective tax rate on future earnings.

### ***Goodwill and intangible assets***

We recognize goodwill in accounting for business combinations based on the amount by which the total consideration transferred, plus the fair value of any non-controlling interest in an acquiree, exceeds the fair value of identifiable net assets acquired and liabilities assumed as of the acquisition date. Identifiable intangible assets other than goodwill are primarily comprised of indefinite-lived trade names, indefinite-lived lane rights, and customer relationships which amortize on a straight-line basis over an estimated useful life based on management's estimate of the period the asset is expected to contribute to future cash flows.

We assess our goodwill and indefinite-lived intangible assets for impairment at least annually, or more frequently if events and circumstances indicate that the carrying value may not be recoverable. Our annual impairment test of goodwill and indefinite-lived intangible assets was performed as of June 30. Fair value determinations used in the annual testing require considerable judgment and are sensitive to changes in underlying assumptions, estimates, and market factors. Estimating the fair value of the reporting unit or indefinite-lived intangible assets requires making assumptions and estimates regarding the Company's future plans, as well as industry, economic and regulatory conditions. If current expectations of future growth rates and margins are not met, if market factors outside of the Company's control, such as discount rates, income tax rates or inflation, change or if Management's expectations or plans otherwise change, then our goodwill or indefinite-lived intangible assets could become impaired in the future.

Our quantitative goodwill impairment test consists of comparing the reporting unit carrying value to its fair value, which is estimated as the amount for which it could be sold in a current transaction between willing parties. If the carrying value exceeds fair value, an impairment charge is recognized in an amount equal to that excess, not to exceed the carrying amount of goodwill. The determination of fair value in the Company's goodwill impairment assessment is based on an estimate of fair value for the reporting unit utilizing known and estimated inputs at the evaluation date. These inputs include, but are not limited to, estimated future cash flows, revenues, earnings, estimated market multiples, discount rate and the most recent price of the Company's common stock.

We relied on quantitative tests for our Fiscal 2024, 2023 and 2022 goodwill impairment assessments to determine fair value. During the third quarter of Fiscal 2024, we experienced lower than previously anticipated net sales, as well as a drop in our market capitalization to below book value. Consequently, the quantitative test in Fiscal 2024 included both a discounted cash flow model and a market multiple model. Based on our quantitative test results,

the Company determined that the reporting unit fair value exceeded its carrying value in each testing period. The reporting unit was therefore not at risk of failing the quantitative impairment tests in Fiscal 2024, 2023 or 2022. As of June 30, 2024, the Company had headroom of approximately 15%, or \$184.0 million. The discounted cash flow and market multiple models are both based on the Company's estimate of future revenues and operating costs and are reconciled to the Company's consolidated market capitalization, with consideration of the amount a potential acquirer would be required to pay, in the form of a control premium. The Company evaluates the implied control premium by comparing it to control premiums of recent comparable market transactions, as applicable. If the control premium is not reasonable in light of comparable recent transactions, or recent movements in the Company's share price, we reevaluate the fair value estimates of the reporting unit to determine whether it is appropriate to adjust certain assumptions. The most significant assumptions used in these models to determine the estimated fair value of our reporting unit in connection with the impairment testing are: (i) the discount rate, (ii) the expected long-term growth rate, and (iii) the annual cash flow projections. As of June 30, 2024, we performed sensitivities in our impairment testing of goodwill by (i) increasing the discount rate 50 basis points, (ii) decreasing the expected long-term growth rate 50 basis points, and (iii) decreasing the annual revenue projections 100 basis points. None of these sensitivities individually would have resulted in a conclusion that the goodwill of our reporting unit was impaired.

Our trade name intangible asset impairment testing consists of a comparison of the fair value of each trade name with its carrying value, with any excess of carrying value over fair value being recognized as an impairment loss. We also evaluate the remaining useful lives of our trade name intangible assets to determine whether current events and circumstances continue to support an indefinite useful life. For the year ended July 31, 2024, the Company recorded a \$1.2 million non-cash impairment loss for a certain trade name intangible asset. The charge was primarily the result of changes to the brand's sales forecast. For Fiscal 2023 and 2022, our quantitative test results determined that the trade name intangible assets had fair values in excess of their carrying value. Accordingly, no impairment charges were recognized in Fiscal 2023 or 2022. See Note 8 (Goodwill and Intangible Assets, net) to our Consolidated Financial Statements.

In estimating the fair value of our trade names, we use the Relief-from-Royalty ("RFR") method, a form of income approach, as the most appropriate for analyzing the trade names. The RFR method estimates the cost we avoid by owning rather than licensing the trade names and includes an estimate of the royalty income that would be negotiated in an arm's-length transaction if the subject intangible assets were licensed from a third party. The primary variables we apply in the RFR method are estimation of future revenues, selection of appropriate royalty rates and selection of discount rates to calculate present value. We consider the following in determining the significant assumptions used in evaluating the fair value of trade names:

- Net sales growth—our estimates include judgments and assumptions regarding future net sales growth rates based on internally-developed forecasts as well as terminal growth rates in order to quantify the net sales we expect to be attributable to the trade names;
- Royalty rates—selected royalty rates are based on industry benchmarking and market data for companies with similar trade names and activities, giving consideration to the historical and projected profitability of operations and trade name market strength; and
- Discount rates—royalty savings are discounted to their present value equivalent using an appropriate discount rate, adjusted for risk premiums appropriate for the trade names and the Company's risk profile.

Our use of assumptions requires us to apply judgment in selecting appropriate inputs for trade name valuation, and these assumptions are subject to change over time. We assess the impairment of definite-lived intangible assets whenever events or changing circumstances indicate that the carrying amount may not be recoverable or that the remaining useful life may no longer be supportable.

All of our indefinite-lived intangible assets' estimated fair values exceeded their carrying values by more than 50% at the date of the most recent annual assessment as of June 30, other than the brand we impaired, discussed above, the Sonoma-Cutrer brand due to the close proximity of its acquisition date and the date of testing, and one other brand with a carrying value of \$20.7 million at July 31, 2024. For the brand with a carrying value \$20.7

million, we performed sensitivities in our impairment testing of trade names as of June 30, 2024 by (i) decreasing the royalty rate 50 basis points, (ii) increasing the discount rate 50 basis points, (iii) decreasing the expected long-term growth rate 50 basis points, and (iv) decreasing the annual revenue projections 100 basis points. None of these sensitivities individually would have resulted in a conclusion that the trade name was impaired for the year ended July 31, 2024. See Note 8 (Goodwill and Intangible Assets, net) to our Consolidated Financial Statements. We do not currently consider any of our other indefinite-lived intangible assets, which had aggregate carrying value of \$131.5 million at July 31, 2024, to be at heightened risk of impairment.

*Effect if Actual Results Differ From Assumptions*

Estimating the fair value of the reporting unit or indefinite-lived intangible assets requires making assumptions and estimates regarding the Company's future plans, as well as industry, economic and regulatory conditions. The process for estimating fair values requires the use of significant estimates, assumptions and judgments, including determining the timing and estimates of future cash flows and developing appropriate discount and royalty rates. The estimates of fair value are based upon assumptions believed to be reasonable using the best information available. These assumptions are inherently uncertain and unpredictable and, as a result, actual results may differ materially from estimates.

If current expectations of future growth rates and margins are not met, if market factors outside of the Company's control, such as discount rates or income tax rates, change or if Management's expectations or plans otherwise change, then our goodwill or indefinite-lived intangible assets could become impaired in the future. If there continues to be a decline in the Company's market capitalization, it is possible that the book value of our reporting unit could exceed its fair value. A reduction in the estimated fair value of the reporting unit and indefinite-lived intangible assets could trigger an impairment in the future. We cannot predict the occurrence of certain events or changes in circumstances that might adversely affect the carrying value of our goodwill and indefinite-lived intangible assets.

*Inventories*

Inventory primarily includes bulk and bottled wine and is carried at the lower of cost (calculated using the first-in-first-out method) or net realizable value. The cost basis for inventory includes the costs related to winemaking. Consistent with industry practices, the Company classifies inventory as a current asset, although a substantial portion of inventory may be aged for periods longer than one year prior to being sold due to the specific aging requirements for a given wine variety and vintage. The Company reduces the carrying value of inventories that are obsolete or for which market conditions indicate cost will not be recovered to estimated net realizable value. The Company's estimates of net realizable value are based on analysis and assumptions including, but not limited to, historical experience, as well as Management's judgment with respect to future demand and market requirements. Reductions to the carrying value of inventories are recorded in cost of sales. See Note 2 (Basis of Presentation and Significant Accounting Policies) for additional description of our inventories.

*Recent accounting pronouncements*

See Note 2 (Basis of Presentation and Significant Accounting Policies) to our Consolidated Financial Statements included in "Part II — Item 8. Financial Statements and Supplementary Data" of this report for additional information regarding recent accounting pronouncements.

**Item 7A. 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 July 31, 2024, our outstanding borrowings

at variable interest rates totaled \$311.8 million. A hypothetical increase of 100 basis points in the effective interest rate applied to these borrowings would result in a \$3.1 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 11 (Derivative Instruments) to our 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 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 six month duration as of July 31, 2024. See Note 11 (Derivative Instruments) to our Consolidated Financial Statements for further information.

Sensitivity due to fluctuations in foreign currency exchange rates was not material as of July 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. 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 8. Financial Statements and Supplementary Data**

**Index to Consolidated Financial Statements**

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	<b>Page</b>
<a href="#">Report of Independent Registered Public Accounting Firm</a> (PCAOB ID 238)	<a href="#">73</a>
<a href="#">Consolidated Financial Statements</a>	
<a href="#">Consolidated Statements of Financial Position</a>	<a href="#">76</a>
<a href="#">Consolidated Statements of Operations</a>	<a href="#">77</a>
<a href="#">Consolidated Statements of Stockholders' Equity</a>	<a href="#">78</a>
<a href="#">Consolidated Statements of Cash Flows</a>	<a href="#">79</a>
<a href="#">Notes to Consolidated Financial Statements</a>	
<a href="#">Note 1 Description of Business</a>	<a href="#">80</a>
<a href="#">Note 2 Significant Accounting Policies</a>	<a href="#">80</a>
<a href="#">Note 3 Revenue</a>	<a href="#">88</a>
<a href="#">Note 4 Acquisition</a>	<a href="#">89</a>
<a href="#">Note 5 Inventories</a>	<a href="#">92</a>
<a href="#">Note 6 Property and Equipment</a>	<a href="#">92</a>
<a href="#">Note 7 Leases</a>	<a href="#">93</a>
<a href="#">Note 8 Goodwill and Intangible Assets, net</a>	<a href="#">95</a>
<a href="#">Note 9 Accrued Expenses</a>	<a href="#">97</a>
<a href="#">Note 10 Debt</a>	<a href="#">97</a>
<a href="#">Note 11 Derivative Instruments</a>	<a href="#">99</a>
<a href="#">Note 12 Fair Value Measurements</a>	<a href="#">101</a>
<a href="#">Note 13 Income Taxes</a>	<a href="#">102</a>
<a href="#">Note 14 Employee Benefit Plans</a>	<a href="#">104</a>
<a href="#">Note 15 Commitments and Contingencies</a>	<a href="#">105</a>
<a href="#">Note 16 Equity-Based Compensation</a>	<a href="#">106</a>
<a href="#">Note 17 Related Party Transactions</a>	<a href="#">109</a>
<a href="#">Note 18 Earnings Per Share</a>	<a href="#">110</a>
<a href="#">Note 19 Subsequent Events</a>	<a href="#">110</a>



## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of The Duckhorn Portfolio, Inc.

### **Opinions on the Financial Statements and Internal Control over Financial Reporting**

We have audited the accompanying consolidated statements of financial position of The Duckhorn Portfolio, Inc. and its subsidiaries (the “Company”) as of July 31, 2024 and 2023, and the related consolidated statements of operations, of stockholders' equity and of cash flows for each of the three years in the period ended July 31, 2024, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of July 31, 2024, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of July 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended July 31, 2024 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of July 31, 2024, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

### ***Basis for Opinions***

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s annual report on internal control over financial reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management’s annual report on internal control over financial reporting, management has excluded Sonoma-Cutrer Vineyards, Inc. (“Sonoma-Cutrer”) from its assessment of internal control over financial reporting as of July 31, 2024, because it was acquired by the Company in a purchase business combination during 2024. We have also excluded Sonoma-Cutrer from our audit of internal control over financial reporting. Acquired Sonoma-Cutrer is a wholly-owned subsidiary whose total assets and total revenues excluded from management’s assessment and our audit of internal control over financial reporting represent 16.9% and 5.2%, respectively, of the related consolidated financial statement amounts as of and for the year ended July 31, 2024.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ***Critical Audit Matters***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### ***Goodwill Impairment Assessment***

As described in Notes 2 and 8 to the consolidated financial statements, the Company's goodwill balance was \$483.9 million as of July 31, 2024. Management tests goodwill for impairment at least annually, as of June 30, or if events and circumstances indicate that the carrying value may not be recoverable. As disclosed by management, the quantitative goodwill impairment test consists of comparing the reporting unit carrying value to its fair value. Management estimated the fair value of the reporting unit using both a discounted cash flow model and a market multiple model. These models are both based on management's estimate of future revenues and operating costs and are reconciled to the Company's consolidated market capitalization, with consideration of the amount a potential acquirer would be required to pay, in the form of a control premium. The determination of fair value in management's goodwill impairment analysis is based on an estimate of fair value for the reporting unit utilizing known and estimated inputs at the evaluation date. Some of those inputs include, but are not limited to, estimated future cash flows, revenues, earnings, estimated market multiples, discount rate and the most recent price of the Company's common stock.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment is a critical audit matter are (i) the significant judgment by management when developing the fair value estimate of the Company's reporting unit; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to revenues, control premium, and discount rate; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the valuation of the Company's reporting unit. These procedures also included, among others (i) testing management's process for developing the fair value estimate of the reporting unit; (ii) evaluating the appropriateness of the discounted cash flow model and reconciliation to the market capitalization used by management; (iii) testing the completeness and accuracy of the underlying data used in the discounted cash flow model and reconciliation to the market

capitalization; and (iv) evaluating the reasonableness of the significant assumptions used by management related to revenues, control premium, and discount rate. Evaluating management's assumption related to revenues involved evaluating whether the assumption used by management was reasonable considering (i) the current and past performance of the Company; (ii) the consistency with external market and industry data; and (iii) whether the assumption was consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the discounted cash flow model and reconciliation to the market capitalization and (ii) the reasonableness of the control premium and discount rate assumptions.

/s/ PricewaterhouseCoopers LLP

San Francisco, California

October 7, 2024

We have served as the Company's auditor since 2018.

**The Duckhorn Portfolio, Inc.**  
**Consolidated Statements of Financial Position**  
*(in thousands, except share and per share data)*

	Fiscal years ended July 31,	
	2024	2023
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 10,872	\$ 6,353
Accounts receivable trade, net	52,262	48,706
Due from related party	10,845	—
Inventories	448,967	322,227
Prepaid expenses and other current assets	14,594	10,244
<b>Total current assets</b>	<b>537,540</b>	<b>387,530</b>
Property and equipment, net	568,457	323,530
Operating lease right-of-use assets	27,130	20,376
Intangible assets, net	192,467	184,227
Goodwill	483,879	425,209
Other assets	7,555	6,810
<b>Total assets</b>	<b>\$ 1,817,028</b>	<b>\$ 1,347,682</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 5,774	\$ 4,829
Accrued expenses	34,164	38,246
Accrued compensation	11,386	16,460
Current operating lease liabilities	2,869	3,787
Current maturities of long-term debt	9,721	9,721
Due to related party	1,714	—
Other current liabilities	1,116	1,417
<b>Total current liabilities</b>	<b>66,744</b>	<b>74,460</b>
Revolving line of credit, net	101,000	13,000
Long-term debt, net of current maturities and debt issuance costs	200,734	210,619
Operating lease liabilities	24,286	16,534
Deferred income taxes	151,104	90,216
Other liabilities	705	445
<b>Total liabilities</b>	<b>544,573</b>	<b>405,274</b>
<b>Commitments and Contingencies (Note 15)</b>		
<b>Stockholders' equity:</b>		
Common stock, \$0.01 par value; 500,000,000 shares authorized; 147,073,614 and 115,316,308 issued and outstanding at July 31, 2024, and July 31, 2023, respectively	1,471	1,153
Additional paid-in capital	1,011,265	737,557
Retained earnings	259,135	203,122
<b>Total The Duckhorn Portfolio, Inc. stockholders' equity</b>	<b>1,271,871</b>	<b>941,832</b>
Non-controlling interest	584	576
<b>Total stockholders' equity</b>	<b>1,272,455</b>	<b>942,408</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,817,028</b>	<b>\$ 1,347,682</b>

The accompanying notes are an integral part of these consolidated financial statements.

**The Duckhorn Portfolio, Inc.**  
**Consolidated Statements of Operations**  
*(in thousands, except share and per share data)*

	Fiscal years ended July 31,		
	2024	2023	2022
Sales	\$ 410,966	\$ 408,442	\$ 377,625
Excise taxes	5,485	5,446	5,115
<b>Net sales</b>	<b>405,481</b>	<b>402,996</b>	<b>372,510</b>
Cost of sales	190,555	187,307	187,330
<b>Gross profit</b>	<b>214,926</b>	<b>215,689</b>	<b>185,180</b>
Selling, general and administrative expenses	120,083	109,711	97,866
<b>Income from operations</b>	<b>94,843</b>	<b>105,978</b>	<b>87,314</b>
Interest expense	18,103	11,721	6,777
Other income, net	(84)	(212)	(2,214)
Total other expenses, net	18,019	11,509	4,563
<b>Income before income taxes</b>	<b>76,824</b>	<b>94,469</b>	<b>82,751</b>
Income tax expense	20,803	25,183	22,524
<b>Net income</b>	<b>56,021</b>	<b>69,286</b>	<b>60,227</b>
Net (income) loss attributable to non-controlling interest	(8)	12	(37)
<b>Net income attributable to The Duckhorn Portfolio, Inc.</b>	<b>\$ 56,013</b>	<b>\$ 69,298</b>	<b>\$ 60,190</b>
<b>Earnings per share of common stock:</b>			
Basic	\$ 0.45	\$ 0.60	\$ 0.52
Diluted	\$ 0.45	\$ 0.60	\$ 0.52
<b>Weighted average shares of common stock outstanding:</b>			
Basic	123,436,717	115,233,324	115,096,152
Diluted	123,549,109	115,407,624	115,363,578

The accompanying notes are an integral part of these consolidated financial statements.

**The Duckhorn Portfolio, Inc.**  
**Consolidated Statements of Stockholders' Equity**  
*(in thousands, except share data)*

	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, 2021</b>	<b>115,046,793</b>	<b>\$ 1,150</b>	<b>\$ 726,903</b>	<b>\$ 73,634</b>	<b>\$ 801,687</b>	<b>\$ 551</b>	<b>\$ 802,238</b>
Net income	—	—	—	60,190	60,190	37	60,227
Initial public offering, net of issuance costs	—	—	(270)	—	(270)	—	(270)
Issuance of common stock under equity incentive plans	175,003	3	(2)	—	1	—	1
Equity-based compensation	—	—	5,523	—	5,523	—	5,523
Shares withheld related to net share settlement	(53,677)	(1)	(844)	—	(845)	—	(845)
Issuance of employee stock purchase plan	16,042	—	287	—	287	—	287
<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)	—	—	—	69,298	69,298	(12)	69,286
Issuance of common stock under equity incentive plans	150,882	1	—	—	1	—	1
Equity-based compensation	—	—	6,290	—	6,290	—	6,290
Shares withheld related to net share settlement	(46,957)	—	(680)	—	(680)	—	(680)
Issuance of employee stock purchase plan	28,222	—	350	—	350	—	350
<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	—	—	—	56,013	56,013	8	56,021
Issuance of common stock under equity incentive plans	252,284	3	(1)	—	2	—	2
Shares issued at acquisition, net of issuance costs	31,531,532	315	266,639	—	266,954	—	266,954
Equity-based compensation	—	—	7,319	—	7,319	—	7,319
Shares withheld related to net share settlement	(60,814)	—	(496)	—	(496)	—	(496)
Issuance of employee stock purchase plan	34,304	—	247	—	247	—	247
<b>Balances at July 31, 2024</b>	<b>147,073,614</b>	<b>\$ 1,471</b>	<b>\$ 1,011,265</b>	<b>\$ 259,135</b>	<b>\$ 1,271,871</b>	<b>\$ 584</b>	<b>\$ 1,272,455</b>

The accompanying notes are an integral part of these consolidated financial statements.

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

	Fiscal years ended July 31,		
	2024	2023	2022
<b>Cash flows from operating activities</b>			
Net income	\$ 56,021	\$ 69,286	\$ 60,227
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes	30	(267)	3,817
Depreciation and amortization	37,168	27,768	23,427
Loss (gain) on disposal of assets	981	157	(528)
Change in fair value of derivatives	716	34	(1,695)
Amortization of debt issuance costs	775	975	1,608
Impairment loss	1,200	—	—
Equity-based compensation	7,319	6,290	5,523
Inventory reserve adjustments	479	722	4,363
Change in operating assets and liabilities; net of acquisition:			
Accounts receivable trade, net	(3,554)	(11,679)	(3,773)
Due from related party	(10,845)	—	—
Inventories	(61,863)	(33,894)	(18,818)
Prepaid expenses and other current assets	(2,773)	2,281	(3,293)
Other assets	(1,810)	(917)	1,258
Accounts payable	(1,239)	1,549	(262)
Accrued expenses	(11,143)	7,002	7,681
Accrued compensation	(5,350)	3,567	(3,953)
Deferred revenue	13	(6)	(2,830)
Due to related party	1,714	—	—
Other current and non-current liabilities	(3,679)	(2,776)	(3,920)
<b>Net cash provided by operating activities</b>	<b>4,160</b>	<b>70,092</b>	<b>68,832</b>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	(27,967)	(72,843)	(44,644)
Proceeds from sales of property and equipment	307	271	910
Acquisition of business, net of cash acquired	(49,614)	—	—
<b>Net cash used in investing activities</b>	<b>(77,274)</b>	<b>(72,572)</b>	<b>(43,734)</b>
<b>Cash flows from financing activities</b>			
Payments under line of credit	(47,000)	(121,000)	(98,000)
Borrowings under line of credit	135,000	24,000	84,000
Issuance of long-term debt	—	225,833	—
Payments of long-term debt	(10,000)	(120,166)	(11,347)
Proceeds from employee stock purchase plan	247	350	287
Taxes paid related to net share settlement of equity awards	(496)	(680)	(845)
Payment of equity issuance costs	(118)	—	—
Debt issuance costs	—	(2,671)	—
Payments of deferred offering costs	—	—	(270)
<b>Net cash provided by (used in) financing activities</b>	<b>77,633</b>	<b>5,666</b>	<b>(26,175)</b>
<b>Net increase (decrease) in cash</b>	<b>4,519</b>	<b>3,186</b>	<b>(1,077)</b>
<b>Cash - Beginning of year</b>	<b>6,353</b>	<b>3,167</b>	<b>4,244</b>
<b>Cash - End of year</b>	<b>\$ 10,872</b>	<b>\$ 6,353</b>	<b>\$ 3,167</b>
<b>Supplemental cash flow information</b>			
Interest paid, net of amount capitalized	\$ 18,273	\$ 10,393	\$ 5,179
Income taxes paid	\$ 34,110	\$ 11,562	\$ 17,674
<b>Non-cash investing and financing activities</b>			
Property and equipment additions in accounts payable and accrued expenses	\$ 8,547	\$ 3,360	\$ 1,694
Consideration payable for the acquisition of Sonoma-Cutrer in due to related party	\$ 1,342	\$ —	\$ —
Value of shares issued related to the acquisition of Sonoma-Cutrer	\$ 267,072	\$ —	\$ —

The accompanying notes are an integral part of these consolidated financial statements.



**The Duckhorn Portfolio, Inc.**  
**Notes to Consolidated Financial Statements**

**1. Description of Business**

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

Unless the context indicates otherwise, references to the “Company” or “Management” refer to The Duckhorn Portfolio, Inc. and its subsidiaries, which include Mallard Buyer Corporation, Heritage Wine, LLC, Duckhorn Wine Company, Canvasback Wine, LLC, Waterfowl Wine, LLC, Heritage Vineyard, LLC, KB Wines Corporation, Selway Wine Company, Soleil Vineyards, Inc., Sonoma-Cutrer Vineyards, LLC and Domaine M.B., LLC, which wholly owns Chenoweth Graham, LLC, an entity holding a majority interest in Bootlegger’s Hill, LLC (“Bootlegger’s Hill”).

The Company’s revenue is comprised of wholesale and DTC sales. Wholesale revenue is generated through sales directly to California retailers and restaurants, sales to distributors and agents throughout the 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; Windsor, 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; Windsor, 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.

***Issuance of common stock***

On April 30, 2024, the Company issued 31,531,532 common shares at a par value of \$0.01 to Brown-Forman as equity consideration for the acquisition of Sonoma-Cutrer which represented an ownership percentage of approximately 21.4% of the Company. See Note 4 (Acquisitions) for additional information.

***Secondary offerings***

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 for Fiscal 2023, which are reflected in selling, general and administrative expenses on the Consolidated Statements of Operations.

**2. Basis of Presentation and Significant Accounting Policies**

***Basis of presentation***

The Company’s consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and the regulations of the SEC.

***Principles of consolidation***

The 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. Certain reclassifications to previously reported financial information have been made to conform to the current period presentation.

***Functional currency***

The Company and all subsidiary legal entities are domiciled in the U.S. The functional and reporting currency of the Company and its subsidiaries is the U.S. dollar.

***Accounting estimates***

The preparation of 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Operating segment***

The Company has one operating segment and one reportable segment. The Company's Chief Operating Decision Maker ("CODM") reviews operating performance and makes decisions to allocate resources at the consolidated company level.

***Revenue recognition***

The Company's net sales reflect the sale of wine domestically in the U.S. to wholesale distributors, direct to trade accounts in California and DTC, as well as sales of wine to export distributors that sell internationally. In the year ended July 31, 2024, the Company made certain sales to Brown-Forman under the terms of the transitional services agreement ("TSA") executed in connection with the Sonoma-Cutrer acquisition, see Note 17 (Related Party Transactions).

The Company recognizes revenue when the performance obligation is fulfilled and control of the promised good is transferred to the customer in an amount that reflects the consideration for which the Company is expected to be entitled to receive in exchange for those products. Each contract includes a single performance obligation to transfer control of the product to the customer. Control is transferred when the product is either shipped or delivered, depending on the shipping terms, at which point the Company recognizes the transaction price for the product as revenue. The Company has elected to account for shipping and handling costs that are billed to customers as a fulfillment activity rather than as separate performance obligations. Shipping and handling costs are included in net sales in the Consolidated Statements of Operations. The Company has elected to record excise taxes as a reduction to net sales, which are recognized on the Consolidated Statements of Operations when the related product sale is recognized. Sales taxes that are collected from customers for remittance to governmental agencies are excluded from net sales.

When the Company receives payment from a customer prior to transferring the product 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 DTC members for purchases 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.

The transaction price includes reductions attributable to consideration given to customers through various incentive programs, including depletion-based incentives paid to distributors, volume discounts and pricing discounts on single transactions. This variable consideration is estimated and recognized as a reduction of the transaction price based on the expected amounts at the time of revenue recognition for the related sale. The determination of the reduction of the transaction price for variable consideration requires certain estimates and judgments that affect the amounts of revenue recognized and if a change to an estimate occurs in a future period, it is recorded as identified. The Company estimates this variable consideration using the expected value method by taking into account factors such as the nature of the incentive program, historical information, current consumer product trends and availability of actual results.

The Company pays depletion-based incentives to its distributors for meeting specific depletion targets and reviews the allowances using a portfolio approach, grouping contracts with similar attributes. The allowances are reassessed at each reporting date to reflect changes in facts and circumstances that could impact allowance estimates. Volume pricing discounts are given for meeting volume levels on an individual contract basis. Each incentive is treated as a reduction to the transaction price at the time of revenue recognition. Due to the nature of the incentives, certain estimates may be reassessed if it is probable that a significant reversal of revenue will occur when the uncertainty is resolved. Consideration given to customers totaled \$52.7 million, \$57.5 million and \$66.3 million for Fiscal 2024, 2023 and 2022, respectively, which is recognized as a reduction to net sales in the Consolidated Statements of Operations. There were no material changes in estimates for the periods then ended.

Products are sold for cash or on credit terms. Credit terms are established in accordance with local and industry practices, and typically require payment within 30-90 days of delivery or shipment, as dictated by the terms of each agreement. The Company does not account for significant financing components as its payment terms are less than one year, and the Company determines the terms at contract inception. The Company's sales terms do not allow for the right of return except for matters related to manufacturing defects, which are not material.

### ***Cost of sales***

Cost of sales includes all bulk wine production costs, winemaking, bottling, packaging, warehousing and shipping and handling costs. Costs associated with the Company's leased vineyards or owned estate properties include annual farming costs and amortization of vineyard development expenditures. Costs incurred for wines that age longer than one year prior to sale, including winemaking and processing costs, continue to be capitalized into inventory until the wine is bottled and available for sale.

### ***Advertising costs***

Advertising costs, including direct and promotional marketing costs, are expensed as incurred and were \$5.7 million, \$6.5 million and \$6.6 million for Fiscal 2024, 2023 and 2022, respectively. Advertising costs are recognized in selling, general and administrative expenses in the Consolidated Statements of Operations.

### ***Cash and cash equivalents***

Cash and cash equivalents include cash on hand and on deposit. The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of July 31, 2024 and 2023.

### ***Accounts receivable trade, net***

Accounts receivable trade, net consists of amounts owed to the Company for sales of the Company's products on credit and are reported at net realizable value. Interest is accrued on past-due amounts when required by trade laws in a given jurisdiction. The Company maintains an allowance for credit losses for estimated losses resulting from the inability of its customers to make required payments. The Company determines this allowance based on historical credit loss experience, adjusted for asset-specific risk characteristics, current economic conditions and reasonable forecasts. Accounts receivable are written off when determined to be uncollectible. Recoveries of accounts receivable previously written off are recognized in income when received.

The allowance for credit losses was \$0.5 million at both July 31, 2024 and 2023. Charges related to recoveries and reductions related to credit loss in Fiscal 2024, 2023 and 2022 were immaterial.

### ***Inventories***

Inventory primarily includes bulk and bottled wine and is carried at the lower of cost (calculated using the first-in-first-out method) or net realizable value. The cost basis for inventory includes the costs related to winemaking. Inventory also includes deferred crop costs, which consist of vineyard and related farming costs incurred each harvest season. Such costs begin aggregating when one harvest is completed and end at the completion of the next harvest, spanning a period that can range from November to October of the subsequent calendar year, but may vary due to the variable nature of agriculture, including weather and other events.

Consistent with industry practices, the Company classifies inventory as a current asset, although a substantial portion of inventory may be aged for periods longer than one year prior to being sold due to the specific aging requirements for a given wine variety and vintage. On an ongoing basis, the Company evaluates the cost estimate and assumptions. As required, 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. Aging inventory, prior to bottling, is classified as work in process.

The Company reduces the carrying value of inventories that are obsolete or for which market conditions indicate cost will not be recovered to estimated net realizable value. The Company's estimates of net realizable value are based on analysis and assumptions including, but not limited to, historical experience, as well as Management's judgment with respect to future demand and market conditions. Reductions to the carrying value of inventories are recorded in cost of sales in the Consolidated Statements of Operations, in the period Management determines the conditions first arise which indicate the cost may not be recoverable.

### ***Property and equipment, net***

Property and equipment, net are reported at cost and are depreciated using the straight-line method using the following useful lives:

<b>Category of Property and Equipment</b>	<b>Useful Lives (years)</b>
Buildings and improvements	4-42
Machinery and equipment	3-20
Vineyards and improvements	5-20
Barrels	1-2

Leasehold improvements are depreciated over the shorter of the useful life of the asset or the remaining term of the lease using the straight-line method. Expenditures for major repairs and maintenance which extend the useful lives of property and equipment are capitalized. All other maintenance expenditures, including planned major maintenance activities, are expensed as incurred. Gains or losses from property and equipment disposals are recognized in selling, general and administrative expenses in the Consolidated Statements of Operations.

The Company capitalizes vineyard development costs when developing new vineyards or improving existing vineyards, whether owned or leased. These costs principally consist of the costs of the vines and expenditures related to labor and materials to prepare the vineyard and construct vine trellises. Interest is capitalized during the active construction period for major capital projects.

### ***Goodwill and intangible assets***

Goodwill arising from business combinations is determined as the excess of the fair value of consideration transferred, plus the fair value of any non-controlling interests in an acquiree, over the fair value of the identifiable net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets determined to have an indefinite useful life are not amortized but are tested for impairment at least annually or if events and circumstances indicate that the carrying value may not be recoverable. Impairments are recognized in selling, general and administrative expenses in the Consolidated Statements of Operations.

Goodwill is tested for impairment by either performing a qualitative evaluation or a quantitative test. The qualitative evaluation is an assessment of factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. Management may elect not to perform the qualitative assessment and perform only a quantitative impairment test as of the measurement date. The Company selected June 30 of each fiscal year as the date to perform annual impairment testing.

Indefinite-lived intangible assets include trade names and lane rights. The Company's trade names provide value from the utility of the winery brands for the foreseeable future. Lane rights represent the Company's rights to storage capacity at the Wine Service Cooperative for the life of the facility at guaranteed pricing. The Company's

impairment testing of the indefinite-lived intangible assets compares the fair value of each asset with its carrying value, with any excess of carrying value recognized as an impairment loss.

Customer relationships are amortized on a straight-line basis over their estimated useful lives and that amortization is recognized in selling, general and administrative expenses. Customer relationships are subject to review for impairment when events or circumstances indicate that the carrying amount of an asset may not be recoverable.

See Note 8 (Goodwill and Intangible Assets, net) for results of the annual impairment testing and a summary of goodwill and the indefinite and definite-lived intangible assets.

#### ***Long-lived asset***

Long-lived assets deemed to have definite lives, which principally consist of property and equipment, customer relationships, and operating lease right-of-use assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company performs impairment testing at the asset group level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The assessment of impairment is based on the estimated undiscounted future cash flows from operating activities compared with the carrying value of the asset. If the undiscounted future cash flows of an asset are less than the carrying value, a write-down will be recorded, measured by the amount of the difference between the carrying value and the fair value of the asset.

Long-lived assets held for sale are recorded at the lower of cost or fair value less costs to sell and are recorded within prepaid expenses and other current assets in the Consolidated Statements of Financial Position. The Company classifies an asset as held for sale if it commits to a plan to sell the asset within one year and actively markets the asset in its current condition for a price that is reasonable in comparison to its estimated fair value. In Fiscal 2024, the Company recognized a loss of \$0.7 million related to certain property and equipment held for sale, recognized in selling, general and administrative expenses. As of July 31, 2024, the Company reported \$1.3 million in assets held for sale within prepaid expenses and other current assets in the Consolidated Statements of Financial Position. No impairments were identified related to long-lived assets for Fiscal 2024 or 2023.

#### ***Accounting for asset acquisitions***

The Company follows the guidance in Accounting Standards Codification (“ASC”) Topic 805, *Business Combinations*, for determining whether an acquisition meets the definition of a business combination or asset acquisition. For acquisitions that are accounted for as acquisitions of assets, the Company records the acquired tangible and intangible assets and assumed liabilities, if any, based on each asset’s and liability’s relative fair value at the acquisition date to the total purchase price plus capitalized acquisition costs. The method for determining relative fair value varies depending on the type of asset. See Note 4 (Acquisitions) for additional information.

#### ***Debt issuance costs***

The Company incurred debt issuance costs associated with the debt facilities, including the revolving line of credit, as further described in Note 10 (Debt). Term loan debt issuance costs are presented as a reduction from the corresponding liability, long-term debt, net of current maturities and debt issuance costs, in the Consolidated Statements of Financial Position. Revolving credit debt issuance costs are classified in other assets in the Consolidated Statements of Financial Position, regardless of whether or not there are any outstanding borrowings under the revolving credit facility. Debt issuance costs are amortized to interest expense over the life of the loan to maturity using the straight-line method, which is not materially different from the effective interest method.

#### ***Derivative instruments***

The Company recognizes derivative instruments as assets or liabilities on the Consolidated Statements of Financial Position and measures these instruments at fair value. The Company enters into derivative instruments to manage exposure to changes in interest rates and foreign currency fluctuations. The Company has certain derivative instruments subject to master netting agreements that provide for net-settlement of amounts payable or

receivable related to multiple derivative transactions with the same counterparty. The Company presents all derivatives on a gross basis in the Consolidated Statements of Financial Position. 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 July 31, 2024 and 2023. Management has neither designated these instruments as cash-flow hedges nor elected hedge accounting. Changes in the consolidated fair value of these financial instruments are recognized in other income, net, in the Consolidated Statements of Operations, see Note 11 (Derivative Instruments) and Note 12 (Fair Value Measurements) for additional information. The Company does not enter into derivative agreements for trading or speculative purposes.

#### ***Fair value measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments are measured in the financial statements in accordance with an established fair value hierarchy, which emphasizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. See Note 12 (Fair Value Measurements) for the valuation methodologies used for instruments measured at fair value.

#### ***Income taxes***

Income taxes are recognized using enacted tax rates and are accounted for based on the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the consolidated financial statement and tax bases of assets and liabilities at the applicable statutory tax rates. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company evaluates the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization include the Company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income in applicable tax jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in the Company's effective tax rate on future earnings.

Tax benefits from uncertain tax positions are recognized if it is more likely than not the tax positions will be sustained on examination by the applicable taxing authorities based on the technical merits of the position. The tax benefit is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances, such as the progress of tax audits, case law developments and new or emerging legislation. Such adjustments are recognized entirely in the period in which they are identified. The Company's income tax provision includes the net impact of changes in the liability for unrecognized tax benefits. Interest related to income tax matters is recognized in interest expense and penalties are reflected in selling, general and administrative expenses in the Consolidated Statements of Operations. See Note 13 (Income Taxes) for additional information.

#### ***Leases***

Effective August 1, 2021, the Company adopted Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*. Service arrangements are evaluated to determine whether they contain a lease at inception. Leases are classified as either finance leases or operating leases based on criteria in Topic 842. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's secured incremental borrowing rate. The Company's incremental borrowing rate for a lease is the rate of interest it would pay to borrow on a collateralized basis over a similar term to the lease in a similar economic environment. The Company applied incremental borrowing rates on a lease-by-lease basis. Right-of-use assets also include any lease payments made and exclude lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term operating leases that

have a term of one year or less. The Company recognizes expenses for short-term operating leases on a straight-line basis over the lease term.

Certain of the Company's operating leases have variable rental payments based on changes in a consumer price index or a production index that trigger rental increases. Additionally, certain of the Company's operating leases include variable payments for items such as property taxes, insurance, maintenance and other operating expenses associated with leased assets. Certain grower purchase agreements under which the Company contracts for grapes to meet production needs contain variable payments based on tonnage yield, grape quality and grape prices. Variable lease payments are excluded from the calculations of the right-of-use assets and are recognized in the financial statements in the period in which the obligation is incurred and payment variability removed. Any variable payments related to grapes purchased for inventory production would generally be recognized during harvest as yield size and quality can be determined, and the Company accepts the grapes at a production facility. The cost of grapes purchased to produce wine is recognized in inventory until the wine is sold, and amounted to \$85.7 million and \$71.0 million in Fiscal 2024 and 2023, respectively.

The Company monitors for triggering events or conditions that require a reassessment of its leases. When the reassessment requires a re-measurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset. Additionally, the Company reviews relevant impairment indicators of its right-of-use assets in accordance with ASC Topic 360, *Impairment or Disposal of Long-Lived Assets*.

### ***Preferred stock***

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

### ***Earnings per share***

In accordance with ASC Topic 260, *Earnings Per Share*, earnings per share is calculated by dividing net income by the weighted average number of ordinary shares outstanding during the period, excluding forfeitures. Diluted earnings per common share is computed using the weighted-average number of common shares outstanding and dilutive common shares, such as those issuable upon exercise of stock options and upon the vesting of restricted stock. See Note 18 (Earnings Per Share) for additional information.

### ***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 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. 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.

Bootlegger's Hill, which was acquired as part of the Kosta Browne acquisition, is a VIE and the Company is the primary beneficiary of that VIE. This conclusion considers the Company's ownership percentage, which entitles the Company to receive most of the benefits and absorb most of the risk, as well as the ability to exercise significant influence over the operating and financial decisions of the VIE.

The Company consolidates 100% of the operational results of Bootlegger's Hill, while also reflecting on the Consolidated Statements of Operations and Financial Position the 23.8% non-controlling interest, which is held by outside investors at both Fiscal 2024 and 2023. At July 31, 2024 and 2023, the Company's ownership percentage of the sole identified VIE was 76.2%. The total net assets of the VIE included on the Consolidated Statements of Financial Position were \$2.3 million at both July 31, 2024 and 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.



**Business Combination**

On April 30, 2024, the Company completed the acquisition of Sonoma-Cutrer. See Note 4 (Acquisitions) for additional information. The acquisition was accounted for using the acquisition method of accounting prescribed by ASC Topic 805, *Business Combinations*, whereby the results of operations, including the revenues and earnings of Sonoma-Cutrer, are included in the financial statements from the date of acquisition. Assets acquired and liabilities assumed as of the date of acquisition are recognized at their fair values based on widely accepted valuation techniques in accordance with ASC Topic 820, *Fair Value Measurements*. Goodwill is recognized for the excess of the consideration transferred over the net fair values of assets acquired and liabilities assumed. Management's assessment of qualitative factors affecting goodwill for each acquisition includes estimates of market share at the date of purchase, ability to grow in the market, synergy with existing Company operations and the payor profile in the markets. The fair value assigned to the intangible asset was determined using the income approach, specifically the relief from royalty method. The process for estimating fair values requires the use of significant estimates, assumptions and judgments, including determining the timing and estimates of future cash flows and developing appropriate discount and royalty rates. The estimates of fair value are based upon assumptions believed to be reasonable using the best information available. These assumptions are inherently uncertain and unpredictable and, as a result, actual results may differ materially from estimates.

ASC Topic 805, *Business Combinations*, establishes a measurement period to provide the Company with a reasonable amount of time to obtain the information necessary to identify and measure various items in a business combination and cannot extend beyond one year from the acquisition date. Measurement period adjustments are recognized in the reporting period in which the adjustments are determined and calculated as if the accounting had been completed as of acquisition date. The Company expects to complete the final fair value determination of the assets acquired and liabilities assumed as soon as practicable within the measurement period, but not to exceed one year from the acquisition date.

**Significant customers and concentrations of credit risk**

The Company's five largest customers, which are each wholesale customers, represented in total approximately 45%, 51% and 46% of net sales for Fiscal 2024, 2023 and 2022, respectively. There were no significant concentrations of revenue or credit risk related to DTC sales.

Of the largest five customers, three wholesale customers each represented 10% or more of the Company's net sales. The percentages for each of these significant customers for the periods presented are as follows:

	Fiscal years ended July 31,		
	2024	2023	2022
Customer A	14 %	18 %	16 %
Customer B	12 %	16 %	14 %
Customer C	10 %	10 %	9 %

Financial instruments potentially subjecting the Company to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation limits, as well as trade receivables. The majority of the Company's wine sales are made through distributors. Receivables associated with such sales are not collateralized. The Company monitors credit risk associated with its customers on a regular basis and management is of the opinion that there is no significant or unusual credit exposure as of July 31, 2024.

The same three wholesale customers, shown in the net sales table above, represent 10% or more of the Company’s trade accounts receivable balance for the periods presented. The percentages for each of these significant customers as of the periods presented are as follows:

	July 31,	
	2024	2023
Customer A	26 %	24 %
Customer B	5 %	16 %
Customer C	19 %	15 %

### **Equity-based compensation**

Equity awards issued in exchange for services rendered by the Company’s employees, officers or directors are accounted for pursuant to ASC Topic 718, *Compensation-Stock Compensation*. The Company measures equity awards at fair value at their grant date. Compensation cost is recognized in selling, general and administrative expenses or is capitalized into inventory over the requisite service period (generally the vesting period), net of actual forfeitures as incurred. The Company estimates the fair value of certain awards using a Black-Scholes option pricing model. The Company values performance-based restricted stock units using a Monte Carlo simulation model. See Note 16 (Equity-Based Compensation) for additional information.

### **Recently adopted accounting pronouncements**

In November 2023, the Financial Accounting Standards Board (“FASB”) issued 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 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 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 Consolidated Financial Statements and related disclosures.

## **3. Revenue**

### **Disaggregated revenue information**

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

	Fiscal years ended July 31,		
	2024	2023	2022
Wholesale — Distributors	69.8 %	67.9 %	66.3 %
Wholesale — California direct to trade <sup>(a)</sup>	16.3	17.1	17.9
DTC <sup>(b)</sup>	13.9	15.0	15.8
Net sales <sup>(c)</sup>	100.0 %	100.0 %	100.0 %

(a) Includes bulk and grape sales of \$1.2 million, \$0.7 million and \$3.1 million for Fiscal 2024, 2023 and 2022, respectively.

(b) Includes shipping and handling revenue of \$2.6 million, \$2.7 million and \$2.3 million for Fiscal 2024, 2023 and 2022, respectively.

(c) Fiscal 2024 and 2023 excludes lease income of \$2.2 million and \$0.4 million, respectively, from Geyserville winery acquired in June 2023.

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

	Fiscal years ended July 31,		
	2024	2023	2022
Duckhorn Vineyards & Decoy	76.1 %	79.2 %	78.5 %
Sonoma-Cutrer	5.3	—	—
Other winery brands	18.6	20.8	21.5
Net sales <sup>(a)</sup>	100.0 %	100.0 %	100.0 %

(a) Fiscal 2024 and 2023 excludes lease income of \$2.2 million and \$0.4 million, respectively, from Geyserville winery acquired in June 2023.

Net sales disaggregated by geographic area comprised of the following:

<i>(in thousands)</i>	Fiscal years ended July 31,		
	2024	2023	2022
United States <sup>(a)</sup>	\$ 380,973	\$ 379,255	\$ 348,910
Canada	7,662	7,327	7,769
Other international	16,846	16,414	15,831
Net sales	\$ 405,481	\$ 402,996	\$ 372,510

(a) Fiscal 2024 and 2023 includes lease income of \$2.2 million and \$0.4 million, respectively, from Geyserville winery acquired in June 2023.

#### 4. Acquisitions

##### *Sonoma-Cutrer*

On April 30, 2024, (the “Closing Date”) the Company acquired 100% of the equity of Sonoma-Cutrer Vineyards, Inc., a wholly owned subsidiary of Brown-Forman Corporation which includes six estate vineyards spanning approximately 1,100 acres. The Company acquired Sonoma-Cutrer for consideration comprised of approximately \$50.0 million, funded from the revolver portion of the Company’s Credit Facility, and 31,531,532 shares of common stock issued for \$267.1 million, determined based on the closing stock price of the Company’s stock of \$8.47 per share on April 30, 2024, plus net working capital payable adjustments of \$1.0 million.

The addition of Sonoma-Cutrer to the Company’s portfolio of luxury winery brands expands the Company’s portfolio of luxury Chardonnay and adds a well-renowned brand to the Company’s portfolio. Sonoma-Cutrer produces and markets its luxury Chardonnay wine brand, sourced from vineyards in the Russian River Valley and Sonoma Coast appellations.

During Fiscal 2024, the Company incurred \$9.1 million and \$0.9 million of third-party acquisition transaction costs and integration costs, respectively, recorded in selling, general and administrative expenses in the Consolidated Statements of Operations.

The preliminary allocation of the purchase consideration to the assets acquired and liabilities assumed as of the Closing Date is as follows:

<i>(in thousands)</i>	<b>Amount</b>
Total purchase consideration	\$ 318,028
<b>Assets acquired:</b>	
Inventories	61,897
Prepaid expenses and other current assets	373
Property and equipment, net	243,941
Intangible asset (Trade name)	17,000
Other assets	246
<b>Total assets</b>	<b>323,457</b>
<b>Liabilities assumed:</b>	
Current liabilities	(3,040)
Deferred income taxes	(60,857)
Other liabilities	(202)
<b>Total liabilities</b>	<b>(64,099)</b>
<b>Goodwill</b>	<b>\$ 58,670</b>

The estimated fair values of assets acquired were determined with the assistance of a valuation specialist using primarily Level 3 inputs as defined under ASC Topic 820, *Fair Value Measurement*, as of the acquisition date. All estimates, key assumptions, and forecasts were either provided by or reviewed by the Company. The intangible asset is recorded at fair value, as determined by Management based on available information. The fair value assigned to the trade name was determined using the income approach, specifically the relief from royalty method. The Company applied significant judgment in determining the fair value of the intangible asset, which involved the use of Level 3 inputs, including estimates and assumptions of future revenues, royalty rate and discount rate. The trade name is determined to have an indefinite useful life.

Goodwill related to the Sonoma-Cutrer acquisition is attributed to the benefit of a skilled workforce, brand strength in the luxury Chardonnay wine market, planned growth in new markets and synergies from combined sales, operational and administrative functions. The goodwill is not deductible for tax purposes.

The Sonoma-Cutrer acquisition accounted for \$21.2 million of net sales for Fiscal 2024. Due to the continued integration of the combined businesses, as well as our corporate structure and the allocation of selling, general and administrative costs, it is impracticable to determine Sonoma-Cutrer's contribution to our earnings.

*Supplemental Unaudited Pro Forma Information:*

For Fiscal 2024 and 2023, the following table contains unaudited pro forma Consolidated Statements of Operations information of the Company as if the acquisition of Sonoma-Cutrer closed on August 1, 2022, the first day of Fiscal 2023.

<i>(in thousands)</i>	<b>Fiscal years ended July 31,</b>	
	<b>2024</b>	<b>2023</b>
Net sales	\$ 478,577	\$ 488,415
Net income	\$ 84,019	\$ 65,005

The supplemental pro forma disclosures in the table above include adjustments for (i) depreciation expense that would have been recognized related to the acquired property and equipment, (ii) additional cost of sales related to

the inventory valuation adjustment, (iii) acquisition-related costs, such as third party transaction costs, (iv) incremental interest expense associated with additional drawdown on the existing revolving line of credit, (v) fees in connection with the TSA, see Note 17 (Related Party Transactions) and (vi) the estimated income tax effect on the pro forma adjustments.

This supplemental pro forma information is presented for illustrative purposes only and may not be indicative of the results of operations that would have been realized if the acquisition had been completed on the date indicated. In addition, future results may vary significantly from the results reflected in the supplemental pro forma information. The supplemental pro forma financial information does not reflect the impact of future events that may occur after the acquisition, such as anticipated cost savings from operating synergies.

### ***Geyserville winery***

On June 22, 2023, the Company purchased Geyserville winery which includes a production facility and seven acres of planted Cabernet Sauvignon in Alexander Valley, Sonoma County, California. Under the terms of the purchase agreement, the Company acquired certain production and storage assets, as well as vineyard assets, for a purchase price of \$54.6 million. The purchase price, inclusive of transaction costs, was comprised of cash on hand and \$15.0 million from the Company's Credit Facility.

The acquisition was accounted for as an asset acquisition in accordance with ASC Topic 805, *Business Combinations*, as the Company did not acquire a substantive process. Therefore, the Company ratably allocated \$0.3 million of direct, third-party transaction costs to the tangible assets acquired based on each asset's relative fair value.

The allocation of the purchase consideration to the assets acquired and liabilities assumed, on the acquisition date, as part of the transaction is as follows:

<i>(in thousands)</i>	<b>Amount</b>
Purchase consideration	\$ 54,261
Add: Third-party transaction costs	327
Total purchase consideration	<u>54,588</u>
Assets acquired and liabilities assumed	
Machinery and equipment	28,600
Buildings and improvements	20,823
Land	5,561
Vineyards and improvements	367
Liabilities	<u>(763)</u>
Total assets acquired and liabilities assumed	<u>\$ 54,588</u>

The estimated fair values of assets acquired were determined with the assistance of a valuation specialist, using Level 3 inputs as defined under ASC Topic 820, *Fair Value Measurement*, as of the acquisition date. The fair value analysis and related valuations reflect the conclusions of management. All estimates, key assumptions, and forecasts were either provided by or reviewed by the Company.

## 5. Inventories

Inventories were comprised of the following:

<i>(in thousands)</i>	July 31,	
	2024	2023
Finished goods	\$ 185,196	\$ 145,355
Work in progress	239,493	161,795
Raw materials	24,278	15,077
Inventories	<u>\$ 448,967</u>	<u>\$ 322,227</u>

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. As of July 31, 2024 and 2023, the Company's inventory reserve was \$0.9 million.

The Company capitalizes into inventories depreciation related to property and equipment used in the production of inventory. For Fiscal 2024 and 2023, the amount capitalized was \$25.0 million and \$18.3 million, respectively. The Company also capitalizes lease costs related to leases used in the production of inventory. For Fiscal 2024 and 2023, the amount capitalized was \$4.5 million and \$4.6 million, respectively. In addition, the Company capitalizes share-based compensation costs related to employees involved in the production of inventory which amounted to \$1.7 million and \$1.2 million for Fiscal 2024 and 2023, respectively.

In connection with the Sonoma-Cutrer acquisition, the Company acquired inventory of approximately \$61.9 million in Fiscal 2024. See Note 4 (Acquisitions) for additional information.

## 6. Property and Equipment, net

Property and equipment, net was comprised of the following:

<i>(in thousands)</i>	July 31,	
	2024	2023
Land	\$ 309,176	\$ 141,888
Buildings and improvements	121,937	92,960
Machinery and equipment	100,585	81,984
Vineyards and improvements	64,486	44,896
Barrels	49,155	34,944
Construction in progress	31,685	11,866
Property and equipment, gross	<u>677,024</u>	<u>408,538</u>
Less: accumulated depreciation and amortization	(108,567)	(85,008)
Property and equipment, net	<u>\$ 568,457</u>	<u>\$ 323,530</u>

Construction in progress primarily consists of costs related to tasting room improvements, barrel purchases and vineyard improvements.

Depreciation expense recognized in selling, general and administrative expenses was \$4.6 million, \$1.9 million, \$1.7 million for Fiscal 2024, 2023 and 2022. See Note 5 (Inventories) for depreciation expense capitalized into inventory.

**Acquisitions**

In Fiscal 2024, the Company completed the acquisition of Sonoma-Cutrer which includes six estate vineyards spanning approximately 1,100 acres within the Russian River Valley and Sonoma Coast appellations. In connection with the acquisition, the Company acquired property and equipment, net of approximately \$243.9 million, see Note 4 (Acquisitions) for additional information.

In Fiscal 2023, the Company purchased the Geyserville winery which includes a production winery and seven acres of planted Cabernet Sauvignon in Alexander Valley, Sonoma County, California for \$54.6 million, see Note 4 (Acquisitions) for additional information.

**7. Leases**

The Company's operating leases in which it is the lessee are primarily for certain vineyards, office space, tasting rooms, production facilities and certain grower purchase agreements associated with the purchase of grape tonnage yielded from specific vineyard blocks. The Company's leases have various terms with initial terms ranging from one to 30 years, expiring in future years through December 2046. Certain lease agreements contain purchase options and many include renewal options at specified dates throughout the lease terms. Purchase and renewal options are considered in determining the lease term and payments associated with the option years are included in lease payments if it is reasonably certain that the Company will exercise that option.

Upon the acquisition of the Geyserville winery, the Company became the lessor in an existing operating lease for the production facility. The Company recorded lease income of \$2.2 million and \$0.4 million for Fiscal 2024 and 2023, respectively, recorded in net sales in the Consolidated Statements of Operations. The lease term expired in February 2024. The Company elected the practical expedient to combine lease and nonlease components.

The amounts and classification of the Company's leases in the Consolidated Statements of Financial Position are as follows:

<i>(in thousands)</i>	Balance Sheet Classification	July 31,	
		2024	2023
<b>Assets:</b>			
Operating lease right-of-use assets	Operating lease right-of-use assets	\$ 27,130	\$ 20,376
<b>Liabilities:</b>			
<b>Current:</b>			
Operating lease liabilities	Current operating lease liabilities	2,869	3,787
<b>Non-current:</b>			
Operating lease liabilities	Operating lease liabilities	24,286	16,534
<b>Total lease liabilities</b>		<b>\$ 27,155</b>	<b>\$ 20,321</b>



**Lease costs**

The components of lease cost reported in the Consolidated Financial Statements were as follows:

<i>(in thousands)</i>	<b>July 31,</b>	
	<b>2024</b>	<b>2023</b>
Operating lease costs:		
Lease cost	\$ 4,434	\$ 4,361
Variable lease cost <sup>(a)</sup>	1,325	1,363
Short-term lease cost	—	66
Less: Sublease income	(110)	(132)
Total lease costs	<u>\$ 5,649</u>	<u>\$ 5,658</u>

(a) Variable lease cost includes payments for property taxes, insurance, maintenance and grower purchase agreements. Variable lease cost is recorded in the period in which variability is removed. See Note 15 (Commitments and Contingencies) for estimated variable cost of grower purchase agreements to be recognized in Fiscal 2025 related to the 2024 harvest, subject to grape yield sizes and the Company accepting grapes under its quality control provisions.

See Note 5 (Inventories) for lease costs capitalized into inventory.

**Lease term and discount rate**

Weighted average remaining lease terms and discount rates consisted of the following:

	<b>July 31,</b>	
	<b>2024</b>	<b>2023</b>
Operating leases:		
Weighted average remaining lease term (in years)	8.68	7.08
Weighted average discount rate	5.56 %	3.65 %

**Maturity of operating lease liabilities**

A summary of the remaining lease payments of operating lease liabilities (leases with terms in excess of one year) for the next five fiscal years and thereafter as of July 31, 2024 were as follows:

<i>(in thousands)</i>	<b>Operating lease liabilities</b>	
2025	\$	4,224
2026		4,310
2027		4,201
2028		3,795
2029		3,724
Thereafter		14,082
Total lease payments		<u>34,336</u>
Less: interest		(7,181)
Total lease liabilities	<u>\$</u>	<u>27,155</u>

### Supplemental cash flow information

Supplemental and other information related to leases comprised of the following:

<i>(in thousands)</i>	July 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 4,337	\$ 4,273
Right-of-use assets obtained in exchange for new lease liabilities:		
Operating leases	\$ 11,645	\$ 636

## 8. Goodwill and Intangible Assets, net

### Goodwill

Changes to goodwill as of July 31, 2024, were as follows:

<i>(in thousands)</i>		
Goodwill as of July 31, 2022	\$	425,209
Adjustments to previous recorded goodwill		—
Goodwill as of July 31, 2023		425,209
Additions for Sonoma-Cutrer acquisition		58,670
Goodwill as of July 31, 2024	\$	483,879

See Note 4 (Acquisitions) for additional information regarding the acquisition.

### Intangible assets, net

Intangible assets, net were comprised of the following:

<i>(in thousands)</i>	July 31, 2024		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Definite-lived intangible assets:			
Customer relationships	\$ 92,720	\$ (56,953)	\$ 35,767
Total definite-lived intangible assets	92,720	(56,953)	35,767
Indefinite-lived intangible assets:			
Trade names	155,400	—	155,400
Lane rights	1,300	—	1,300
Total indefinite-lived intangible assets	156,700	—	156,700
Total intangible assets, net	\$ 249,420	\$ (56,953)	\$ 192,467

<i>(in thousands)</i>	<b>July 31, 2023</b>		
	Gross carrying amount	Accumulated amortization	Net carrying amount
<b>Definite-lived intangible assets:</b>			
Customer relationships	\$ 92,720	\$ (49,393)	\$ 43,327
<b>Total definite-lived intangible assets</b>	<b>92,720</b>	<b>(49,393)</b>	<b>43,327</b>
<b>Indefinite-lived intangible assets:</b>			
Trade names	139,600	—	139,600
Lane rights	1,300	—	1,300
<b>Total indefinite-lived intangible assets</b>	<b>140,900</b>	<b>—</b>	<b>140,900</b>
<b>Total intangible assets, net</b>	<b>\$ 233,620</b>	<b>\$ (49,393)</b>	<b>\$ 184,227</b>

In connection with the Sonoma-Cutrer acquisition, the Company recognized an indefinite-lived trade name of \$17.0 million during Fiscal 2024. See Note 4 (Acquisitions) for additional information regarding the acquisition.

### ***Impairment Assessment***

Goodwill, trade names and lane rights are not amortized pursuant to ASC Topic 350, *Intangibles—Goodwill and Other*. The Company performs an annual impairment test for goodwill and intangible assets with indefinite useful lives on an annual basis, as of June 30, or whenever potential impairment triggers occur. In Fiscal 2024, the Company performed a quantitative goodwill impairment assessment. Based on our quantitative test results, the Company determined that the reporting unit fair value exceeded its carrying value. The Company estimated the fair value of the reporting unit using both a discounted cash flow model and a market multiple model. These models are both based on the Company's estimate of future revenues and operating costs and are reconciled to the Company's consolidated market capitalization, with consideration of the amount a potential acquirer would be required to pay, in the form of a control premium. The determination of fair value in the Company's goodwill impairment analysis is based on an estimate of fair value for the reporting unit utilizing known and estimated inputs at the evaluation date. Some of those inputs include, but are not limited to, estimated future cash flows, revenues, earnings, estimated market multiples, discount rate and the most recent price of the Company's common stock. The Company did not record any impairment charges related to goodwill for Fiscal 2024, 2023 or 2022.

The Company's impairment testing of the trade name intangible assets compares the fair value of each trade name with its carrying value, with any excess of carrying value recognized as an impairment loss. The Company estimates the fair value of the trade names using the Relief-from-Royalty method. Management applies significant judgment in determining the fair value of intangible assets, which involves the use of estimates and assumptions including future net sales attributable to the trade names and selection of appropriate royalty and discount rates. For the fiscal year ended July 31, 2024, the Company recorded a \$1.2 million non-cash impairment loss for a certain trade name intangible asset. The charge was primarily the result of changes to the brand's sales forecast. The carrying value of the trade name intangible assets totaled \$156.6 million before the impairment, and \$155.4 million after the impairment. The impairment charges were recognized in the Consolidated Statements of Operations in selling, general and administrative expenses within income from operations, as the assets are actively used in the Company's ongoing operations. The Company did not record any impairment charges related to trade names for Fiscal 2023 or 2022.

### ***Amortization expense***

The Company's amortization expense was \$7.6 million for Fiscal 2024, 2023 and 2022.

Estimated future amortization expense for each of the following five fiscal years and thereafter is as follows:

<i>(in thousands)</i>	<b>Amount</b>
2025	\$ 7,560
2026	7,560
2027	7,560
2028	7,560
2029	5,527
Total	<u>\$ 35,767</u>

## 9. Accrued Expenses

Accrued expenses were comprised of the following:

<i>(in thousands)</i>	<b>July 31,</b>	
	<b>2024</b>	<b>2023</b>
Trade spend <sup>(a)</sup>	\$ 10,593	\$ 12,721
Income taxes payable <sup>(b)</sup>	—	11,019
Accrued construction in progress	4,385	611
Deferred compensation liability <sup>(c)</sup>	3,932	3,261
Barrel purchase	3,143	2,589
Bulk wine and other received not invoiced	2,901	529
Accrued invoices and other accrued expenses	9,210	7,516
Accrued expenses	<u>\$ 34,164</u>	<u>\$ 38,246</u>

(a) Trade spend refers to estimated amounts the Company owes to distributors for depletion-based incentives. See further discussion in Note 2 (Basis of Presentation and Significant Accounting Policies).

(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 were paid in full in Fiscal 2024.

(c) See discussion in Note 14 (Employee Benefit Plans) regarding the Company's deferred compensation plan and related cash surrender value life insurance policies the Company intends to use in settling the plan liability. The cash surrender value of the life insurance policies was \$3.7 million and \$2.7 million at July 31, 2024 and 2023, respectively.

## 10. Debt

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

<i>(in thousands)</i>	<b>July 31,</b>	
	<b>2024</b>	<b>2023</b>
Revolving line of credit	\$ 101,000	\$ 13,000
Term loan, first lien	210,832	220,832
Total debt	311,832	233,832
Less: Current maturities of long-term debt	(9,721)	(9,721)
Total long-term debt	302,111	224,111
Debt issuance costs <sup>(a)</sup>	(377)	(492)
Total long-term debt, net of current maturities and debt issuance costs	<u>\$ 301,734</u>	<u>\$ 223,619</u>

(a) Debt issuance costs are the costs associated with the term loan facility. Debt issuance costs of \$2.2 million and \$2.8 million at July 31, 2024 and 2023, respectively, associated with the revolving credit and delayed draw term loan facilities are recorded in other assets on the Consolidated Statements of Financial Position.

During Fiscal 2024, the Company borrowed \$135.0 million on the revolving credit facility of which approximately \$50.0 million was used to fund the cash consideration of the Sonoma-Cutrer acquisition. See Note 4 (Acquisitions) for additional information. As of July 31, 2024, the Company had unused capacity of \$324.0 million under the revolving line of credit, excluding the incremental seasonal borrowing amount of an additional \$30.0 million of capacity.

### ***Credit Agreement***

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%. The weighted average interest rate, including unused line fees, on outstanding borrowings under the revolver portion of the credit facilities was 7.6% during Fiscal 2024.

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 weighted average interest rate on outstanding borrowings under the term loan portions of the credit facilities was 7.1% during Fiscal 2024.

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 both July 31, 2024 and 2023, the Company was not in violation of any financial covenant.

In the year ended July 31, 2023, the Company incurred approximately \$3.3 million in debt issuance costs, including bank financing fees and third party legal and other professional fees in closing the Credit Agreement, of which approximately \$2.4 million were capitalized in accordance with ASC Topic 470, *Debt*. The fees associated with the revolving and delayed draw term facilities were capitalized to other assets and the fees associated with the term loan facility were capitalized to long-term debt, net of current maturities and debt issuance costs on the Consolidated Statement of Position. The capitalized debt issuance costs are amortized as interest expense over the term of the Credit Agreement. Other related charges incurred of \$0.9 million that were not capitalized during the period are reflected in other income, net in the Consolidated Statements of Operations in Fiscal 2023.

Included in interest expense in the Consolidated Statements of Operations, and separately presented on the Consolidated Statements of Cash Flows, is amortization related to debt issuance costs of \$0.8 million, \$1.0 million and \$1.6 million for Fiscal 2024, 2023 and 2022.

**Amendments to the Credit Agreement**

Effective February 6, 2023, the Company entered into Amendment No. 1 to the Amended and Restated First Lien Loan and Security Agreement. The changes in the amendment are administrative in nature and did not impact the Company’s outstanding debt or related debt covenants. The amendment did not result in any additional cash proceeds or changes in commitment amounts.

Effective May 2, 2023, the Company entered into Amendment No. 2 to the Amended and Restated First Lien Loan and Security Agreement. The amendment amends and restates the definition of fixed charge coverage ratio in the Credit Agreement to replace unfinanced capital expenditures with maintenance capital expenditures in the calculation of the fixed charge coverage ratio. The amendment did not result in any additional cash proceeds or changes in commitment amounts.

As of July 31, 2024, the required revolving line of credit and long-term debt repayments for each of the following five fiscal years and thereafter are as follows:

<i>(in thousands)</i>	<b>Amount</b>
2025	\$ 9,721
2026	9,721
2027	9,721
2028	282,669
2029	—
Thereafter	—
<b>Total</b>	<b>\$ 311,832</b>

**11. 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 July 31, 2024 or July 31, 2023. The Company does not enter into derivative instruments for trading or speculative purposes. The Company does not apply hedge accounting treatment to derivative instruments.

As of July 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:

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

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

<i>(in thousands)</i>	<b>July 31,</b>	
	<b>2024</b>	<b>2023</b>
Interest rate swap contract	\$ 100,000	\$ 100,000
Foreign currency forward contracts	3,792	5,610
<b>Total derivative instruments not designated as hedging instruments</b>	<b>\$ 103,792</b>	<b>\$ 105,610</b>

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 London Interbank Offered Rate based floating rate to a Term SOFR based floating rate. 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.

As discussed in Note 15 (Commitments and Contingencies), 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 cooperages.

### ***Results of period derivative activity***

The estimated fair value and classification of derivative instruments on the Consolidated Statements of Financial Position at July 31, 2024 were as follows:

<i>(in thousands)</i>	<b>Derivative Assets</b>		<b>Derivative Liabilities</b>	
	Balance Sheet Classification	Fair Value	Balance Sheet Classification	Fair Value
Interest rate swap contract	Other assets	\$ 465	Other liabilities	\$ —
Foreign currency forward contracts	Prepaid expenses and other current assets	5	Other current liabilities	—
<b>Total derivatives not designated as hedging instruments</b>		<b>\$ 470</b>		<b>\$ —</b>



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

<i>(in thousands)</i>	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		<u>\$ 1,186</u>		<u>\$ —</u>

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

<i>(in thousands)</i>	Classification	Fiscal years ended July 31,		
		2024	2023	2022
Interest rate swap contracts	Other income, net	\$ 652	\$ 326	\$ (1,923)
Foreign currency forward contracts	Other income, net	64	(292)	228
Total loss (gain)		<u>\$ 716</u>	<u>\$ 34</u>	<u>\$ (1,695)</u>

## 12. 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.

The following is a description of the valuation methodologies used for instruments measured at fair value in the 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).

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 and cash surrender value life insurance policies, 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 carrying value of cash surrender value life insurance policies is recorded at cash surrender value and, accordingly, approximates fair value.

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

<i>(in thousands)</i>	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>			
Interest rate swap contract	\$ —	\$ 465	\$ —
Foreign currency forward contracts	\$ —	\$ 5	\$ —

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

<i>(in thousands)</i>	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>			
Interest rate swap contracts	\$ —	\$ 1,117	\$ —
Foreign currency forward contracts	\$ —	\$ 69	\$ —

### 13. Income Taxes

The Company's income tax provision represents U.S. federal and state income taxes. The provision for income taxes was as follows:

<i>(in thousands)</i>	Fiscal years ended July 31,		
	2024	2023	2022
<b>Current:</b>			
Federal	\$ 16,088	\$ 19,184	\$ 13,844
State	4,685	6,266	4,864
Total current income taxes	20,773	25,450	18,708
<b>Deferred:</b>			
Federal	1,646	(262)	2,080
State	(1,616)	(5)	1,736
Total deferred income taxes	30	(267)	3,816
Income tax expense	\$ 20,803	\$ 25,183	\$ 22,524

The significant components of deferred tax assets (liabilities) were comprised of the following:

<i>(in thousands)</i>	July 31,	
	2024	2023
Deferred tax assets:		
Operating lease liabilities	\$ 6,919	\$ 5,201
Accrued liabilities	1,854	1,579
Equity-based compensation	1,521	1,041
State taxes	902	1,411
Inventory	—	2,385
Other	75	158
Total deferred tax assets	11,271	11,775
Deferred tax liabilities:		
Property and equipment	(101,015)	(48,448)
Intangible assets	(47,595)	(45,607)
Operating lease asset	(6,913)	(5,216)
Inventory	(4,224)	—
Prepaid expenses	(2,511)	(2,434)
Interest rate swap	(117)	(286)
Total deferred tax liabilities	(162,375)	(101,991)
Net deferred tax liabilities	\$ (151,104)	\$ (90,216)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Other significant temporary differences that impact the Company's deferred taxes primarily relate to the tax basis of assets that were acquired in business combinations that remain at historical bases although the assets were recorded at fair value for financial reporting purposes. The differences primarily relate to property and equipment and intangible assets. Other temporary differences include differing depreciation and inventory costing methods. Goodwill associated with a prior period acquisition of the Company created a permanent difference.

The Company considers the realizability of deferred tax assets, evaluating whether it is more likely than not that some or all of the deferred tax assets will not be realized. As of July 31, 2024 and 2023, the Company determined it is more likely than not that it will realize the benefits of these deductible differences. Accordingly, the Company has recorded no valuation allowances.

The following table reconciles the Company's actual income tax provision to the expected statutory tax rate:

	Fiscal years ended July 31,		
	2024	2023	2022
Federal statutory income tax rate	21.0 %	21.0 %	21.0 %
State income taxes	3.3	5.3	6.4
Transaction expense	1.7	—	—
Other	1.1	0.4	(0.2)
Effective tax rate	27.1 %	26.7 %	27.2 %

The Company and its subsidiaries file a consolidated federal income tax return and individual or consolidated state tax returns based on the tax laws of each jurisdiction where the Company operates. The Company is subject to taxation in the jurisdictions in which it operates. The Company continues to remain subject to examination by U.S. federal authorities for the fiscal years ended July 31, 2020 through 2023 and for various state authorities, primarily for the fiscal years ended July 31, 2016 through 2023. The Company recognizes interest and penalties

related to income tax matters as a component of income tax expense. There were no material interest and penalties for Fiscal 2024, 2023 or 2022. As of July 31, 2024 and 2023, the total amount of gross unrecognized tax benefits was \$9.1 million and \$0.5 million, all of which if recognized, would impact the Company's effective tax rate. The aggregate change in the balance of gross unrecognized tax benefits is as follows:

<i>(in millions)</i>	July 31,	
	2024	2023
Beginning balance	\$ 0.5	\$ 0.4
Additions based on tax positions related to 2023	8.5	—
Gross increase related to prior year tax positions	0.1	0.1
Ending balance	<u>\$ 9.1</u>	<u>\$ 0.5</u>

During Fiscal 2024, the Company filed amended California return claims for refund based on a tax position for throwback sales under the Multistate Tax Commission's recently updated guidance on Public Law 86-272 that was adopted in August 2021. The guidance continues to be contested in the California court system and given the continued uncertainty with sustaining this position, the Company recognized a reserve against the amount of the tax refund claim the Company believes is not more likely than not to be sustained. An unrecognized tax benefit of \$8.5 million was recorded against the receivable associated with the refund claim. As of July 31, 2024 and 2023, the total amount of gross unrecognized tax benefits was \$0.6 million and \$0.5 million, respectively, as a result of certain research and development tax credits, all of which is expected to reverse in the next 12 months.

#### 14. Employee Benefit Plans

##### *Defined contribution plan*

The Company sponsors a defined contribution 401(k) plan pursuant to which eligible employees may defer a portion of their compensation. All full-time and part-time employees are eligible to participate. Defined contribution expense includes the plan administration fees and is reduced by forfeitures. The Company made mandatory safe harbor and discretionary employer contributions during the year totaling 10% of eligible compensation, and no other profit-sharing contributions were approved for Fiscal 2024, 2023 and 2022. The Company contributed \$5.8 million, \$5.2 million and \$4.6 million to the plan for Fiscal 2024, 2023 and 2022, respectively.

##### *Deferred compensation retirement plan*

The Company offers to certain qualifying members of management, at the Company's discretion, the ability to participate in the Company's deferred compensation plan which is subject to Section 409(a) of the Internal Revenue Code. For such employees, when discretionary employer contributions to the 401(k) plan would exceed the maximum allowable 401(k) contribution, the balance of the contribution is made into the 409(a) plan. Participating employees may elect to defer compensation under the plan, and the Company may make discretionary contributions on participants' behalf. Employee contributions vest immediately. Discretionary contributions are made by the Company as approved by the Company's Board of Directors and are subject to a three-year cliff vesting schedule. Company contributions to the plan totaled \$0.3 million, \$0.3 million and \$0.4 million for Fiscal 2024, 2023 and 2022, respectively. The deferred compensation liability was \$3.9 million and \$3.3 million as of July 31, 2024 and 2023, respectively. See Note 12 (Fair Value Measurements) for additional information.

Future payments related to the deferred compensation plan will be funded with cash surrender value life insurance contracts which are payable to the Company upon the death of a participating employee. These plan assets are general assets of the Company, which are subject to creditors. The cash surrender value of the life insurance policies totaled \$3.7 million and \$2.7 million as of July 31, 2024 and 2023, respectively, and is included in other assets on the Consolidated Statements of Financial Position.

## 15. 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 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 2024 harvest, the Company contracted for approximately 36,000 tons of grapes at an estimated cost of approximately \$92.0 million, subject to the final determination of yield quantities and our quality acceptance provisions being met, which will be recognized into inventory during Fiscal 2025. For the 2023 harvest, the Company purchased 32,000 tons of grapes at a cost of approximately \$85.7 million, which was recognized in inventory during Fiscal 2024. For the 2022 harvest, the Company purchased 29,000 tons of grapes at a cost of approximately \$71.0 million, which was recognized in 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, 2024, the Company has ongoing commitments to purchase barrels for a total of \$12.5 million, of which approximately \$10.5 million will be paid in Euros in the next 12 months. As of July 31, 2023, the Company had \$10.6 million in barrel purchase commitments. During Fiscal 2024, the Company paid the remaining commitments and liabilities associated with the barrel purchases for the 2023 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, net on the Consolidated Statements of Operations. See Note 11 (Derivative Instruments) for the total notional value and impact on the current period consolidated financial statements due to foreign currency forward contracts.

The Company enters into various purchase commitments related to production activities. In December 2023, the Company entered into an equipment agreement resulting in a purchase commitment of \$15.9 million. During Fiscal 2024, the Company made nonrefundable advance payments of \$4.8 million which are included in property and equipment, net, in the Consolidated Statements of Financial Position. Under the agreement, the Company is obligated to pay milestone payments as equipment and services are rendered of \$10.3 million and \$0.8 million, respectively, in Fiscal 2025 and 2026.

The Company enters into various contracts with third-parties for custom crush, storage 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 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.

### *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 July 31, 2024 and 2023, there were no material contingent obligations requiring accrual.

On March 22, 2024, a former employee of the Company filed a putative class action in San Benito County Superior Court, seeking to represent all non-exempt workers of the Company in the State of California. The

complaint alleges various wage and hour violations under the California Labor Code and related statutes. Plaintiff has also served a Private Attorneys General Act (“PAGA”) notice for the same alleged wage and hour violations. The claims predominantly relate to alleged unpaid wages (overtime) and missed meal and rest breaks. The lawsuit seeks, among other things, compensatory damages, statutory penalties, attorneys’ fees and costs. The Company has retained outside legal counsel to defend this action. The claim is in an early stage, and the amount of any loss cannot be reasonably estimated at this date.

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 July 31, 2024 and 2023, no amounts were accrued related to such indemnification provisions.

## **16. Equity-Based Compensation**

### ***2016 Equity Incentive Plan***

The Board of Managers of Mallard Holdco, LLC, the entity which wholly-owned The Duckhorn Portfolio, Inc. before the Company’s IPO, approved the issuance of profit interest units (“Class M Common Units”, “awards” or “units”) to certain employees of the Company. The units, issued in accordance with the board approved 2016 Equity Incentive Plan (“2016 Plan”), were considered equity awards for purposes of calculating compensation expense, and equity-classified in the Consolidated Statements of Financial Position. The total intrinsic value of restricted shares that vested during Fiscal 2023 and 2022, was \$4.9 million and \$3.0 million, respectively, related to the Class M Common Units. There was no compensation expense recognized in Fiscal 2024, related to the 2016 Plan.

In connection with the adoption of the Company’s 2021 Equity Plan, as discussed below, the Company will no longer grant additional awards under the 2016 Plan. However, the terms and conditions of the 2016 Plan will continue to govern the previously granted awards, to the extent applicable.

### ***2021 Equity Incentive Plan***

The Board of Directors approved the 2021 Equity Incentive Plan (“2021 Plan”), which allows Management to grant various stock and stock-based awards. A maximum of 14,003,560 shares of the Company’s common stock were authorized for issuance under the 2021 Plan. Restricted stock units and 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 Consolidated Statements of Financial Position. The grants awarded vest ratably by 25% on each anniversary of the vesting date, subject to continued service through each vesting date. Consistent with the Company’s policy related to the 2016 Plan, forfeitures will be recorded as they occur. Stock options granted under the 2021 Plan expire ten years from the date of the grant.

### Stock options

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)
Balance as of July 31, 2023	2,321,233	\$ 15.98	8.0	\$ —
Granted	1,267,560	9.89	—	—
Exercised	—	—	—	—
Forfeited	(667,037)	14.46	—	—
Expired	(427,172)	16.38	—	—
Balance as of July 31, 2024	2,494,584	\$ 13.23	8.2	\$ —
Exercisable as of July 31, 2024	722,295	\$ 16.63	7.0	\$ —

The total unrecognized compensation expense related to the 2021 Plan stock options was \$6.0 million as of July 31, 2024, which is expected to be recognized over a weighted-average period of 2.6 years. The weighted-average grant-date fair value of options granted for 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:

	Fiscal years ended July 31,		
	2024	2023	2022
Expected term (in years) <sup>(a)</sup>	6.22	6.23	6.25
Expected dividend yield <sup>(b)</sup>	— %	— %	— %
Risk-free interest rate <sup>(c)</sup>	4.09% - 4.55%	3.77% - 3.96%	2.54 %
Expected volatility <sup>(d)</sup>	30.9 %	33.9 %	47.0 %

(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) The expected volatility was estimated based on analysis of the historical and implied volatility of a group of guideline public companies deemed to be comparable public peers within the Company's industry.

### Restricted stock units

Restricted stock units ("RSU") are valued using the closing market price of the Company's 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)
Unvested as of July 31, 2023	562,861	\$ 15.52
Granted	966,856	9.61
Vested	(252,284)	14.50
Forfeited	(213,552)	14.33
Unvested as of July 31, 2024	1,063,881	\$ 10.62



The total intrinsic value of restricted stock that vested during Fiscal 2024 and 2023 was \$2.5 million and \$2.3 million, respectively. The total unrecognized compensation expense related to the 2021 Plan RSUs was \$8.6 million as of July 31, 2024, which is expected to be recognized over a weighted-average period of 2.5 years.

**Performance-based restricted stock units**

During Fiscal 2024, the Company granted performance-based restricted stock units (“PSU”) under the 2021 Plan, which are settled in shares of the Company’s common stock if the market condition is met within a three-year period. The shares vest immediately upon satisfaction of the market condition, which is based on the Company’s stock price.

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

	Number of units	Weighted-average grant-date fair value (per share)
Unvested as of July 31, 2023	—	\$ —
Granted	177,095	5.40
Vested	—	—
Forfeited	—	—
Unvested as of July 31, 2024	<u>177,095</u>	<u>\$ 5.40</u>

The total unrecognized compensation expense related to the 2021 Plan PSUs was \$0.8 million as of July 31, 2024, which is expected to be recognized over a weighted-average period of 0.9 years. The fair value of the PSUs was estimated on the date of grant using a Monte Carlo simulation model with the following assumptions:

	Fiscal years ended July 31, 2024
Expected term (in years) <sup>(a)</sup>	1.2
Expected dividend yield <sup>(b)</sup>	— %
Risk-free interest rate <sup>(c)</sup>	4.8 %
Expected volatility <sup>(d)</sup>	43.0 %

(a) Based on the median time to vest among all Monte Carlo simulation paths that vest.

(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) The expected volatility was estimated based on analysis of the historical and implied volatility of the Company’s common stock.

**2021 Employee Stock Purchase Plan**

In connection with the IPO, the Company adopted the 2021 Employee Stock Purchase Plan (“ESPP”), through which eligible employees may purchase shares of the Company’s common stock at a discount through accumulated payroll deductions. Unless otherwise determined by the Board of Directors, in their sole discretion, the purchase of common stock under the ESPP will be 85% of the lower of the fair market value per share on the first trading day of the applicable offering period or the exercise date of the applicable purchase period. Each offering period is approximately five months in duration. The fair value of ESPP shares is estimated at the date of grant using the Black-Scholes option pricing model.

A maximum of 1,250,509 shares of the Company’s common stock were authorized for issuance and sale to eligible employees under the ESPP. The Company issued 34,304 shares and 28,222 shares under the ESPP during Fiscal 2024 and 2023, respectively.

***Compensation expense***

During Fiscal 2024, 2023 and 2022, the Company recognized total equity-based compensation expense due to units vesting over their requisite service periods for all plans of \$7.3 million, \$6.3 million and \$5.6 million, respectively. The related income tax benefit recognized in each respective fiscal year was \$1.8 million, \$1.6 million and \$1.3 million. The Company recognizes equity-based compensation in selling, general and administrative expenses in the Consolidated Statements of Operations, except for amounts capitalized to inventories in the Consolidated Statements of Financial Position. See Note 5 (Inventories) for costs capitalized into inventory. The Company recognized \$5.6 million, \$5.1 million and \$4.8 million in selling, general and administrative expenses in Fiscal 2024, 2023 and 2022, respectively.

**17. Related Party Transactions**

Effective April 30, 2024, in connection with the Sonoma-Cutrer acquisition, the Company entered into a TSA with Brown-Forman, which is considered a related party transaction. See Note 4 (Acquisitions) for additional information regarding the acquisition. The TSA governs services including certain distribution services, information technology services, finance and accounting services and sales and marketing services for a limited time to ensure an orderly transition following the acquisition. The agreed-upon charges for such services are intended to cover any costs and expenses incurred in providing such services to the Company by Brown-Forman (with a mark-up to reflect the management and administrative cost of providing the services). As of July 31, 2024, the Company had a receivable balance outstanding with Brown-Forman for \$10.8 million related to these services and related net sales, recognized in due from related party on the Consolidated Statements of Financial Position. During Fiscal 2024, the Company recorded net sales of \$19.2 million, net of applicable service fees, to Brown-Forman recognized within net sales in the Consolidated Statements of Operations

As of July 31, 2024, the Company had a related party payable of \$1.7 million outstanding with Brown-Forman for preliminary working capital adjustments related to consideration paid for the acquisition and accounts payable, recognized in due to related party on the Consolidated Statements of Financial Position. See Note 4 (Acquisitions) for additional information.

## 18. 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:

<i>(in thousands, except share and per share amounts)</i>	Fiscal years ended July 31,		
	2024	2023	2022
<b>Numerator:</b>			
Net income attributable to The Duckhorn Portfolio, Inc.	\$ 56,013	\$ 69,298	\$ 60,190
<b>Denominator:</b>			
Weighted average number of shares outstanding for basic per share calculation	123,436,717	115,233,324	115,096,152
<b>Effect of dilutive potential shares<sup>(a)</sup>:</b>			
Stock options	—	1,687	112,471
Restricted stock units	112,392	172,613	154,955
Adjusted weighted average shares outstanding for diluted per share calculation	<u>123,549,109</u>	<u>115,407,624</u>	<u>115,363,578</u>
<b>Earnings per share attributable to The Duckhorn Portfolio, Inc.</b>			
Basic	\$ 0.45	\$ 0.60	\$ 0.52
Diluted	\$ 0.45	\$ 0.60	\$ 0.52

(a) Calculated using the treasury stock method.

For Fiscal 2024, 2023 and 2022, there were 1.8 million, 0.6 million and 0.2 million incremental common shares issuable upon the exercise of certain stock options, respectively, that were not included in the calculation of diluted EPS because the effect of their inclusion would have been antidilutive under the treasury stock method. For Fiscal 2024, there were 0.1 million common shares issuable upon the exercise of certain RSUs that were not included in the calculation of diluted EPS because the effect of their inclusion would have been antidilutive under the treasury stock method. Refer to Note 16 (Equity-Based Compensation) for the terms of the awards.

## 19. Subsequent events

On October 6, 2024, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Marlee Buyer, Inc., a Delaware corporation ("Parent"), and Marlee Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Parent ("Merger Subsidiary"), pursuant to which Merger Subsidiary will merge with and into the Company whereupon the separate corporate existence of Merger Subsidiary will cease and the Company will be the surviving corporation in the Merger (the "Surviving Corporation") and will continue as a wholly owned subsidiary of Parent (the "Merger"). The Merger, which was unanimously approved by the the Company's Board of Directors, is expected to close this winter, subject to customary closing conditions, including approval by the Company's stockholders and the receipt of required regulatory approvals. The completion of the transaction is not subject to a financing condition. Upon completion of the transaction, the Company's common stock will cease to trade and no longer be listed on the New York Stock Exchange.

As a result of the Merger, at the effective time of the Merger (the "Effective Time") (subject to certain exceptions, including for shares common stock of the Company (collectively, the "Company Stock") owned by stockholders of the Company who have not voted in favor of the adoption of the Merger Agreement and have properly exercised appraisal rights in accordance with Section 262 of the General Corporation Law of the State of

Delaware), each share of Company Stock outstanding immediately prior to the Effective Time will be automatically canceled and converted into the right to receive \$11.10 in cash, without interest (the per share consideration, the “Per Share Consideration” and the aggregate consideration, the “Merger Consideration”).

The agreement includes a “go-shop” period expiring at 11:59 p.m. Pacific time on November 20, 2024, which allows the Company’s board of directors and its advisors to actively initiate, solicit and consider alternative acquisition proposals from third parties. The Company’s Board of Directors will have the right to terminate the Merger Agreement to enter into a superior proposal subject to the terms and conditions of the Merger Agreement. There can be no assurance that this “go-shop” will result in a superior proposal, and the Company does not intend to disclose developments with respect to the solicitation process unless and until it determines such disclosure is appropriate or otherwise required.

Pursuant to the agreement, the Company may be required to pay a termination fee of up to approximately \$53.5 million, if the agreement is terminated under certain circumstances, and may be entitled to receipt of a termination fee of approximately \$95.0 million, if the agreement is terminated under certain circumstances.

**Item 9. Changes in Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. 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 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 disclosure.

As of the end of the period covered by this 10-K Report, 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 July 31, 2024, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in reports that we file or submit under the Exchange Act 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 disclosure consideration.

***Management's annual report on internal control over financial reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of July 31, 2024, management conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework established in the original *Internal Control - Integrated Framework* Issued by the Committee of Sponsoring Organization of the Treadway Commission (2013 framework) (the COSO criteria). Based on this assessment, management has determined that our internal control over financial reporting was effective as of July 31, 2024.

As discussed above, on April 30, 2024, we completed the acquisition of Sonoma-Cutrer. Under SEC Staff guidance, companies are permitted to exclude acquisitions from their first assessment of internal control over financial reporting which covers the period in which such acquisition was completed. Sonoma-Cutrer's total assets and total revenues excluded from management's assessment of internal control over financial reporting represent

16.9% and 5.2%, respectively, of our consolidated financial statement amounts as of and for the year ended July 31, 2024.

The effectiveness of our internal control over financial reporting as of July 31, 2024 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which appears in “Part II — Item 8. Financial Statements and Supplementary Data”.

***Changes in internal control over financial reporting***

There were no changes in our internal control over financial reporting during the quarter ended July 31, 2024 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

***Limitations on the effectiveness of controls***

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures will prevent or detect all error and fraud. Because of inherent limitations any control system, no matter how well designed and operated, is based on certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

**Item 9B. Other Information**

***Rule 10b5-1 trading plans***

From time to time, certain of our executive officers and directors have, and we expect they will in the future, enter into, amend and terminate written trading arrangements pursuant to Rule 10b5-1 of the Securities and Exchange Act of 1934 or otherwise. None of the Company's 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 Regulation S-K) during the three month period ended July 31, 2024.

**Item 9C. Disclosure regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.



## PART III

### Item 10. Directors, Executive Officers and Corporate Governance.

#### Executive Officers and Directors

Below is a list of the names, ages, positions and a brief account of the business experience of the individuals who serve as our executive officers and directors as of October 7, 2024.

Name	Age	Position	Held position since
Deirdre Mahlan	62	President, Chief Executive Officer and Chairperson	2024
Jennifer Fall Jung	54	Executive Vice President, Chief Financial Officer	2023
Sean Sullivan	44	Executive Vice President, Chief Strategy and Legal Officer	2019
Pete Przybylinski	56	Executive Vice President, Chief Sales Officer	2010
Zach Rasmuson	51	Executive Vice President, Chief Operating Officer	2012
Charles Esserman	66	Director	2016
Michelle Gloeckler	58	Director	2021
Daniel Costello	43	Director	2016
Adriel Lares	52	Director	2021
James O'Hara	57	Director	2016
Marshall Farrer	53	Director	2024
Tim Nall	53	Director	2024
Dave Burwick	63	Director	2024

**Deirdre Mahlan** has served as our President, Chief Executive Officer and Chairperson since April 2024. She served as Duckhorn's interim President, Chief Executive Officer and Chairperson from September 2023 until April 2024. From November 2015 to June 2020, Ms. Mahlan served as President of Diageo North America, Inc., a multinational beverage company, where she oversaw Diageo's US and Canadian spirits and beer businesses. From October 2010 to October 2015, she served as Chief Financial Officer of Diageo plc, prior to which she served as the company's Deputy CFO and Head of Tax and Treasury. Ms. Mahlan began her career at PricewaterhouseCoopers LLP, where she conducted audits across several diversified global companies. She served as a director of Experian plc, a credit reporting company, from September 2012 to July 2022. She joined the board of The Duckhorn Portfolio in March 2021 and served as an independent director, audit committee chair and member of the compensation committee until assuming the interim CEO position at Duckhorn in September 2023. In September 2021, she joined the board of the Kimberly-Clark Corporation, a consumer goods company, where she is a member of its audit committee. From July 2022 to September 2024, Ms. Mahlan served on the board of Haleon plc, a healthcare goods company, where she was chair of the audit and risk committee and a member of the nominations and corporate governance committee and the remuneration committee. Ms. Mahlan is a certified public accountant and received her MBA with a concentration in finance and international business from Columbia University and her BS in accounting from New York University. We believe Ms. Mahlan's leadership as the Company's President, Chief Executive Officer and Chairperson, and financial expertise as a CFO and as a director of various companies qualifies her to serve on our Board.

**Jennifer Fall Jung** has served as our Executive Vice President, Chief Financial Officer since June 2023 and leads the finance, accounting, technology and investor relations teams. From August 2019 to February 2023, Ms. Fall Jung served as CFO of Funko, Inc., a consumer goods company focused on licensed collectables, accessories and apparel. Prior to that role, Ms. Fall Jung held a variety of roles at The Gap Inc., a multinational clothing retailer, including Senior Vice President, Corporate Finance and Investor Relations from January 2017 to March 2018. From November 2012 to January 2017, she served as CFO and SVP of Old Navy Global Stores and Online, a division of The Gap, and Head of International of Old Navy Global. Ms. Fall Jung has more than two decades of corporate finance and investor-focused public company experience. Ms. Fall Jung earned an MBA and a BS in business administration from San Diego State University.

**Sean Sullivan** has served as our Executive Vice President, Chief Strategy and Legal Officer since February 2019 and leads the Strategy and Legal Department, which include business strategy, legal, regulatory compliance, mergers and acquisitions, SEC reporting, ESG, governmental relations and safety teams. From 2012 to 2019, Mr. Sullivan was an attorney at Gibson, Dunn & Crutcher LLP, an international law firm, advising consumer products, life sciences and technology companies on IPOs and other securities offerings, mergers and acquisitions and public company SEC filings. Prior to that, Mr. Sullivan worked as an investment banker in Credit Suisse Group AG's technology, media and telecom group. Mr. Sullivan served as a member of the Board of Directors of Dutch Bros Inc., an operator and franchisor of drive-thru beverage shops, from November 2023 to June 2024. Mr. Sullivan received a JD from Columbia Law School and BA in economics and politics from St. Mary's College of California.

**Pete Przybylinski** has served as our Executive Vice President, Chief Sales Officer since July 2010. Mr. Przybylinski leads our wholesale team and focuses his efforts on team leadership, distributor management and executive-level strategy development. Prior to his current role, he held a number of sales roles of increasing responsibility in the organization since joining Duckhorn in 1995. Mr. Przybylinski holds a BBA in risk management and insurance from the University of Georgia, Terry College of Business.

**Zach Rasmuson** has served as our Executive Vice President, Chief Operating Officer since May 2012, after serving as the Winemaker and General Manager for Goldeneye since joining the Company in 2003. Previously, Mr. Rasmuson worked for wineries such as Stag's Leap Wine Cellars, Robert Sinskey Vineyards and Husch Vineyards. Mr. Rasmuson received his BA in philosophy and the history of science from St. John's College.

**Charles Esserman** has over 30 years of private equity investment experience and co-founded TSG Consumer Partners, LLC, where he has served as Chief Executive Officer since 1987. He is the Chair of TSG Consumer Partners' Investment Committee. Prior to TSG Consumer Partners, Mr. Esserman was with Bain & Company, Inc. He has also served on the Board of Advisors of the Stanford Graduate School of Business and the Board of Trust of Vanderbilt University. Mr. Esserman holds a BS in computer science engineering, with top honors, from the Massachusetts Institute of Technology and an MBA from Stanford University, where he was an Arjay Miller Scholar. We believe Mr. Esserman's experience as co-founder and CEO of a private equity firm and as a director of various companies qualifies him to serve on our Board.

**Michelle Gloeckler** served as Interim Chief Executive Officer at Holley Inc., an automotive products company, from February to June 2023. From August 2016 to January 2019, Ms. Gloeckler was Executive Vice President, Chief Merchant and President International at Academy Sports and Outdoors, Inc., a sporting goods retailer. From 2009 to 2016 she served as EVP, Consumables, Health and Wellness at Walmart Inc., a multinational retailer, where she led the company's health and wellness business. Ms. Gloeckler led the President's Global Council of Women Leaders and the US Manufacturing commitment for Walmart. Prior to Walmart, Ms. Gloeckler spent 21 years at The Hershey Company in various sales and marketing executive roles. Since September 2019, Ms. Gloeckler has served on the board of BJ's Wholesale Club Holdings, Inc., a membership wholesale retailer, where she sits on the nominating and governance committee. In May 2021, Ms. Gloeckler joined the board of Holley where she was appointed to chair both its compensation and talent committee and nominating and governance committee. In December 2021, Ms. Gloeckler joined the Board of Pairwise Plants LLC, an agriculture technology company, where she is the chair of the compensation committee. From 2019 to 2021, Ms. Gloeckler served on the board of Benson Hill, Inc., an agriculture company, and served on its audit committee. Ms. Gloeckler is an advisor to Blendid Products, LLC and Peep Performance LLC and was a member of the LSA Dean's Advisory Council at the University of Michigan from 2014 until 2022. She has served on various non-profit boards, including the boards of Walton Arts Center, The NACDS Foundation, Susan G. Komen of the Ozarks, Network of Executive Women (National Chair) and United Way. Ms. Gloeckler holds a BA in communication and psychology from the University of Michigan. We believe Ms. Gloeckler's experience in retail, consumer products and her executive leadership qualifies her to serve on our Board.

**Daniel Costello** joined TSG Consumer Partners, LLC in 2007 and has served as Managing Director since January 2017. He is a member of TSG Consumer Partners' Investment Committee. Prior to TSG Consumer Partners, Mr. Costello served as an investment banker with Wachovia Securities, LLC. Mr. Costello holds a BS in finance from

Miami University. We believe Mr. Costello's experience as a managing director of a private equity firm and as a director of various companies qualifies him to serve on our Board.

**Adriel Lares** has served as Chief Financial Officer of Chelsea Football Club, a professional sports organization, since November 2023. He served as CFO of Stash, Inc., a financial technology company, from July 2021 to November 2023. From May 2016 to July 2021, Mr. Lares served as the CFO of Fastly, Inc., a cloud computing company. Prior to Fastly, Mr. Lares served as an advisor and CFO to Lookout, Inc., a mobile security firm. From September 2010 to February 2012, Mr. Lares served as Business Unit Manager of 3PAR Inc., a data storage and information storage software company. From January 2005 to September 2010, Mr. Lares served as CFO at 3PAR, including during its sale to Hewlett Packard. Mr. Lares also served in various other capacities at 3PAR, including Treasurer and Director of Finance. Since 2010, Mr. Lares has served as co-founder of Memento Mori Winery, a Napa-based winery. Mr. Lares earned his BA in economics from Stanford University. We believe Mr. Lares' operational experience as a CFO and as a director of various companies, as well as his experience as a co-founder of a winery, qualifies him to serve on our Board.

**James O'Hara** joined TSG Consumer Partners, LLC, a private equity firm, in 1998 and has served as President since September 2008. He is a senior member of TSG Consumer Partners' Investment Committee. Mr. O'Hara is a former practicing corporate and securities attorney and a former consultant with Bain & Company, Inc. Mr. O'Hara holds a BA in economics and philosophy and a JD, both from Georgetown University. We believe Mr. O'Hara's experience as president of a private equity firm and as a director of various companies qualifies him to serve on our Board.

**Marshall Farrer** joined Brown-Forman Corporation, a global wine and spirits company, in 1998 and has served as their Executive Vice President, Chief Strategic Growth Officer, overseeing the company's corporate strategy and mergers and acquisitions, since January 2023. From January 2023 until March 2024, he also served as Executive Vice President, President, Europe after having served as Senior Vice President, President, Europe from August 2020 until January 2023 and Senior Vice President, Managing Director, Global Travel Retail and Developed Asia Pacific from August 2018 until August 2020. Mr. Farrer has served on Brown-Forman's board of directors since 2016 and is a fifth-generation Brown family shareholder. He served on the board of Norton Healthcare, Inc., a regional hospital and health care system, from August 2016 until August 2020. Mr. Farrer earned an MBA, with a concentration in marketing and international management, from Tulane University and a BA in political science from Rollins College. We believe Mr. Farrer's alcoholic beverage industry and executive leadership experience qualifies him to serve on our Board.

**Tim Nall** has served as Executive Vice President, Chief Global Supply Chain and Technology Officer of Brown-Forman Corporation, a global wine and spirits company, since March 2022. In his role, he is responsible for global production operations, information technology and cyber security. From January 2015 until February 2022, Mr. Nall served as Senior Vice President, Chief Information and Advanced Analytics Officer at Brown-Forman. From 2000 until 2015, Mr. Nall held leadership positions of increasing responsibility within Brown-Forman's Global Production group. Prior to joining Brown-Forman, he held positions at Alcoa Corporation, American Air Filter Company, Inc. and S.S.T.I. Mr. Nall has served on the board of The YMCA of Greater Louisville since 2023. Mr. Nall served on the board of directors for The Home of the Innocents Inc from 2020 until April 2024. Mr. Nall has also previously served on the boards of CASA of the River Region and Dendrifund Inc. Mr. Nall holds a BS in Electrical Engineering from the University of Louisville JB Speed School of Engineering and an MBA from University of Louisville with a concentration in operations management. We believe Mr. Nall's alcoholic beverage industry and executive leadership experience qualifies him to serve on our Board.

**David Burwick** served as President and Chief Executive Officer of Boston Beer Company, Inc., an alcohol beverage company, from April 2018 until March 2024. Prior to joining Boston Beer, Mr. Burwick served as President and CEO of Peet's Coffee & Tea, Inc., a specialty coffee and tea company, since December 2012. He served as President of North America for WW International, Inc., a leading provider of weight management services, from April 2010 until December 2012. Prior to that, Mr. Burwick spent 20 years at PepsiCo, Inc. in a range of senior executive roles, including Senior Vice President and Chief Marketing Officer for Pepsi-Cola

North America. In June 2024, Mr. Burwick joined the board of BJ's Wholesale Club Holdings, Inc., a membership wholesale retailer, and sits on its nominating and corporate governance committee. Mr. Burwick joined the board of Deckers Outdoor Corporation, a publicly held footwear design and distribution company, in September 2021 and sits on its talent and compensation committee. Mr. Burwick served on the board of Boston Beer from May 2005 until March 2024, serving on both its compensation and nominating/governance committees from 2005 until 2018. He has also been a member of the Boston Bruins Foundation Advisory Board since January 2019. Mr. Burwick received a BA in history, cum laude, from Middlebury College and an MBA from Harvard Business School. We believe Mr. Burwick's extensive leadership experience in the alcoholic beverage industry and his executive leadership qualifies him to serve on our Board.

### **Board Composition and Director Independence**

Our certificate of incorporation provides that our Board shall consist of at least three directors but not more than fifteen directors and that the number of directors may be fixed from time to time by resolution of our Board. Our Board is divided into three classes, as follows:

- Class I, which consists of Daniel Costello, Deirdre Mahlan and Dave Burwick, whose terms will expire at our Fiscal 2025 annual meeting of stockholders;
- Class II, which consists of Adriel Lares, James O'Hara and Marshall Farrer, whose terms will expire at our Fiscal 2026 annual meeting of stockholders; and
- Class III, which consists of Charles Esserman, Michelle Gloeckler and Tim Nall, whose terms will expire at our Fiscal 2027 annual meeting of stockholders and are being voted upon at this annual meeting of stockholders.

At this time, the Board believes that the classified board structure is in the best interest of the Company. The three-year term will ensure that at any given time the majority of the directors will have deep knowledge of the Company and a firm understanding of its goals, and it allows for continuity and stability of the Board, promoting the balance of long-term and short-term interests of the Company and its stockholders. The structure also safeguards the Company from third-party takeover attempts, especially as a recently public company, as it will require a longer period to change majority control of the board. A classified board remains accountable to the Company's stockholders. The directors continue to have a fiduciary responsibility to the stockholders, and the stockholders have the ability to elect one-third of the Board annually to ensure their interests are represented.

Upon the expiration of the initial term of office for each class of directors, each director in such class shall be elected for a term of three years and serve until a successor is duly elected and qualified or until his or her earlier death, resignation or removal. Subject to the terms of the Stockholders Agreement, any additional directorships resulting from an increase in the number of directors or a vacancy may be filled by the directors then in office.

In connection with the acquisition of Sonoma-Cutrer in November 2023, we entered into an amended and restated stockholders agreement (the "Stockholders Agreement") with investment funds affiliated with TSG Consumer Partners, LLC ("TSG") and Brown-Forman Corporation ("BF") governing certain nomination rights with respect to our Board. Pursuant to the terms of the Stockholders Agreement, investment funds affiliated with TSG have the right to appoint three directors to our Board, and BF has the right to appoint two directors to our Board. Under the agreement, we are required to take all necessary action to cause the Board to include individuals designated by TSG in the slate of nominees recommended by the Board for election by our stockholders, as follows:

- for so long as TSG owns at least 25% of our issued and outstanding common stock, TSG will be entitled to designate three individuals for nomination;
- for so long as TSG owns less than 25% but at least 10% of our issued and outstanding common stock, TSG will be entitled to designate two individuals for nomination; and
- for so long as TSG owns less than 10% but at least 5% of our issued and outstanding common stock, TSG will be entitled to designate one individual for nomination.

In addition, under the agreement, we are required to take all necessary action to cause the Board to include individuals designated by BF in the slate of nominees recommended by the Board for election by our stockholders, as follows:

- for so long as BF owns at least 10% of our issued and outstanding common stock, BF will be entitled to designate two individuals for nomination; and
- for so long as BF owns less than 10% but at least 5% of our issued and outstanding common stock, BF will be entitled to designate one individual for nomination.

Investment funds affiliated with TSG and BF also have the exclusive right to remove their respective designees and to fill vacancies created by the removal or resignation of their respective designees, and we are required to take all necessary action to cause such removals and fill such vacancies at the request of TSG or BF, as applicable.

Our Board has determined that Adriel Lares, Michelle Gloeckler, Charles Esserman, Daniel Costello, James O'Hara and Dave Burwick are independent directors under the rules of the NYSE. In making this determination, the Board considered the relationships that each such director has with our Company and all other facts and circumstances that the Board deemed relevant in determining their independence, including ownership interests in us.

#### **Annual Board and Committee Performance Review**

Pursuant to our corporate governance guidelines, the Nominating and Corporate Governance Committee of the Board is responsible for reporting annually to the Board an evaluation of the overall performance of the Board. Additionally, the charters of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committees each provide that the respective committee is responsible for performing or participating in an annual evaluation of its performance, the results of which are reviewed by the Nominating and Corporate Governance Committee and presented to the Board.

#### **Board Meetings, Attendance and Committees**

The Board met 17 times during the fiscal year ended July 31, 2024 ("Fiscal 2024"). Each director attended all of the Board meetings and all of the meetings of the Board committees on which such director served in Fiscal 2024. In Fiscal 2024, six of the seven then-serving directors attended the annual meeting of stockholders. The Board and its committees also approved certain actions by unanimous written consent in lieu of a meeting. It is our policy that our directors attend annual meetings of stockholders.

As of the date of this Form 10-K Amendment, the Board has three standing committees: the Audit Committee; the Compensation Committee; and the Nominating and Corporate Governance Committee. Each of the committees operates under its own written charter adopted by the Board, each of which is available on our website at [ir.duckhorn.com/governance](http://ir.duckhorn.com/governance).

Pursuant to the terms of our Stockholders Agreement, investment funds affiliated with TSG and BF each have the right to appoint a director to serve on each of our board committees, for so long as investment funds affiliated with TSG and BF, respectively have the right to designate a director for nomination, subject to applicable laws and NYSE regulations.

#### **Board of Directors Leadership Structure**

Deirdre Mahlan currently serves as both our Chairperson of the Board and our Chief Executive Officer. The Board believes that our current leadership structure of Ms. Mahlan's combined role enables strong leadership, creates accountability and enhances our ability to communicate our message and strategy clearly and consistently to stockholders. We recognize that different leadership structures may be appropriate for companies in different situations and at different times, and that the appropriate leadership structure may vary based on several factors, such as a company's size, industry, operations, history and culture. Accordingly, the Board will continue to periodically review our leadership structure in light of these factors and the then-current environment and make such changes in the future as it deems appropriate and in the best interests of the Company and its stockholders.

Our Corporate Governance Guidelines provide the Board with flexibility to combine or separate the positions of Chairperson of the Board and Chief Executive Officer based on the then-current circumstances. When the offices of the Chairperson and Chief Executive Officer of the Company are held by the same person, our Corporate Governance Guidelines provide that the independent directors shall elect a lead independent director from among the independent directors. Michelle Gloeckler serves as the lead independent director and presides over meetings of non-management directors and executive sessions including only independent directors.

#### ***Audit Committee***

Our Audit Committee is composed of Michelle Gloeckler, Dave Burwick and Adriel Lares, with Adriel Lares serving as chairperson of the committee. Our Board has determined that Michelle Gloeckler, Dave Burwick and Adriel Lares meet the definition of “independent director” under the rules of the NYSE and under Rule 10A-3 under the Exchange Act. None of our Audit Committee members simultaneously serves on the Audit Committees of more than three public companies, including ours. Our Board has determined that Adriel Lares and Dave Burwick are each an “audit committee financial expert” within the meaning of the SEC’s regulations and applicable listing standards of the NYSE. The Audit Committee met eight times during Fiscal 2024. The Audit Committee’s responsibilities include:

- appointing, approving the compensation of, and assessing the qualifications, performance and independence of our independent registered public accounting firm;
- pre-approving audit and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;
- reviewing the audit plan with the independent registered public accounting firm and members of management responsible for preparing our financial statements;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures as well as critical accounting policies and practices used by us;
- reviewing the adequacy of our internal control over financial reporting and the performance of our internal audit function;
- reviewing all related person transactions for potential conflict of interest situations and approving all such transactions;
- establishing policies and procedures for the receipt and retention of accounting-related complaints and concerns;
- recommending, based upon the Audit Committee’s review and discussions with management and the independent registered public accounting firm, the inclusion of our audited financial statements in our Annual Report on Form 10-K;
- reviewing and assessing the adequacy of the committee charter and submitting any changes to the Board for approval;
- monitoring our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters;
- monitoring the Company’s cybersecurity risk posture, and review periodically the Company’s programs to control such risk;
- preparing the Audit Committee report required by the rules of the SEC to be included in our annual proxy statement; and
- reviewing and discussing with management and our independent registered public accounting firm our earnings releases.



***Compensation Committee***

Our Compensation Committee is composed of Michelle Gloeckler, Adriel Lares and James O’Hara, with Michelle Gloeckler serving as chairperson of the committee. The Compensation Committee met nine times during Fiscal 2024. The Compensation Committee’s responsibilities include:

- determining and approving the compensation of our chief executive officer, including annually reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer, and evaluating the performance of our chief executive officer in light of such corporate goals and objectives;
- reviewing and approving the compensation of our other executive officers;
- appointing, compensating and overseeing the work of any compensation consultant, legal counsel or other advisor retained by the Compensation Committee;
- conducting the independence assessment outlined in the rules of the NYSE with respect to any compensation consultant, legal counsel or other advisor retained by the Compensation Committee;
- reviewing and establishing our overall management compensation philosophy and policy;
- overseeing and administering our equity compensation and similar plans;
- reviewing and approving our policies and procedures for the grant of equity-based awards and granting equity awards;
- reviewing and making recommendations to the Board with respect to director compensation; and
- reviewing and discussing with management the compensation discussion and analysis to be included in our annual proxy statement or Annual Report on Form 10-K.

***Nominating and Corporate Governance Committee***

Our Nominating and Corporate Governance Committee is composed of Daniel Costello, Dave Burwick and Michelle Gloeckler, with Dave Burwick serving as chairperson of the committee. The Nominating and Corporate Governance Committee met seven times during Fiscal 2024. The Nominating and Corporate Governance Committee’s responsibilities include:

- developing and recommending to the Board criteria for board and committee membership;
- establishing procedures for identifying and evaluating board of director candidates, including nominees recommended by stockholders;
- identifying individuals qualified to become members of the Board;
- recommending to the Board the persons to be nominated for election as directors and to each of the Board’s committees;
- overseeing the Company’s environmental, social and governance (“ESG”) initiatives;
- developing and recommending to the Board a set of corporate governance principles;
- articulating to each director what is expected, including reference to the corporate governance principles and directors’ duties and responsibilities;
- reviewing and recommending to the Board practices and policies with respect to directors;
- reviewing and recommending to the Board the functions, duties and compositions of the committees of the Board;
- providing new director orientation and continuing education for existing directors on a periodic basis; and
- overseeing the evaluation of the Board and committees’ performance.

The Nominating and Corporate Governance Committee considers issues of diversity among its members in identifying and considering nominees for director, and strives, where appropriate, to achieve a diverse balance of backgrounds, perspectives and experience on the Board and its committees. For all potential candidates, the Nominating and Corporate Governance Committee may consider all factors it deems relevant, such as a candidate's sound judgment, business and professional skills and experience, independence, knowledge of the industry in which we operate, possible conflicts of interest, diversity, the extent to which the candidate would fill a present need on the Board and concern for the long-term interests of our stockholders.

### **Board Oversight of Risk Management**

While the full Board has the ultimate oversight responsibility for the risk management process, it is assisted in this responsibility by its committees, which oversee risk in specified areas. Our Audit Committee, for example, oversees management's assessment of enterprise risks and strategies for mitigation, including varied areas such as data and cyber security, supply chain challenges, changing consumer trends and factors affecting financial performance. Our Audit Committee is also responsible for overseeing the review and approval of related party transactions. Our Compensation Committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements, the incentives created by the compensation awards it administers and how management is managing human capital. Our Nominating and Corporate Governance Committee oversees risks associated with corporate governance, business conduct and ethics and environmental and sustainability matters. Pursuant to the Board's request, management regularly reports on applicable risks to the relevant committee and the full Board, as appropriate, with additional review or reporting on risks conducted as needed or as requested by the Board and its committees. Management meets weekly to analyze the risks the Company faces and plan strategies of mitigation, which are the basis for its reports to the Board and its committees.

### **Corporate Responsibility and Sustainability**

We believe that we increase stockholder value when we actively evaluate ESG considerations in tandem with our strategic decision-making and evaluation of risk. Our management team oversees the implementation against our ESG goals, and our Executive Vice President, Chief Strategy and Legal Officer, working in conjunction with the Company's ESG team and a cross-section of employees from other departments within the Company, has been tasked with goal development and drives the execution of our initiatives. Our Board is tasked with oversight of our ESG initiatives, with our Nominating and Corporate Governance Committee receiving quarterly updates on the Company's progress and risk assessment.

We structure our ESG strategy and reporting through an evaluation of risks and opportunities identified by our internal and external stakeholders. To guide our sustainability initiatives, we use the Task Force on Climate-Related Financial Disclosure ("TCFD") and the Sustainability Accounting Standards Board ("SASB") frameworks to illustrate our measurement and mitigation of risk. We work to be at the forefront of climate risk management by aligning to the TCFD and SASB, while simultaneously implementing other ESG best practices whenever possible. In our annual Responsibility and Sustainability Report, we report on information with respect to our commitment to environmental, social and governance factors and our initiatives and accomplishments in these areas over the course of the fiscal year. These reports are available on our website at [ir.duckhorn.com/responsibilityandsustainability](http://ir.duckhorn.com/responsibilityandsustainability).

### **Code of Ethics**

We have adopted a code of ethics that applies to all of our employees, including our principal executive officer and principal financial officer. Our code of ethics is available on our website at [ir.duckhorn.com/governance](http://ir.duckhorn.com/governance). If we make any substantive amendments to the code of ethics or grant any waiver, including an implicit waiver, from a provision of the code of conduct to our officers, we will disclose the nature of such amendment or waiver on that website or in a Current Report on Form 8-K.



### **Corporate Governance Guidelines**

We believe that good corporate governance is important to ensure that we are managed for the long-term benefit of our stockholders. The Board has adopted a set of corporate governance guidelines to set clear parameters for the operation of the Board. Our corporate governance guidelines are available on our website at *ir.duckhorn.com/governance*.

### **Director Nomination Process**

The Nominating and Corporate Governance Committee recommends, and the Board nominates, candidates to stand for election as directors. The Nominating and Corporate Governance Committee has the authority to engage search firms for the purpose of identifying highly qualified director candidates at its election, for which such firms are paid a fee. Stockholders may also nominate persons to be elected as directors in accordance with our bylaws and applicable law, as described in the Company's annual proxy statement. The Nominating and Corporate Governance Committee does not have a written policy regarding stockholder nominations, but it is the practice of the Nominating and Corporate Governance Committee to consider candidates proposed by stockholders if made in accordance with our bylaws.

### **Board Membership Criteria**

We seek a Board that collectively possess the experiences, skills, backgrounds and qualifications appropriate to function effectively in light of the Company's current and evolving business circumstances. Directors should possess strong personal and professional ethics, integrity and values; have requisite business acumen and have genuine interest in the Company and industry; and be committed to representing the long-term interests of our stockholders. Our goal is a balanced and diverse Board, with members whose skills, background and experience are complementary and, together, cover the spectrum of areas that impact our business. The Board is currently comprised of two female directors (22.2%) and one ethnically/racially diverse director (11.1%).

### **Stockholder Engagement**

We value stockholder engagement and strive for regular communication with our stockholders throughout the year. In addition to engaging with stockholders when taking questions at our annual meeting of stockholders, we routinely participate in individual and group investor meetings (in-person and virtually), attend investment community conferences and publicly respond to questions posed by the equity analysts that cover the Company.

### **Communications with Directors**

Stockholders and other interested parties wishing to communicate directly with the Board or individual directors may do so by writing to the Board or such individual c/o the Corporate Secretary, The Duckhorn Portfolio, Inc., 1201 Dowdell Lane, St. Helena, CA 94574. The Secretary will forward such communications to the Board or individual at or prior to the next meeting of the Board. The Secretary will not forward any communication determined in his good faith belief to be frivolous, unduly hostile, threatening or similarly unsuitable.

### **Section 16(a) Reporting**

Section 16(a) of the Exchange Act requires that our directors, executive officers and greater than 10% stockholders file reports with the SEC relating to their initial beneficial ownership of our securities and any subsequent changes. These reports are commonly referred to as Form 3, Form 4 and Form 5 reports. They must also provide us with copies of the reports.

Based solely on a review of the copies of such forms in our possession, and on written representations from the reporting persons, we believe that all of these reporting persons complied with their filing requirements for the fiscal year ended July 31, 2024.

### **Insider Trading Arrangements and Policies**

We are committed to promoting high standards of ethical business conduct and compliance with applicable laws, rules and regulations. As part of this commitment, we have adopted an Insider Trading Policy governing transactions in our securities by our directors, employees, contractors, consultants and other personnel providing services to the Company, as well as by Duckhorn itself, that we believe is reasonably designed to promote

compliance with insider trading laws, rules and regulations and NYSE listing standards. The foregoing summary of the Insider Trading Policy does not purport to be complete and is qualified in its entirety by reference to the full text of the Insider Trading Policy attached hereto as Exhibit 19.1.

## **Item 11. Executive Compensation**

### **Compensation Discussion and Analysis**

The compensation discussion and analysis that follows describes our compensation philosophy, policies and practices, summarizes our compensation programs and discusses compensation decisions made by the Compensation Committee under those programs in Fiscal 2024 with respect to the executive officers who are named in the Summary Compensation Table below (referred to herein as our “named executive officers”). For Fiscal 2024, our named executive officers are:

- Deirdre Mahlan, our President and Chief Executive Officer and Chairperson;
- Jennifer Fall Jung, our Executive Vice President, Chief Financial Officer;
- Sean Sullivan, our Executive Vice President, Chief Strategy and Legal Officer;
- Pete Przybylinski, our Executive Vice President, Chief Sales Officer;
- Zach Rasmuson, our Executive Vice President, Chief Operating Officer;
- Alex Ryan, our former President, Chief Executive Officer and Chairman; and
- Gayle Bartscherer, our former Executive Vice President, Chief Marketing and DTC Officer.

On September 27, 2023, Mr. Ryan retired from his position as our President, Chief Executive Officer and Chairman. In connection with his retirement, we entered into a separation agreement with Mr. Ryan pursuant to which Mr. Ryan received his annual bonus for Fiscal 2023, in addition to pay for work performed through his retirement. Upon Mr. Ryan’s retirement, the Board appointed Deirdre Mahlan as Chairperson and interim President and Chief Executive Officer. In connection with her appointment as interim President and Chief Executive Officer, we entered into a consulting agreement with Ms. Mahlan, which provided for an annual consulting fee in the amount of \$655,000, as well as an annual incentive fee equal to 100% of the annual consulting fee, pro-rated for any partial fiscal year during which Ms. Mahlan provided services under the consulting agreement. In addition, Ms. Mahlan was granted 115,089 restricted stock units (“RSUs”), 50% of which vested on March 27, 2024, and the remainder of which vest on September 27, 2024, subject to Ms. Mahlan’s continued service through such date. The consulting agreement automatically terminated on April 30, 2024 when Ms. Mahlan became the permanent Chief Executive Officer.

On April 29, 2024, the Board appointed Ms. Mahlan as our permanent President and Chief Executive Officer, effective April 30, 2024. In connection with this appointment, we entered into an employment agreement with Ms. Mahlan pursuant to which Ms. Mahlan is entitled to receive a base salary of \$700,000 per year and is eligible to receive an annual bonus with a target equal to 100% of her base salary. In addition, Ms. Mahlan was granted 354,191 RSUs, which vest in three equal installments on each of the first three anniversaries of the grant date, and 177,095 performance-based RSUs that vest based on the Company’s common stock trading at or above \$13.00 for twenty consecutive trading days during the three-year period from the grant date, in each case, generally subject to Ms. Mahlan’s continued employment with us through the applicable vesting date. The treatment of these awards in connection with a change in control and the severance payments and benefits payable under Ms. Mahlan’s employment agreement are described under “Potential Payments Upon Termination of Change in Control” below.

Ms. Bartscherer’s employment with the Company ceased as of March 29, 2024. In connection with such transition, the Company entered into a transition and separation letter agreement, which is described in further detail under “Potential Payments Upon Termination or Change in Control” below.

### **Business Overview and Fiscal 2024 Performance Highlights**

We are a premier producer of luxury wines in North America. Sourcing grapes from our acclaimed Estate properties and grape growers in Napa Valley, Sonoma County, Anderson Valley, California's North and Central Coasts, Oregon and Washington State, we offer a curated and comprehensive portfolio of acclaimed luxury wines with price points ranging from \$20 to \$230 across multiple varieties. Below is a summary of some of our key financial performance measures and operational performance highlights for Fiscal 2024:

- Our Net Sales were \$405.5 million for Fiscal 2024, compared to \$403.0 million for Fiscal 2023, an increase of approximately 0.6% year-over-year;
- Our Gross Profit was \$214.9 million for Fiscal 2024, compared to \$215.7 million for Fiscal 2023, a decrease of approximately 0.4% year-over-year;
- Our Net Income was \$56.0 million for Fiscal 2024, compared to \$69.3 million for Fiscal 2023, a decrease of approximately 19.2% year-over-year;
- Our Adjusted EBITDA was \$155.1 million for Fiscal 2024, compared to \$144.5 million for Fiscal 2023, an increase of approximately 7.3% year-over-year;
- We acquired Sonoma-Cutrer Vineyards, a well-established Chardonnay winery brand, to bolster our scale and portfolio breadth and broaden our reach in the luxury Chardonnay category;
- We announced enhanced distribution relationships with Republic National Distributing and Breakthru Beverage Group following a comprehensive strategic evaluation of our wholesale distribution network across the United States, with the goal of driving the profitable growth of the Company's sales through a substantial increase in focus and investment in the wholesale channel; and
- By dollars sales, we had the top selling domestic luxury wine for Cabernet Sauvignon and Merlot, and the second top selling domestic luxury wine for Sauvignon Blanc, according to Circana. These three varieties combined represented approximately 32% of the total U.S. luxury wine market during the same period.

For an explanation of how we calculate Adjusted EBITDA and for a reconciliation of our non-GAAP financial measures, see "Non-GAAP financial measures and adjusted EBITDA reconciliation".

### **Overview of our Executive Compensation Program**

Our executive compensation program is designed to attract, retain and reward key employees, to incentivize them based on the achievement of key performance goals, and to align their interests with the interests of our stockholders. Our executive compensation program combines short- and long-term elements, cash- and equity-based compensation, and fixed and variable compensation, which we believe appropriately incentivize our executives to achieve short- and long-term business objectives and create stockholder value.

The key elements of our Fiscal 2024 executive compensation program are as follows:

	<b>Description</b>	<b>Key Objectives</b>
<b>Base Salary</b>	<ul style="list-style-type: none"> <li>Cash compensation to reflect individual skills, experience, and overall responsibilities of the executive’s position</li> </ul>	<ul style="list-style-type: none"> <li>Attract and retain talent by providing a stable and reliable source of income</li> <li>Provide base salaries consistent with each executive’s responsibilities so that they are not motivated to take excessive risks to achieve financial results</li> </ul>
<b>Annual Incentive Program</b>	<ul style="list-style-type: none"> <li>Earned based on achievement of financial goals which are pre- established by the Compensation Committee</li> </ul>	<ul style="list-style-type: none"> <li>Reward the achievement of corporate objectives and overall contributions towards achieving those objectives over a 12-month period</li> </ul>
<b>Equity Compensation</b>	<ul style="list-style-type: none"> <li>Time-vested stock options</li> <li>RSUs</li> </ul>	<ul style="list-style-type: none"> <li>Incentivize our executives to create long-term stockholder value and focus on sustained share price appreciation</li> <li>Align our executives’ interests with those of our stockholders over the long-term</li> <li>Promote retention and executive stock ownership</li> </ul>

We maintain various practices that we consider good governance features of our executive compensation program, including policies prohibiting the hedging and pledging of our stock, limited severance benefits and perquisites and no change in control excise or other tax gross-ups for any executives.

### **Process for Determining Executive Compensation**

#### ***The Compensation Committee***

The Compensation Committee of our Board is generally responsible for determining the compensation of our executive officers, the design and administration of our short-term incentive program for executive officers and other employees and the granting of equity compensation pursuant to Company plans. As described below, the Compensation Committee also works with our Chief Executive Officer and other members of management and is assisted in its review and analysis by its independent compensation consultant, Pay Governance LLC, in the course of making executive compensation decisions.

#### ***The Role of Management***

Our President and Chief Executive Officer makes recommendations to the Compensation Committee about the compensation of his or her direct reports, including each of our named executive officers other than the President and Chief Executive Officer. In preparing compensation recommendations, our President and Chief Executive Officer and other members of management involved in the compensation process review market compensation data, including with respect to the compensation peer group (the “Peer Group”) set forth below, financial performance and individual professional contributions, and assess the compensation for such direct reports against such data. The Compensation Committee typically undertakes the same process with respect to the compensation of our President and Chief Executive Officer. Our President and Chief Executive Officer typically attends meetings of the Compensation Committee but does not participate in any discussions regarding his or her own compensation.

#### ***Compensation Consultant***

The Compensation Committee retains the services of an independent executive compensation consultant to assist in its review and determination of the Company’s executive compensation program. For Fiscal 2024, the Compensation Committee engaged Pay Governance in this role. Over the course of the year, Pay Governance assisted the committee in the development and evaluation of the Company’s executive compensation program, policies and practices and its determination of executive compensation levels. This was in addition to advising the Compensation Committee on other matters related to its responsibilities including with respect to the review and

evaluation of the Company's director compensation program. Pay Governance reports directly to the Compensation Committee and the committee has the sole authority to retain and terminate the consultant.

During Fiscal 2024, Pay Governance did not perform services for the Company other than pursuant to its engagement by the Compensation Committee. The Compensation Committee has assessed the independence of Pay Governance and concluded that Pay Governance is independent and its engagement does not raise any conflict of interest with the Company or any of its directors or executive officers.

### ***Use of Peer Group and Benchmarking***

Our Peer Group was initially developed in connection with our IPO in consultation with our independent compensation consultant using an objective and defined methodology that identifies companies reasonably similar to us in terms of industry profile, size (revenue and market capitalization), recency of IPO, revenue growth and profit margins. Given the lack of directly comparable publicly traded wine companies, the Peer Group development criteria were expanded to include companies in the broader consumer product and adjacent sector.

Since the time of its initial development, the Peer Group has been reviewed each year by our Compensation Committee with the assistance of our independent compensation consultant. Below is a list of the companies the Compensation Committee approved for inclusion in our Peer Group with respect to non-employee director compensation and executive officer compensation for Fiscal 2024:

<b>Peer Group</b>		
BellRing Brands, Inc.	Leslie's Inc.	The Simply Good Foods Company
Beyond Meat, Inc.	MGP Ingredients, Inc.	Turning Point Brands, Inc.
Canada Goose Holdings, Inc.	Mission Produce, Inc.	Vital Farms, Inc.
Celsius Holdings, Inc.	Revolve Group, Inc.	Wingstop, Inc.
e.l.f Beauty, Inc.	Shake Shack, Inc.	YETI Holdings, Inc.
Freshpet, Inc.	The Lovesac Company	

Our Peer Group was updated in February 2024 and below is our current Peer Group:

<b>Peer Group</b>		
BellRing Brands, Inc.	MGP Ingredients, Inc.	The Vita Coco Company, Inc.
Beyond Meat, Inc.	Mission Produce, Inc.	Turning Point Brands, Inc.
Canada Goose Holdings, Inc.	Revolve Group, Inc.	Vital Farms, Inc.
e.l.f Beauty, Inc.	Shake Shack, Inc.	Weyco Group, Inc.
Freshpet, Inc.	The Lovesac Company	Wingstop, Inc.
Leslie's Inc.	The Simply Good Foods Company	YETI Holdings, Inc.

The positions of our named executive officers were compared to similar positions in our Peer Group, and the compensation levels for comparable positions in the Peer Group were reviewed for guidance in determining:

- base salaries;
- target bonus opportunity under our short-term incentive plan; and
- the amount of equity awards under our long-term incentive plan.

The Compensation Committee approves base salaries, short-term incentive plan awards and long-term incentive plan awards on a case-by-case basis for each named executive officer, taking into account, among other things, individual and company performance, role expertise and experience and the competitive market, advancement potential, recruiting needs, internal equity, retention requirements, succession planning, and best compensation governance practices. The Compensation Committee does not tie individual compensation to specific target percentiles, but rather reviews the range of market data as one input in informing pay decisions.

### **Pay Mix**

The three primary elements of our executive compensation program are generally: (i) base salary, (ii) annual cash bonuses, and (iii) annual equity incentive awards, which collectively we refer to as their total direct compensation. The Compensation Committee's general philosophy is to incentivize our executive officers to create stockholder value and promote the achievement of our short-, mid-, and long-term strategic business objectives by maintaining a pay mix that is generally intended to be more heavily weighted toward equity and variable, performance-based pay than fixed pay (base salary). In connection with new hires and promotions, including Ms. Mahlan's appointment, the Compensation Committee generally follows this same philosophy, but may adjust the pay mix as circumstances warrant. For example, in connection with Ms. Mahlan's appointment as President and Chief Executive Officer, in addition to time-vesting RSUs, Ms. Mahlan was granted performance-based RSUs that vest upon the attainment of the Company's common stock trading at or above \$13.00 for twenty consecutive trading days during the three-year period from the grant date.

### **Components of our Executive Compensation Program**

#### **Overview**

Our executive compensation program is designed to attract, retain and reward key employees, to incentivize them based on the achievement of key performance goals, and to align their interests with the interests of our stockholders. The Compensation Committee is generally responsible for determining the compensation of our executive officers.

Consistent with prior fiscal years, Ms. Mahlan, as our President, Chief Executive Officer, made recommendations to the Compensation Committee about the compensation of her direct reports, including each of our named executive officers other than herself, with respect to Fiscal 2024. Mr. Ryan retired prior to any compensation decisions with respect to Fiscal 2024, and as a result did not make any such recommendations.

#### **Base Salary**

Each of our executive officers receives a base salary, which is subject to adjustment from time to time, at the discretion of our Board or the Compensation Committee. In establishing the base salary for our executive officers each year, the Compensation Committee takes into consideration market compensation data, including with respect to the Peer Group, the financial performance of the Company, individual professional contributions of each executive officer, internal pay equity, each executive officer's skill set, experience, role and responsibilities, the advice of the independent compensation consultant and the recommendations of our President and Chief Executive Officer (other than with respect to his or her own salary). Base salaries are generally reviewed on an annual basis and may be adjusted on the basis of such factors, among others.

The annual base salary for each of our currently employed named executive officers, other than Ms. Mahlan, was increased by three percent in Fiscal 2024. Ms. Mahlan received consulting fees at the rate of \$655,000 per year for her service as interim President and Chief Executive Officer, and her base salary of \$700,000 was determined in connection with her appointment as President and Chief Executive Officer on a permanent basis after consideration of the factors set forth above. Mr. Ryan's base salary was not increased for Fiscal 2024. The annual base salary rates for our named executive officers for Fiscal 2023 and Fiscal 2024 are set forth below.

<b>Named Executive Officer</b>	<b>Fiscal 2023 Annual Base Salary<sup>(1)</sup></b>	<b>Fiscal 2024 Annual Base Salary<sup>(1)</sup></b>
Deirdre Mahlan <sup>(2)</sup>	—	\$700,000
Jennifer Fall Jung	\$500,000	\$515,000
Sean Sullivan	\$390,000	\$402,000
Pete Przybylinski	\$390,000	\$402,000
Zach Rasmuson	\$390,000	\$402,000

Named Executive Officer	Fiscal 2023 Annual Base Salary <sup>(1)</sup>	Fiscal 2024 Annual Base Salary <sup>(1)</sup>
Alex Ryan <sup>(3)</sup>	\$655,000	\$655,000
Gayle Bartscherer <sup>(4)</sup>	—	\$402,000

- (1) Annual Base Salary rate as of July 31 of the applicable year or, for Mr. Ryan, as of the date of his retirement and for Ms. Bartscherer, as of her last day of employment with the Company.
- (2) Ms. Mahlan commenced service as interim President and Chief Executive Officer on September 27, 2023 and received consulting fees in connection with such service, and was appointed as President and Chief Executive Officer on a permanent basis on April 30, 2024. The salary listed for Ms. Mahlan is the annual base salary rate she received as of July 31, 2024.
- (3) Mr. Ryan retired on September 27, 2023.
- (4) Ms. Bartscherer's last day of employment with the Company was March 29, 2024. Ms. Bartscherer was not a named executive officer for fiscal 2023 and, as a result, her fiscal 2023 base salary is not listed.

### Annual Cash Bonuses

Each of our executive officers is eligible to receive an annual bonus, payable in cash, under our bonus plan (the "Annual Incentive Bonus Program"), based on the achievement of Company performance goals as determined by the Compensation Committee. None of our currently employed named executive officers' target annual bonus percentages were increased in Fiscal 2024. Ms. Mahlan's target bonus percentage was initially determined in connection with her appointment as President and CEO on a permanent basis. Ms. Mahlan received an incentive fee while she served as interim President and CEO. Mr. Ryan's target annual bonus percentage was not increased for Fiscal 2024. The target annual bonus for our named executive officers for Fiscal 2023 and Fiscal 2024, in each case, as a percentage of the executive's base salary, are set forth below.

Named Executive Officer	Fiscal 2023 Target Annual Bonus Percentage <sup>(1)</sup>	Fiscal 2024 Target Annual Bonus Percentage <sup>(1)</sup>
Deirdre Mahlan <sup>(2)</sup>	—	100%
Jennifer Fall Jung	—	60%
Sean Sullivan	50%	50%
Pete Przybylinski	50%	50%
Zach Rasmuson	50%	50%
Alex Ryan <sup>(3)</sup>	100%	100%
Gayle Bartscherer <sup>(4)</sup>	50%	50%

- (1) Target Annual Bonus Percentage as of July 31 of the applicable year or, for Mr. Ryan, as of the date of his retirement and for Ms. Bartscherer, as of her last day of employment with the Company.
- (2) Ms. Mahlan was appointed interim President and Chief Executive Officer on September 27, 2023 and received an incentive fee in the amount of \$389,410.96 in connection with such position. Beginning on April 30, 2024, Ms. Mahlan's target annual bonus percentage effective as of her appointment as President and Chief Executive Officer is 100%.
- (3) Mr. Ryan retired on September 27, 2023.
- (4) Ms. Bartscherer's last day of employment with the Company was March 29, 2024. Her Fiscal 2024 bonus was prorated based on the portion of Fiscal 2024 during which she was employed.

The annual bonus minimum payout for each of our executive officers is approximately 20% of his or her target annual bonus and the annual bonus maximum payout for each of our executive officers is approximately 200% of his or her target annual bonus.

The Company's performance goals pursuant to the Annual Incentive Bonus Program are determined annually by the Compensation Committee and are intended to promote the achievement of key short-term business objectives, which in turn are viewed as aligned with longer-term value creation. For Fiscal 2024, the Company performance measures for our Annual Incentive Bonus Program for our named executive officers (and the majority of Company employees) were Adjusted EBITDA, which was weighted at 80%, and Net Sales, which was weighted at 20%. The Compensation Committee selected Adjusted EBITDA and Net Sales as the performance measures for our Fiscal 2024 Annual Incentive Bonus Program because these financial measures are two of the most common measures used by stockholders to evaluate the financial performance of the business. Generally, the Adjusted EBITDA and Net Sales targets are set based on the Board's approved annual budget. For this purpose, Adjusted EBITDA is calculated in the manner and with such adjustments as set forth in, "Non-GAAP financial measures



and adjusted EBITDA reconciliation”, however, Adjusted EBITDA for purposes of the Fiscal 2024 Annual Incentive Bonus Program was further adjusted to include Sonoma-Cutrer operating plan and actuals and exclude \$2,000,000 of certain unplanned individual events, including executive recruiting and transition costs, Board recruiting costs, distributor change professional services, and certain IT write downs. For purposes of the Fiscal 2024 Annual Incentive Bonus Program, the Net Sales figure, as reported in this Annual Report on Form 10-K was adjusted to include Sonoma-Cutrer’s operating plan and actuals. The Adjusted EBITDA and Net Sales amounts for minimum bonus, target bonus and maximum bonus for Fiscal 2024 are set forth below.

<b>Performance Goals</b>	<b>Amount for Minimum</b>	<b>Amount for Target</b>	<b>Amount for Maximum</b>
Adjusted EBITDA	\$154.7 million	\$161.7 million	\$170.4 million
Net Sales	\$430.4 million	\$449.8 million	\$474.0 million

Following the finalization of our financial statements for Fiscal 2024, our Compensation Committee reviewed the Company’s performance against these goals and determined to fund the bonus pool for Fiscal 2024 at 38% of the aggregate target annual bonuses for all eligible employees of the Company under the Annual Incentive Bonus Program, based on Adjusted EBITDA of \$157.1 million and Net Sales of \$405.5 million for Fiscal 2024.

A portion of this pool was allocated among our named executive officers by our Compensation Committee after consultation with Ms. Mahlan (other than with respect to her own bonus, which was made in consultation with the Compensation Committee’s independent compensation consultant based on the evaluation of her performance). Based on the Compensation Committee’s assessment of performance over the course of Fiscal 2024, the Compensation Committee approved the amounts, paid in cash, to our named executive officers with respect to annual bonuses for Fiscal 2024 reported under the “Nonequity Incentive Plan Compensation” column in the “Summary Compensation Table”.

#### ***Equity Incentive Awards***

Our Compensation Committee believes that in order to appropriately incentivize our executive officers to create stockholder value and promote the achievement of our long-term business objectives, a significant portion of their compensation should be in the form of equity-based compensation. Equity awards are typically granted on an annual basis based on the considerations described above under “Base Salary” and “Use of Peer Group and Benchmarking”. Generally, our Compensation Committee has viewed our named executive officers as a team that works together to make critical contributions to the success of the Company, and therefore, has generally set the same equity grant values for the named executive officers, other than the CEO and CFO. In addition, when considering the equity grants for our executive officers, our Compensation Committee generally targets an annual burn rate level that is market competitive and combines that target with our Compensation Committee’s desired equity participation, the team-based philosophy of incentives, and individual specific benchmark data for each role. Specifically, when determining the equity grants to Ms. Mahlan in connection with her commencement of full-time employment as President and Chief Executive Officer, our Compensation Committee considered competitive market data as well as her experience level. Our Compensation Committee also decided to grant performance-based RSUs to Ms. Mahlan that vest based on the achievement of a stock price hurdle in order to further align the vesting of her award with stockholder interests.

In connection with and following our IPO, each of our named executive officers who were then employed was granted an option to purchase shares of our common stock and RSUs under the Duckhorn Portfolio, Inc. 2021 Equity Incentive Plan (the “2021 Plan”). A portion of these offering awards were granted as of the consummation of our IPO and a portion of these awards were granted on June 18, 2021. Collectively, these IPO grants were intended to cover the post-IPO portion of Fiscal 2021 and Fiscal 2022 (approximately 18 months). The IPO equity awards vest in four equal installments on each of the first four anniversaries of the applicable vesting commencement date (which was March 17, 2021 for all of the IPO grants), generally subject to the named executive officer’s continued employment with us through the applicable vesting date. In Fiscal 2022, we did not grant equity awards to our named executive officers other than Ms. Bartscherer. In Fiscal 2022, in connection with Ms. Bartscherer’s commencement of employment, she was granted an option to purchase shares of our common stock and RSUs under the 2021 Plan, which vest in four equal installments on each of the first four



anniversaries of the applicable vesting commencement date (which was April 4, 2022), generally subject to Ms. Bartscherer's continued employment with us through the applicable vesting date.

In September 2022, each of our named executive officers who was then employed was granted an option to purchase shares of our common stock and RSUs under the 2021 Plan, which vests in four equal installments on each of the first four anniversaries of the applicable vesting commencement date (which was September 19, 2022), generally subject to the named executive officer's continued employment with us through the applicable vesting date.

In connection with Ms. Fall Jung's commencement of employment, she was granted an option to purchase shares of our common stock and RSUs under the 2021 Plan, which vests in four equal installments on each of the first four anniversaries of the applicable vesting commencement date (which was June 19, 2023), generally subject to Ms. Fall Jung's continued employment with us through the applicable vesting date.

In October 2023, our Compensation Committee granted equity awards to each of our named executive officers, other than Ms. Mahlan and Mr. Ryan. Each such named executive officer was granted an option to purchase shares of our common stock and RSUs under the 2021 Plan, which vests in four equal installments on each of the first four anniversaries of the applicable vesting commencement date (which was September 19, 2023), generally subject to the named executive officer's continued employment with us through the applicable vesting date.

In connection with Ms. Mahlan's commencement of employment as interim President and Chief Executive Officer, she was granted 115,089 RSUs, 50% of which vested on March 27, 2024, subject to Ms. Mahlan's continued service through such date, and the remainder of which vested on September 27, 2024, subject to Ms. Mahlan's continued service through such date and which service requirements have been met.

In connection with Ms. Mahlan's commencement of employment as President and Chief Executive Officer on a permanent basis, Ms. Mahlan was granted 354,191 RSUs, which vest in three equal installments on each of the first three anniversaries of the grant date, and 177,095 performance-based RSUs that vest upon the attainment of the Company's common stock trading at or above \$13.00 for twenty consecutive trading days during the three-year period from the grant date, in each case, subject to Ms. Mahlan's continued employment with us through the applicable vesting date. In the event of a change in control, any then outstanding and unvested RSUs granted to Ms. Mahlan in connection with her commencement of employment as President and Chief Executive Officer will vest immediately prior to such change in control.

Pursuant to Ms. Bartscherer's transition and separation letter agreement, the Company accelerated vesting of 19,007 then unvested RSUs held by Ms. Bartscherer to vest immediately prior to the end of her employment on March 29, 2024.

With respect to the options and RSUs held by our named executive officers, in the event of a change in control of the Company (as defined in the award agreements) in which an acquiring or surviving entity assumes, continues or substitutes the options and/or RSUs, as applicable, if the named executive officer's employment is terminated without cause or for good reason within 18 months following such change in control, the options and/or RSUs, as applicable, will become fully vested upon such termination. If the options and/or RSUs, as applicable, are not assumed, continued or substituted in connection with a change in control, the options and/or RSUs, as applicable, will become fully vested as of such change in control.

### ***Equity Grant Practices***

The Compensation Committee generally grants options and RSUs annually to executives at their scheduled Fall meeting or by written consent in the Fall with a grant date outside of a blackout period that is no earlier than the second full trading day following the public release of the Company's annual or quarterly earnings. Throughout the year, equity awards are occasionally made to new hires and promoted employees. The Compensation Committee may delegate the authority to grant equity awards to eligible employees who are not Section 16 officers.

The Compensation Committee does not take material nonpublic information into account when determining the timing and terms of option awards, and the Company does not time the disclosure of such material nonpublic

information for purposes of affecting the exercise price of the options or the value of executive compensation. In addition, the Company does not grant options during the four business days prior to or the one business day following the filing of a periodic report on Form 10-Q or Form 10-K, or the filing or furnishing of a Form 8-K that discloses material nonpublic information.

#### ***Employee Benefits and Perquisites***

We currently provide health and welfare benefits, including health, dental, vision, life and short- and long-term disability insurance, which are available to all of our regular full-time employees. In addition, we maintain a 401(k) retirement plan for the benefit of our regular full-time and part-time employees. We currently make an employer contribution to the 401(k) plan equal to 10% of the participant's eligible compensation. Our named executive officers are eligible to participate in these plans on the same basis as our other regular full-time and part-time employees.

In addition, we maintain a nonqualified deferred compensation plan in which participants, including our executive officers, receive employer contributions equal to the excess of the employer contribution they would have received under our 401(k) plan, but for Internal Revenue Service limits, over the employer contributions made on their behalf to the 401(k) plan.

Pursuant to Ms. Mahlan's employment agreement, the Company will reimburse Mr. Mahlan for costs incurred in connection with tax preparation support relating to advice with respect to California state taxes, up to an aggregate reimbursement of \$25,000 per year. In addition, in the event that Ms. Mahlan becomes subject to a tax audit by any California state taxing authority during or within three years following termination of her employment related to compensation received from the Company, the Company will cover the reasonable legal costs incurred by Ms. Mahlan in such audit(s), up to an aggregate reimbursement of \$100,000 per year. No such amounts were paid in Fiscal 2024.

#### ***Change in Control and Severance Benefits***

Each of our currently employed named executive officers is entitled to severance payments and benefits under his or her employment agreement upon a termination of employment in certain circumstances. In addition, options and RSUs granted to our executive officers may vest in connection with certain terminations of employment within 18 months following a change in control, as defined in the applicable agreement, if they are assumed, continued or substituted in connection with such change in control and otherwise will vest upon such change in control transaction. In the event of a change in control, any then outstanding and unvested RSUs granted to Ms. Mahlan in connection with her commencement of employment as President and Chief Executive Officer will vest immediately prior to such change in control. These severance and change in control payments and benefits are more fully described below under "Potential Payments Upon Termination or Change in Control." The Compensation Committee believes that reasonable severance and change in control payments and benefits are necessary to attract and retain qualified executives and to ensure executives are appropriately incentivized to pursue a change in control transaction if it is in the best interests of our stockholders.

#### ***Hedging Policy and Clawback Policy***

Our insider trading policy prohibits our directors, executive officers and employees from entering into hedging or monetization transactions, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds, since such transactions may permit a director, officer or employee to continue to own our securities obtained through our employee benefit plans or otherwise, but without the full risks and rewards of ownership. The Compensation Committee believes that when those types of transactions are entered into, the individual involved in such an arrangement may no longer have the same objectives as our other stockholders. Accordingly, these transactions are prohibited. In addition, such persons are prohibited from holding Company securities in a margin account or otherwise pledging Company securities as collateral for a loan unless the pledge has been approved by our Compliance Officer. No such pledges were approved during Fiscal 2024.

We have adopted a clawback policy to provide for the recovery of erroneously-awarded incentive compensation, as required by the Dodd-Frank Act, final SEC rules and applicable listing standards. In Fiscal 2024, we were not required to and did not prepare an accounting restatement or seek to recover any incentive compensation.

***Stock Ownership Guidelines***

The Board has adopted stock ownership guidelines for our independent directors and executive officers. Under these guidelines (i) our chief executive officer is required to acquire and own stock or stock equivalents in an amount equal to five times his or her annual base salary, (ii) all other executive officers are required to acquire and own stock or stock equivalents in an amount equal to three times their base annual salary, and (iii) all independent directors are required to acquire and own stock or stock equivalents in an amount equal to four times their annual cash retainers. Independent directors and executive officers are required to meet the applicable ownership requirements within five years of becoming subject to them. All of our independent directors and executive officers are in compliance with the applicable ownership requirements or are not yet required to meet the applicable ownership requirements pursuant to the stock ownership guidelines.

***Compensation Risk Assessment***

Our Compensation Committee regularly reviews our compensation policies and practices, including the risks created by our compensation plans, and has concluded that any risks arising from our compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

***Tax and Accounting Considerations***

Our Compensation Committee considers the tax and accounting consequences of compensation paid under our executive compensation program. However, our Compensation Committee believes that its primary responsibility is to maintain an executive compensation program that attracts, retains, rewards and incentivizes our executives. Accordingly, the Compensation Committee has paid, and may continue to pay, in its discretion, compensation that is not fully deductible or is limited as to tax deductibility.

***Compensation Committee Report***

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis that appears above with management. Based on such review and discussion, the Compensation Committee has recommended to our Board that the Compensation Discussion and Analysis that appears above be included in this Annual Report on Form 10-K.

Respectfully submitted,  
THE COMPENSATION COMMITTEE  
Michelle Gloeckler, Chair  
Adriel Lares  
James O'Hara

### Summary Compensation Table

The following table sets forth the compensation awarded to, earned by or paid to our named executive officers in respect to their service to the Company during Fiscal 2024 and, if applicable, Fiscal 2023 and Fiscal 2022.

Name and principal position	Year	Salary (\$) <sup>(1)</sup>	Bonus (\$) <sup>(2)</sup>	Stock Awards (\$) <sup>(3)</sup>	Option Awards (\$) <sup>(4)</sup>	Non-equity Incentive Plan Compensation (\$) <sup>(5)</sup>	All Other Compensation (\$) <sup>(6)</sup>	Total (\$)
Deirdre Mahlan <sup>(7)</sup> President, Chief Executive Officer and Chairperson	2024	545,415 <sup>(8)</sup>	389,411	5,306,305	—	62,462	52,856	6,356,449
Jennifer Fall Jung <sup>(9)</sup> Executive Vice President, Chief Financial Officer	2024	515,000	—	449,995	542,721	129,166	69,212	1,706,094
	2023	48,077	47,957	112,490	137,854	—	3,846	350,224
Sean Sullivan <sup>(10)</sup> Executive Vice President, Chief Strategy and Legal Officer	2024	402,000	—	412,493	497,492	85,966	82,297	1,480,248
	2023	390,000	—	374,992	463,868	335,000	61,771	1,625,631
Pete Przybylinski Executive Vice President, Chief Sales Officer	2024	402,000	—	412,493	497,492	85,966	82,297	1,480,248
	2023	390,000	—	374,992	463,868	335,000	61,771	1,625,631
	2022	375,000	—	—	—	228,000	73,196	676,196
Zach Rasmuson Executive Vice President, Chief Operating Officer	2024	402,000	—	412,493	497,492	85,966	84,497	1,482,448
	2023	390,000	—	374,992	463,868	335,000	61,771	1,625,631
	2022	375,000	—	—	—	228,000	73,090	676,090
Alex Ryan <sup>(11)</sup> Former President, Chief Executive Officer and Chairman	2024	209,096	—	—	—	—	128,466	337,562
	2023	655,000	—	1,326,290	1,640,629	1,015,717	145,560	4,783,196
	2022	630,000	—	—	—	766,080	139,549	1,535,629
Gayle Bartscherer <sup>(12)</sup> Executive Vice President, Chief Marketing and DTC Officer	2024	332,423	—	589,449	497,492	27,831	503,019	1,950,214
	2023	390,000	—	374,992	463,868	335,000	41,462	1,605,322
	2022	115,385	—	309,043	451,807	70,154	11,538	957,927

(1) The amounts reported for each named executive officer include contributions made by the executive to the Company's 401(k) plan, described in "Compensation Discussion and Analysis—Employee Benefits and Perquisites" above. The amount reported (i) for Mr. Ryan for Fiscal 2024 includes \$88,173 of accrued but unused paid time off paid out in connection with his retirement and (ii) for Ms. Bartscherer for Fiscal 2024 includes \$54,115 of accrued but unused paid time off paid out in connection with the end of her employment.

- (2) For Fiscal 2024, for Ms. Mahlan, the amount reported in this column represents a pro-rated incentive fee earned under her consulting agreement with respect to the time she was interim President and Chief Executive Officer. For Fiscal 2023, for Ms. Fall Jung, the amount reported in this column represents a discretionary pro-rated bonus.
- (3) The amounts reported in this column represent the grant date value of RSUs granted to each named executive officer during the applicable fiscal year, computed in accordance with FASB ASC Topic 718, and for the performance-based RSUs granted to Ms. Mahlan, based on the probable outcome of applicable performance conditions. For the performance-based RSUs granted to Ms. Mahlan, the maximum value as of the grant date is \$1,499,995. We do not estimate forfeitures in calculating the grant date value of the RSUs, as permitted by FASB ASC Topic 718. The assumptions used to value the RSUs for this purpose are set forth in Note 16 (Equity-based compensation) to our consolidated financial statements included in this Annual Report on Form 10-K, Note 16 (Equity-based compensation) to our consolidated financial statements included in the Annual Report on Form 10-K for the fiscal year ended July 31, 2023, as amended, and Note 15 (Equity-based compensation) to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2022. The grant date fair value was calculated by multiplying the closing price of the underlying shares of our common stock on the date of grant by the number of RSUs granted, other than for the performance-based RSUs granted to Ms. Mahlan, which were valued based on a Monte Carlo simulation. The amount reported in this column for Fiscal 2024 for Ms. Bartscherer also reflects the incremental fair value, as computed under FASB ASC Topic 718, associated with the acceleration of RSUs in connection with the end of her employment.
- (4) The amounts reported in this column represent the grant date value of options to purchase shares of our common stock granted to each named executive officer during the applicable fiscal year, computed in accordance with FASB ASC Topic 718. We do not estimate forfeitures in calculating the grant date value of the options, as permitted by FASB ASC Topic 718. The assumptions used to value the options for this purpose are set forth in Note 16 (Equity-based compensation) to our consolidated financial statements included in this Annual Report on Form 10-K, Note 16 (Equity-based compensation) to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2023, as amended, and Note 15 (Equity-based compensation) to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2022.
- (5) The amounts reported in this column represent the annual bonuses paid to our named executive officers with respect to each fiscal year. Our annual bonuses are described in “Compensation Discussion and Analysis—Components of our Executive Compensation Program—Annual Cash Bonuses” above.
- (6) The amounts reported in this column for Fiscal 2024 represent the following items:

Name	Company contributions to non-qualified deferred compensation		
	Company 401(k) matching contributions (\$)	plan (\$)	Other (\$) <sup>(a)</sup>
Deirdre Mahlan	31,808	6,246	14,802
Jennifer Fall Jung	56,296	12,917	—
Sean Sullivan	38,815	43,481	—
Pete Przybylinski	38,815	43,481	—
Zach Rasmuson	38,815	43,681	2,000
Alex Ryan	—	123,466	5,000
Gayle Bartscherer	29,518	40,008	433,494

- (a) For Ms. Mahlan, amount includes payments in lieu of welfare benefits (\$900) and fees that she earned with respect to her service as a director prior to her appointment as interim President and Chief Executive Officer pursuant to our non-employee director compensation arrangements as described under “Director Compensation” below (\$13,902). For Mr. Ryan, amount includes the value of cellular phone and other electronic equipment he retained following his retirement (\$5,000), valued based on the aggregate incremental cost of such phone and equipment (the replacement cost to the Company). For Mr. Rasmuson, amount includes a service award (\$2,000). For Ms. Bartscherer, amount includes the value of cellular phone and other electronic equipment she retained following the end of her employment (\$3,375), valued based on the aggregate incremental cost of such phone and equipment (the replacement cost to the Company), and salary continuation payments (\$402,000), and COBRA premium payments (\$28,119) under her transition agreement in connection with the end of her employment.
- (7) Ms. Mahlan was appointed Chairperson and interim President and Chief Executive Officer effective September 27, 2023 and President and Chief Executive Officer effective April 30, 2024.
- (8) Ms. Mahlan’s salary includes \$156,154 she received as salary for her position as President and Chief Executive Officer and \$389,261 she received as consulting fees under her interim President and Chief Executive Officer arrangement.
- (9) Ms. Fall Jung commenced employment on June 19, 2023.
- (10) No amounts are reported in this table for Mr. Sullivan for Fiscal 2022 because Mr. Sullivan was not a named executive officer for such fiscal year.
- (11) Mr. Ryan retired effective September 27, 2023.

(12) Ms. Bartscherer’s employment ended effective March 29, 2024.

**Grants of Plan-Based Awards Table**

The following table sets forth information regarding plan-based awards made to each of our named executive officers during Fiscal 2024.

Name	Grant Date	Compensation Committee Action Date	Estimated future payouts under non-equity incentive plan awards <sup>(1)</sup>			Estimated future payouts under equity incentive plan awards	All other stock awards: Number of shares of stock or units (#) <sup>(3)</sup>	All other option awards: Number of securities underlying options (#) <sup>(4)</sup>	Exercise or base price of option awards (\$/Sh) <sup>(5)</sup>	Grant date fair stock and option awards (\$) <sup>(6)</sup>
			Threshold (\$)	Target (\$)	Maximum (\$)	Target (#) <sup>(2)</sup>				
Deirdre Mahlan	—	—	35,574	177,869	355,738	—	—	—	—	
	4/30/24	4/30/24	—	—	—	177,095	—	—	956,313	
	4/30/24	4/30/24	—	—	—	—	354,191	—	2,999,998	
	9/27/23	9/27/23	—	—	—	—	115,089	—	1,349,994	
Jennifer Fall Jung	—	—	61,800	309,000	618,000	—	—	—	—	
	10/11/23	10/11/23	—	—	—	—	45,454	—	449,995	
	10/11/23	10/11/23	—	—	—	—	—	136,362	9.90	542,721
Sean Sullivan	—	—	40,200	201,000	402,000	—	—	—	—	
	10/11/23	10/11/23	—	—	—	—	41,666	—	412,493	
	10/11/23	10/11/23	—	—	—	—	—	124,998	9.90	497,492
Pete Przybylinski	—	—	40,200	201,000	402,000	—	—	—	—	
	10/11/23	10/11/23	—	—	—	—	41,666	—	412,493	
	10/11/23	10/11/23	—	—	—	—	—	124,998	9.90	497,492
Zach Rasmuson	—	—	40,200	201,000	402,000	—	—	—	—	
	10/11/23	10/11/23	—	—	—	—	41,666	—	412,493	
	10/11/23	10/11/23	—	—	—	—	—	124,998	9.90	497,492
Alex Ryan	—	—	—	—	—	—	—	—	—	
Gayle Bartscherer	—	—	26,580	132,902	265,804	—	—	—	—	
	10/11/23	10/11/23	—	—	—	—	41,666	—	412,493	
	10/11/23	10/11/23	—	—	—	—	—	124,998	9.90	497,492
	—	—	—	—	—	—	—	—	—	176,955 <sup>7</sup>

(1) The amounts reported in these columns represent the minimum, target and maximum annual cash bonus opportunities of our named executive officers under our Annual Incentive Bonus Program. See “Compensation Discussion and Analysis—Components of our Executive Compensation Program —Annual Cash Bonuses” above for additional details. The actual amounts paid to our named executive officers under our Annual Incentive Bonus Program for Fiscal 2024 are set forth in the “Nonequity

Incentive Plan Compensation” column in the “Summary Compensation Table” above. Ms. Mahlan’s cash bonus opportunities are prorated based on the portion of Fiscal 2024 she was employed as President and Chief Executive Officer on a permanent basis. Mr. Ryan was not eligible to receive a bonus for Fiscal 2024. Ms. Bartscherer was eligible to receive a pro-rated annual bonus for Fiscal 2024 pursuant to her transition and separation letter agreement and her cash bonus opportunities are prorated based on the portion of Fiscal 2024 she was employed.

- (2) The amount reported in this column represents the number of RSUs with performance conditions granted to Ms. Mahlan in Fiscal 2024. See “Compensation Discussion and Analysis—Components of our Executive Compensation Program—Equity Incentive Awards” above for additional details.
- (3) The amount reported in this column represents the number of RSUs granted to each named executive officer (other than Mr. Ryan) in Fiscal 2024. See “Compensation Discussion and Analysis—Components of our Executive Compensation Program—Equity Incentive Awards” above for additional details.
- (4) The amount reported in this column represents the number of shares of our common stock subject to stock options (other than Ms. Mahlan and Mr. Ryan) granted to each named executive officer in Fiscal 2024. See “Compensation Discussion and Analysis—Components of our Executive Compensation Program—Equity Incentive Awards” above for additional details.
- (5) The amount reported in this column represents the exercise price for the stock options granted to each named executive officer in Fiscal 2024.
- (6) The amount reported in this column represents the grant date fair value of RSUs or stock options, as applicable, granted in Fiscal 2024, determined in accordance with FASB ASC Topic 718, disregarding the effect of forfeitures and, for the performance-based RSUs granted to Ms. Mahlan, assuming the probable outcome of applicable performance conditions. For the performance-based RSUs granted to Ms. Mahlan, the maximum value as of the grant date is \$1,499,995. These amounts do not represent the actual amounts paid to or realized by each named executive officer for these awards during Fiscal 2024. The assumptions used to value the RSUs and options for this purpose are set forth in Note 16 (Equity-based compensation) to our consolidated financial statements included in this Annual Report on Form 10-K. For RSUs (other than for the performance-based RSUs), the grant date fair value was calculated by multiplying the closing price of the underlying shares of our common stock on the date of grant by the number of RSUs granted.
- (7) Represents the incremental fair value, as computed under FASB ASC Topic 718, associated with the acceleration of RSUs in connection with the end of Ms. Bartscherer’s employment.

## **Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table**

### **Agreements with our Named Executive Officers**

Each of our named executive officers is or was party to an employment agreement with the Company that sets forth the terms and conditions of his or her employment. In addition, Ms. Mahlan was party to a consulting agreement with the Company that set forth the terms and conditions of her service as interim President and Chief Executive Officer. The material terms of these agreements are summarized below. Each employment agreement provides for severance payments and benefits in the event of a qualifying termination of the applicable named executive officer’s employment, as described under “Potential Payments Upon Termination or Change in Control” below.

**Ms. Mahlan.** We entered into an employment agreement with Ms. Mahlan in April 2024. Under the agreement, Ms. Mahlan is entitled to receive a base salary and is eligible to receive an annual bonus with a target equal to a percentage of her annual base salary, currently 100% of her annual base salary. In addition, in connection with her service as interim President and Chief Executive Officer, we entered into a consulting agreement with Ms. Mahlan in September 2024, which provided for an annual consulting fee in the amount of \$655,000, as well as an annual incentive fee equal to 100% of the annual consulting fee, pro-rated for any partial fiscal year during which Ms. Mahlan provided services under the consulting agreement. The consulting agreement automatically terminated on April 30, 2024 when Ms. Mahlan became the permanent President and Chief Executive Officer.

**Mr. Ryan.** We entered into an amended and restated employment agreement with Mr. Ryan in March 2021. Prior to his retirement, under the agreement, Mr. Ryan was entitled to receive a base salary and was eligible to receive an annual bonus with a target equal to a percentage of his annual base salary.

**Ms. Fall Jung.** We entered into an employment agreement with Ms. Fall Jung in May 2023. Under the agreement, Ms. Fall Jung is entitled to receive a base salary and is eligible to receive an annual bonus with a target equal to a percentage of her annual base salary, currently 60% of her annual base salary.

**Mr. Sullivan.** We entered into an amended and restated employment agreement with Mr. Sullivan in March 2021. Under the agreement, Mr. Sullivan is entitled to receive a base salary and is eligible to receive an annual bonus with a target equal to a percentage of his annual base salary, currently 50% of his annual base salary.

**Mr. Przybylinski.** We entered into an amended and restated employment agreement with Mr. Przybylinski in March 2021. Under the agreement, Mr. Przybylinski is entitled to receive a base salary and is eligible to receive an annual bonus with a target equal to a percentage of his annual base salary, currently 50% of his annual base salary.

**Mr. Rasmuson.** We entered into an amended and restated employment agreement with Mr. Rasmuson in March 2021. Under the agreement, Mr. Rasmuson is entitled to receive a base salary and is eligible to receive an annual bonus with a target equal to a percentage of his annual base salary, currently 50% of his annual base salary.

**Ms. Bartscherer.** We entered into an employment agreement with Ms. Bartscherer in March 2022. Prior to the end of her employment, under the agreement, Ms. Bartscherer was entitled to receive a base salary and was eligible to receive an annual bonus with a target equal to a percentage of her annual base salary, which was 50% of her annual base salary for Fiscal 2024. Ms. Bartscherer's employment the Company ceased as of March 29, 2024. In connection with such transition, the Company entered into a transition and separation letter agreement, which is described in further detail under "Potential Payments Upon Termination or Change in Control" below.

**Restrictive covenants.** Under the employment agreements, each of our named executive officers agreed not to compete with us, solicit any customer, vendor, supplier or other business partner, or any prospective customer, vendor, supplier or other business partner or hire or engage any employee during the named executive officer's employment. Each named executive officer has also agreed to not solicit any employee or independent contractor during and for one year following the named executive officer's termination of employment, to a perpetual confidentiality covenant and to an assignment of intellectual property covenant.

#### Outstanding Equity Awards at Fiscal 2024 Year-End Table

The following table sets forth information about the equity awards held by our named executive officers as of July 31, 2024.

Name	Option Awards				Stock Awards			
	Number of securities underlying unexercised options (#) Exercisable	Number of securities underlying unexercised options (#) Unexercisable	Option exercise price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$) <sup>(1)</sup>	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested (\$) <sup>(1)</sup>
Deirdre Mahlan	—	—	—	—	57,545 <sup>(2)</sup>	417,777	—	—
	—	—	—	—	354,191 <sup>(3)</sup>	2,571,427	—	—
	—	—	—	—	—	—	177,095 <sup>(4)</sup>	1,285,710
Jennifer Fall Jung	6,176	18,529	13.66	6/19/2033 <sup>(5)</sup>	—	—	—	—
	—	136,362	9.90	10/11/2033 <sup>(6)</sup>	—	—	—	—
	—	—	—	—	6,177 <sup>(7)</sup>	44,845	—	—
	—	—	—	—	45,454 <sup>(8)</sup>	329,996	—	—



Name	Option Awards				Stock Awards			
	Number of securities underlying unexercised options (#) Exercisable	Number of securities underlying unexercised options (#) Unexercisable	Option exercise price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$) <sup>(1)</sup>	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested (\$) <sup>(1)</sup>
Sean Sullivan	80,061	26,689	15.00	3/17/2031 <sup>(9)</sup>	—	—	—	—
	22,872	7,626	24.00	6/18/2031 <sup>(10)</sup>	—	—	—	—
	19,490	58,471	14.43	9/30/2032 <sup>(11)</sup>	—	—	—	—
	—	124,998	9.90	10/11/2033 <sup>(6)</sup>	—	—	—	—
	—	—	—	—	8,898 <sup>(12)</sup>	64,599	—	—
	—	—	—	—	2,543 <sup>(13)</sup>	18,462	—	—
	—	—	—	—	19,491 <sup>(14)</sup>	141,505	—	—
Pete Przybylinski	80,061	26,689	15.00	3/17/2031 <sup>(9)</sup>	—	—	—	—
	22,872	7,626	24.00	6/18/2031 <sup>(10)</sup>	—	—	—	—
	19,490	58,471	14.43	9/30/2032 <sup>(11)</sup>	—	—	—	—
	—	124,998	9.90	10/11/2033 <sup>(6)</sup>	—	—	—	—
	—	—	—	—	8,898 <sup>(12)</sup>	64,599	—	—
	—	—	—	—	2,543 <sup>(13)</sup>	18,462	—	—
	—	—	—	—	19,491 <sup>(14)</sup>	141,505	—	—
Zach Rasmuson	80,061	26,689	15.00	3/17/2031 <sup>(9)</sup>	—	—	—	—
	22,872	7,626	24.00	6/18/2031 <sup>(10)</sup>	—	—	—	—
	19,490	58,471	14.43	9/30/2032 <sup>(11)</sup>	—	—	—	—
	—	124,998	9.90	10/11/2033 <sup>(6)</sup>	—	—	—	—
	—	—	—	—	8,898 <sup>(12)</sup>	64,599	—	—
	—	—	—	—	2,543 <sup>(13)</sup>	18,462	—	—
	—	—	—	—	19,491 <sup>(14)</sup>	141,505	—	—
Alex Ryan <sup>(15)</sup>	80,061	26,689	15.00	3/17/2031 <sup>(9)</sup>	—	—	—	—
	22,872	7,626	24.00	6/18/2031 <sup>(10)</sup>	—	—	—	—
	19,490	58,471	14.43	9/30/2032 <sup>(11)</sup>	—	—	—	—
	—	124,998	9.90	10/11/2033 <sup>(6)</sup>	—	—	—	—
	—	—	—	—	8,898 <sup>(12)</sup>	64,599	—	—
	—	—	—	—	2,543 <sup>(13)</sup>	18,462	—	—
	—	—	—	—	19,491 <sup>(14)</sup>	141,505	—	—
Gayle Bartscherer <sup>(16)</sup>	80,061	26,689	15.00	3/17/2031 <sup>(9)</sup>	—	—	—	—
	22,872	7,626	24.00	6/18/2031 <sup>(10)</sup>	—	—	—	—
	19,490	58,471	14.43	9/30/2032 <sup>(11)</sup>	—	—	—	—
	—	124,998	9.90	10/11/2033 <sup>(6)</sup>	—	—	—	—
	—	—	—	—	8,898 <sup>(12)</sup>	64,599	—	—
	—	—	—	—	2,543 <sup>(13)</sup>	18,462	—	—
	—	—	—	—	19,491 <sup>(14)</sup>	141,505	—	—

(1) Based on the closing price of a share of our common stock (\$7.26) on July 31, 2024, the last trading day of Fiscal 2024.

(2) Represents RSUs granted on September 27, 2023 that vest in two equal installments on each of the two six-month anniversaries of the vesting commencement date (which was September 27, 2023), generally subject to the named executive officer's continued service through the applicable vesting date and remaining in the interim CEO position through March 27, 2024.

(3) Represents RSUs granted on April 30, 2024 that vest in three equal installments on each of the first three anniversaries of the vesting commencement date (which was April 30, 2024), generally subject to the named executive officer's continued service through the applicable vesting date.

- (4) Represents performance-based RSUs granted on April 30, 2024 that vest if the Company’s common stock trades at or above \$13.00 for twenty consecutive trading days within a three-year period from the grant date, subject to the named executive officer’s continued service through the applicable vesting date.
- (5) Represents options granted on June 19, 2023 that vest in four equal installments on each of the first four anniversaries of the vesting commencement date (which was June 19, 2023), generally subject to the named executive officer’s continued service through the applicable vesting date.
- (6) Represents options granted on October 11, 2023 that vest in four equal installments on each of the first four anniversaries of the vesting commencement date (which was September 19, 2023), generally subject to the named executive officer’s continued service through the applicable vesting date.
- (7) Represents RSUs granted on June 19, 2023 that vest in four equal installments on each of the first four anniversaries of the vesting commencement date (which was June 19, 2023), generally subject to the named executive officer’s continued service through the applicable vesting date.
- (8) Represents RSUs granted on October 11, 2023 that vest in four equal installments on each of the first four anniversaries of the vesting commencement date (which was September 19, 2023), generally subject to the named executive officer’s continued service through the applicable vesting date.
- (9) Represents options granted on March 17, 2021 that vest in four equal installments on each of the first four anniversaries of the vesting commencement date (which was March 17, 2021), generally subject to the named executive officer’s continued service through the applicable vesting date.
- (10) Represents options granted on June 18, 2021 that vest in four equal installments on each of the first four anniversaries of the vesting commencement date (which was March 17, 2021), generally subject to the named executive officer’s continued service through the applicable vesting date.
- (11) Represents options granted on September 30, 2022 that vest in four equal installments on each of the first four anniversaries of the vesting commencement date (which was September 19, 2022), generally subject to the named executive officer’s continued service through the applicable vesting date.
- (12) Represents RSUs granted on March 17, 2021 that vest in four equal installments on each of the first four anniversaries of the vesting commencement date (which was March 17, 2021), generally subject to the named executive officer’s continued service through the applicable vesting date.
- (13) Represents RSUs granted on June 18, 2021 that vest in four equal installments on each of the first four anniversaries of the vesting commencement date (which was March 17, 2021), generally subject to the named executive officer’s continued service through the applicable vesting date.
- (14) Represents RSUs granted on September 30, 2022 that vest in four equal installments on each of the first four anniversaries of the vesting commencement date (which was September 19, 2022), generally subject to the named executive officer’s continued service through the applicable vesting date.
- (15) All then unvested options and RSUs held by Mr. Ryan were forfeited as of his retirement on September 27, 2023.
- (16) All then unvested options and RSUs (after taking into account the accelerated vesting described in “Compensation Discussion and Analysis—Components of our Executive Compensation Program—Equity Incentive Awards”) held by Ms. Bartscherer were forfeited as of the end of her employment on March 29, 2024.

### Option Exercises and Stock Vested

The following table shows the stock awards held by our named executive officers that vested during Fiscal 2024. No stock options held by any of our named executive officers were exercised during Fiscal 2024.

Name	Stock Awards	
	Number of shares acquired on vesting (#)	Value realized on vesting (\$) <sup>(1)</sup>
Deirdre Mahlan	57,544	527,678
Jennifer Fall Jung	2,058	15,661
Sean Sullivan	17,932	182,162
Pete Przybylinski	17,932	182,162
Zach Rasmuson	17,932	182,162
Alex Ryan	22,978	278,264
Gayle Bartscherer	25,503	255,622

- (1) The amounts reported in this column are based on the closing price of a share of our common stock on the vesting date of the applicable stock awards, or, for awards with a vesting date that was not on a trading day, the amounts reported are based on the closing price of the last trading date on which a closing price was reported.

**Pension Benefits**

None of our named executive officers participated in or received benefits from a pension plan during Fiscal 2024 or in any prior year.

**Nonqualified Deferred Compensation**

We maintain the Duckhorn Wine Company Deferred Compensation Plan, a nonqualified deferred compensation plan.

*Contributions:* Participants, including our named executive officers, receive employer contributions equal to the excess of the employer contribution they would have received under our 401(k) plan, but for Internal Revenue Service limits, over the employer contributions made on their behalf to the 401(k) plan. In addition, participants may elect to defer up to 90% of their annual base salary and up to 100% of their annual bonuses into the plan. Employer contributions vest three plan years after contribution and accelerate upon the participant’s death, retirement or disability and upon a change in control.

*Investment:* The value of the participant’s account balances is determined based on the notional investments selected by the participant.

*Distributions:* Participants may elect each year in-service distributions that pay in a single lump sum payment or in annual installments over up to ten years, as elected by the participant, and may begin in-service distributions during a participant’s employment, subject to the limitations of the plan. In addition, retirement or disability distributions are paid out in any whole number of years up to 15 years, as elected by the participant, and if not selected, the default distribution method is five annual installments. Participants may elect each year that account balances on a termination of employment will be paid out in a single lump sum payment or in annual installments over up to ten years.

The following table sets forth information regarding the participation of our named executive officers in our nonqualified deferred compensation plan for Fiscal 2024.

Name	Executive Contributions in last FY (\$) <sup>(1)</sup>	Registrant contributions in last FY (\$) <sup>(2)</sup>	Aggregate earnings in last FY (\$) <sup>(3)</sup>	Aggregate withdrawals/distributions (\$) <sup>(4)</sup>	Aggregate balance at last FYE (\$) <sup>(5)</sup>
Deirdre Mahlan	—	—	—	—	—
Jennifer Fall Jung	44,567	—	2,483	—	47,051
Sean Sullivan	—	40,008	15,621	20,576	129,947
Pete Przybylinski	36,850	40,008	31,189	135,017	266,635
Zach Rasmuson	496,269	40,208	359,457	—	2,720,308
Alex Ryan	—	123,466	(11,234)	66,685	—
Gayle Bartscherer	184,508	40,008	47,546	—	295,980

- (1) Amounts reported in this column are also included in the “Salary” and “Nonequity Incentive Plan Compensation” columns in the “Summary Compensation Table” above for Fiscal 2024.
- (2) Amounts reported in this column are also included in the “All Other Compensation” column in the “Summary Compensation Table” above for Fiscal 2024.
- (3) Amounts reported in this column represent the earnings or losses of each named executive officer’s account balance in Fiscal 2024 based on the notional investments selected by such named executive officer.
- (4) Amounts reported in this column represent in-service distributions elected by the named executive officers and retirement distributions that paid out in Fiscal 2024.
- (5) The aggregate balance includes deferrals of compensation and employer contributions for prior fiscal years. Amounts deferred by and employer contributions to individuals who were named executive officers for the fiscal year of the deferral or contribution were included in the compensation reported for those individuals in the compensation tables in prior proxy statements.

**Potential Payments Upon Termination or Change in Control**

Each of our currently employed named executive officers is party to an employment agreement with us that provides for certain payments and benefits in the event of certain terminations of employment. The material terms

of these agreements are summarized below. As used in the summary below, the terms “cause” and “good reason” have the meanings set forth in the applicable employment agreement.

If Ms. Mahlan’s employment is terminated by us other than for cause or by Ms. Mahlan for good reason, she will be entitled to receive base salary continuation for twelve months (six months in the event her termination for good reason occurs pursuant to a diminution in her duties and responsibilities for no longer being a CEO of a publicly traded company following a change in control), reimbursement of Consolidated Omnibus Budget Reconciliation Act premiums for up to twelve months (six months in the event her termination for good reason occurs pursuant to a diminution in her duties and responsibilities for no longer being a CEO of a publicly traded company following a change in control), based on the portion of monthly health premiums paid by the Company immediately prior to her termination, and any annual bonus for the fiscal year prior to the fiscal year in which such termination occurs, to the extent not yet paid, in each case, subject to her execution of a separation agreement containing a general release of claims.

If any of our currently-employed named executive officer’s employment, other than Ms. Mahlan, is terminated by us other than for cause or by the named executive officer for good reason, he or she will be entitled to receive base salary continuation for twelve months, reimbursement of Consolidated Omnibus Budget Reconciliation Act premiums for up to twelve months (based on the portion of monthly health premiums paid by the Company immediately prior to his or her termination), and any annual bonus for the fiscal year prior to the fiscal year in which such termination occurs, to the extent not yet paid, in each case, subject to his or her execution of a separation agreement containing a general release of claims. Prior to his retirement, Mr. Ryan, and prior to the end of her employment, Ms. Bartscherer, were each party to an employment agreement with us that provided for these same severance payments and benefits.

With respect to the options and RSUs held by our currently employed named executive officers, in the event of a change in control of the Company (as defined in the award agreements) in which an acquiring or surviving entity assumes, continues or substitutes the options and/or RSUs, as applicable, if the named executive officer’s employment is terminated without cause or for good reason, in either case, within 18 months following such change in control, the options and/or RSUs, as applicable, will become fully vested upon such termination. If the options and/or RSUs, as applicable, are not assumed, continued or substituted in connection with a change in control, the options and/or RSUs, as applicable, will become fully vested as of such change in control.

In the event of a change in control, any then outstanding and unvested RSUs granted to Ms. Mahlan in connection with her commencement of employment as President and Chief Executive Officer will vest immediately prior to such change in control.

In connection with Mr. Ryan’s retirement on September 27, 2023, we entered into a separation agreement with Mr. Ryan, which provided that Mr. Ryan would receive his annual bonus for Fiscal 2023 in the gross amount of \$1,015,717.

In connection with the end of her employment, the Company entered into a transition and separation letter agreement with Ms. Bartscherer that provided that her employment would cease as of March 29, 2024. Pursuant to such agreement, Ms. Bartscherer is entitled to receive (i) base salary continuation for twelve months, (ii) Consolidated Omnibus Budget Reconciliation Act premium payments for up to twelve months (based on the amount of monthly health premiums paid by the Company immediately prior to the end of her employment), (iii) any annual bonus earned for Fiscal 2024 pro-rated based on the portion of such year she was employed and payable at such time that annual bonuses are paid to executives of the Company, (iv) vesting of 19,007 of the outstanding and unvested RSUs held by Ms. Bartscherer as of her separation date, and (v) vesting of the unvested portion of her account balance in our nonqualified deferred compensation plan. In connection with such severance, Ms. Bartscherer executed a general release of claims in favor of the Company.

The table below sets forth the change in control and severance benefits that would be payable to our each of our currently employed named executive officers if his or her employment terminated under the circumstances described below, in each case, on July 31, 2024. Other than Ms. Mahlan’s RSUs, including her performance-based RSUs, and not including the RSUs granted to her in connection with her interim CEO position, no benefits

would be payable upon a change in control without an associated termination of employment (unless options and/or RSUs are not assumed, continued or substituted as described above).

Name	Involuntary Termination Without Cause (\$)	Termination by Executive for Good Reason (\$)	CIC with Termination for Good Reason or Without Cause (\$)	CIC (\$)
<b>Deirdre Mahlan</b>				
Severance <sup>(1)</sup>	700,000	700,000	700,000	—
Acceleration of Unvested Options <sup>(2)</sup>	—	—	—	—
Acceleration of Unvested Restricted Stock Units <sup>(3)</sup>	—	—	417,777	3,857,137
Medical & Dental Continuations (employer portion) <sup>(4)</sup>	3,600	3,600	3,600	—
<b>Total</b>	<b>703,600</b>	<b>703,600</b>	<b>1,121,377</b>	<b>3,857,137</b>
<b>Jennifer Fall Jung</b>				
Severance <sup>(1)</sup>	515,000	515,000	515,000	—
Acceleration of Unvested Options <sup>(2)</sup>	—	—	—	—
Acceleration of Unvested Restricted Stock Units <sup>(3)</sup>	—	—	374,841	—
Medical & Dental Continuations (employer portion) <sup>(4)</sup>	18,312	18,312	18,312	—
<b>Total</b>	<b>533,312</b>	<b>533,312</b>	<b>908,153</b>	—
<b>Sean Sullivan</b>				
Severance <sup>(1)</sup>	402,000	402,000	402,000	—
Acceleration of Unvested Options <sup>(2)</sup>	—	—	—	—
Acceleration of Unvested Restricted Stock Units <sup>(3)</sup>	—	—	527,061	—
Medical & Dental Continuations (employer portion) <sup>(4)</sup>	6,395	6,395	6,395	—
<b>Total</b>	<b>408,395</b>	<b>408,395</b>	<b>935,456</b>	—
<b>Pete Przybylinski</b>				
Severance <sup>(1)</sup>	402,000	402,000	402,000	—
Acceleration of Unvested Options <sup>(2)</sup>	—	—	—	—
Acceleration of Unvested Restricted Stock Units <sup>(3)</sup>	—	—	527,061	—
Medical & Dental Continuations (employer portion) <sup>(4)</sup>	15,034	15,034	15,034	—
<b>Total</b>	<b>417,034</b>	<b>417,034</b>	<b>944,095</b>	—
<b>Zach Rasmuson</b>				
Severance <sup>(1)</sup>	402,000	402,000	402,000	—
Acceleration of Unvested Options <sup>(2)</sup>	—	—	—	—
Acceleration of Unvested Restricted Stock Units <sup>(3)</sup>	—	—	527,061	—
Medical & Dental Continuations (employer portion) <sup>(4)</sup>	15,034	15,034	15,034	—
<b>Total</b>	<b>417,034</b>	<b>417,034</b>	<b>944,095</b>	—

(1) Severance amounts are the amounts payable under the applicable named executive officer's employment agreement, based on the named executive officer's compensation as in effect on July 31, 2024.

(2) Acceleration of Unvested Options amounts reflect the value of stock options that would accelerate if the named executive officer's employment is terminated without cause or for good reason, in either case, within 18 months following a change in control of the Company. No amounts are included because the unvested stock options were out-of-the-money based on the

closing price of a share of our common stock (\$7.26) on July 31, 2024, the last trading day of Fiscal 2024. Ms. Mahlan did not hold any unvested stock options as of such date.

- (3) Acceleration of Unvested Restricted Stock Units amounts reflect the value of RSUs that would accelerate if the named executive officer’s employment is terminated without cause or for good reason, in either case, within 18 months following a change in control of the Company, and for Ms. Mahlan, amounts in the CIC column reflect the value of RSUs, including performance-based RSUs, that would accelerate upon a change in control. Amounts are based on the closing price of a share of our common stock (\$7.26) on July 31, 2024, the last trading day of Fiscal 2024.
- (4) Benefit continuation amounts are calculated based on the cost of premiums under our group health plans as of July 31, 2024. The benefit continuation amount reported for Ms. Mahlan includes a \$300 monthly payment in lieu of Company-provided health and welfare benefits.

### Director Compensation

We maintain a non-employee director compensation policy, which covers non-employee members of our Board who are not affiliated with our investors (“covered non-employee directors”). Under our non-employee director compensation policy, each covered non-employee director will receive an annual cash retainer for service to our Board and an additional annual cash retainer for service on any committee of our Board or for serving as the lead director or the chair of our Board or any of its committees in Fiscal 2024 (which annual cash retainer for serving as the lead director increased from \$75,000 in Fiscal 2023 to \$80,000 in Fiscal 2024), in each case, prorated for partial years of service, as follows:

	<b>Board or Committee Member</b>	<b>Lead Director or Committee Chair</b>
Annual Cash Retainer	\$60,000	\$80,000
Additional Annual Cash Retainer for Compensation Committee	\$8,500	\$15,000
Additional Annual Cash Retainer for Nominating and Corporate Governance Committee	\$5,000	\$10,000
Additional Annual Cash Retainer for Audit Committee	\$10,000	\$20,000

For Fiscal 2024, each covered non-employee director was granted RSUs having a grant date fair value of approximately \$110,000, such RSUs to vest on the earlier of the first anniversary of the date of grant and the date of the next annual meeting of our stockholders, generally subject to the non-employee director’s continued service, through the applicable vesting date.

The following table sets forth the compensation awarded to, earned by or paid to the non-employee directors with respect to their service to our Board during Fiscal 2024. Mr. Ryan’s compensation and Ms. Mahlan’s compensation for Fiscal 2024 are included in the “Summary Compensation Table” above. Other than as set forth in the table below, we did not pay any compensation to any of the members of our Board for Fiscal 2024.

<b>Name</b>	<b>Fees earned or paid in cash (\$) <sup>(1)</sup></b>	<b>Stock awards (\$) <sup>(2)</sup></b>	<b>Total (\$)</b>
Dave Burwick <sup>(3)</sup>	15,652	72,629	88,281
Daniel Costello <sup>(4)</sup>	—	—	—
Melanie Cox <sup>(7)</sup>	60,000	140,231	200,231
Charles Esserman <sup>(4)</sup>	—	—	—
Marshall Farrer <sup>(4)(5)</sup>	—	—	—
Michelle Gloeckler	91,970	109,993	201,963
Adriel Lares	81,170	109,993	191,163
Tim Nall <sup>(4)(6)</sup>	—	—	—
James O’Hara <sup>(3)</sup>	—	—	—

(1) The amount reported in this column represents cash fees earned in Fiscal 2024.

(2) The amounts reported in this column represent the grant date value of RSUs granted to our non-employee directors in Fiscal 2024, computed in accordance with FASB ASC Topic 718. We do not estimate forfeitures in calculating the grant date value of

the RSUs, as permitted by FASB ASC Topic 718. The assumptions used to value the RSUs for this purpose are set forth in Note 16 (Equity-based compensation) to our consolidated financial statements included in this Annual Report on Form 10-K. The amount reported in this column for Ms. Cox also reflects the incremental fair value, as computed under FASB ASC Topic 718 associated with the acceleration of RSUs in connection with her resignation from the Board. The grant date fair value was calculated by multiplying the closing price of the underlying shares of our common stock on the date of grant by the number of RSUs granted. The following non-employee directors held unvested RSUs in the following amounts on July 31, 2024:

<b>Non-employee director</b>	<b>Number of unvested RSUs</b>
Dave Burwick	9,011
Melanie Cox	—
Michelle Gloeckler	12,775
Adriel Lares	12,775

- (3) Mr. Burwick joined the Board on May 21, 2024.
- (4) Mr. Esserman, Mr. O'Hara and Mr. Costello are affiliated with TSG. Mr. Farrer and Mr. Nall are affiliated with BF. Members of our Board who are affiliated with our investors do not receive compensation in respect of their service on our Board. See "Certain Relationships and Related Transactions."
- (5) Mr. Farrer joined the Board on April 30, 2024.
- (6) Mr. Nall joined the Board on April 30, 2024.
- (7) Ms. Cox resigned from the Board effective as of April 30, 2024.

### CEO Pay Ratio

The following is a reasonable estimate, calculated in accordance with SEC rules, of the ratio of the median annual total compensation of all of our employees to the annual total compensation of both Mr. Ryan, the former CEO, and Ms. Mahlan, the former interim CEO and current CEO, for Fiscal 2024:

- the median of the annual total compensation of all of our employees, other than the CEO, calculated in accordance with Summary Compensation Table rules, was \$117,231;
- the annual total compensation of the CEOs, as reported in the Summary Compensation Table, was \$6,694,011; and
- the ratio of the annual total compensation of the CEOs to the median of the annual total compensation of all of our employees for Fiscal 2024 was 57 to 1.

As permitted under SEC rules, since we had two CEOs during Fiscal 2024, we combined the compensation of both Mr. Ryan and Ms. Mahlan for the time they served as CEO to calculate the annual total compensation of the CEOs. The amount does not include the director fees that Ms. Mahlan received prior to her appointment as CEO.

As permitted under SEC rules, we may identify our median employee for purposes of providing pay ratio disclosure once every three years, provided that there has been no change in the employee population or employee compensation arrangements that we reasonably believe would result in a significant change to the pay ratio disclosure. We determined that there have been no changes to the employee population or employee compensation arrangements in Fiscal 2024 that we believe would significantly impact the pay ratio disclosure. 91 employees were acquired in the Sonoma Cutrer transaction. As permitted under SEC rules, since the transaction occurred in Fiscal 2024, such employees may be omitted in order to identify the median employee for Fiscal 2024.

To identify the median of the annual total compensation of all of our employees and our median employee for Fiscal 2023, we used internal records to determine the employee population as of July 31, 2023, which was 542 individuals, including full-time, part-time, temporary, and seasonal employees. All of the 542 individuals employed by us as of July 31, 2023 were employed in the United States. We used the taxable Medicare wages as reflected in our payroll records as reported to the Internal Revenue Service on Forms W-2 Box 5 (Taxable Medicare Wages) as the consistently applied compensation measure for purposes of identifying the median employee and used our payroll records to calculate total Taxable Medicare Wages compensation for each of the 542 employees, other than the CEO. The median employee was then identified by consistently applying this

compensation measure to all employees included in the analysis. Because we had an even number of employees after eliminating the CEO, we could not identify a mathematical median employee. Therefore, we identified the median employee as the employee that had the lower Taxable Medicare Wages of the two employees.

The SEC rules for identifying the median employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices. As such, the pay ratio reported by other companies may not be comparable to our pay ratio reported above.

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

### Beneficial Ownership

The following table sets forth information with respect to the beneficial ownership of our common stock for (a) each person, or group of affiliated persons, known by us to beneficially own more than 5% of our outstanding shares of our common stock, (b) each member of the Board, (c) each of our named executive officers and (d) all of our directors and executive officers as a group. For our directors and executive officers, the information is as of September 23, 2024. For other stockholders who beneficially own more than 5% of our outstanding shares of our common stock, the shares owned are as of the dates provided in the most recent filings made by such stockholder with the SEC.

Beneficial ownership is determined in accordance with SEC rules. The information is not necessarily indicative of beneficial ownership for any other purpose. In general, under these rules a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares voting power or investment power with respect to such security. A person is also deemed to be a beneficial owner of a security if that person has the right to acquire beneficial ownership of such security within 60 days. To our knowledge, except as otherwise indicated, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of our common stock beneficially owned by that person.

The percentage of shares beneficially owned is computed on the basis of 147,073,614 shares of common stock outstanding as of September 23, 2024. Unless otherwise indicated below, the address for each beneficial owner listed is c/o The Duckhorn Portfolio, Inc., 1201 Dowdell Lane St. Helena, CA 94574.

Pursuant to the terms of the Stockholders Agreement, investment funds affiliated with TSG have the right to appoint three directors to serve on our Board and BF has the right to appoint two directors to serve on our Board. Under the agreement, we are required to take all necessary action to cause the Board to include individuals designated by TSG and BF, as applicable, in the slate of nominees recommended by the Board for election by our stockholders. Investment funds affiliated with TSG and BF also have the exclusive right to remove their respective designees and to fill vacancies created by the removal or resignation of their respective designees, and we are required to take all necessary action to cause such removals and fill such vacancies at the request of TSG or BF, as applicable.

	Common Stock beneficially owned	
	Number	Percentage
<b>5% stockholders:</b>		
Mallard Holdco, LLC <sup>(1)</sup>	61,404,559	41.8 %
Brown-Forman Corporation <sup>(2)</sup>	31,531,532	21.4 %
Select Equity Group, L.P. <sup>(3)</sup>	8,406,702	5.7 %
<b>Directors and named executive officers:</b>		
Deirdre Mahlan <sup>(4)</sup>	92,544	*



	<b>Common Stock beneficially owned</b>	
	<b>Number</b>	<b>Percentage</b>
Jennifer Fall Jung <sup>(5)</sup>	50,397	*
Pete Przybylinski <sup>(6)</sup>	498,512	*
Zach Rasmuson <sup>(7)</sup>	570,581	*
Sean Sullivan <sup>(8)</sup>	237,250	*
Daniel Costello <sup>(9)</sup>	—	*
Marshall Farrer <sup>(10)</sup>	—	*
Charles Esserman <sup>(9)</sup>	—	*
Michelle Gloeckler <sup>(11)</sup>	16,599	*
Adriel Lares <sup>(12)</sup>	12,779	*
James O'Hara <sup>(9)</sup>	308,736	*
Tim Nall <sup>(10)</sup>	—	*
Dave Burwick	—	*
Alex Ryan <sup>(13)</sup>	1,602,943	1.1 %
Gayle Bartscherer <sup>(14)</sup>	80,383	*
All executive officers and directors as a group (13 persons) <sup>(15)</sup>	1,787,398	1.2 %

(\*) Represents beneficial ownership or voting power of less than 1%.

(1) Consists of 61,404,559 shares of common stock, held directly by Mallard Holdco, LLC. Voting and investment decisions with respect to securities held by Mallard Holdco, LLC are made by a committee of three or more individuals, none of whom individually has the power to direct such decisions. The address of Mallard Holdco, LLC is c/o TSG Consumer Partners, LLC, 1100 Larkspur Landing Circle Suite 360, Larkspur CA 94939.

(2) The address for Brown-Forman Corporation is 850 Dixie Highway, Louisville, Kentucky 40210

(3) Based on a Schedule 13G/A filed by Select Equity Group, L.P. with the SEC on February 14, 2024. The address for Select Equity Group, L.P. is 380 Lafayette Street, 6th Floor, New York, New York 10003.

(4) Includes 82,544 shares of common stock underlying RSUs held by Ms. Mahlan that have vested or will vest within 60 days.

(5) Includes 40,266 options to purchase common stock exercisable within 60 days and 8,631 shares of common stock underlying RSUs held by Ms. Fall Jung that have vested or will vest within 60 days.

(6) Includes 173,162 options to purchase common stock exercisable within 60 days and 36,817 shares of common stock underlying RSUs held by Mr. Przybylinski that have vested or will vest within 60 days. Also includes 288,533 shares of common stock held by The Przybylinski Family Trust dated July 24, 2006, for which Mr. Przybylinski is trustee.

(7) Includes 173,162 options to purchase common stock exercisable within 60 days and 36,311 shares of common stock underlying RSUs held by Mr. Rasmuson that have vested or will vest within 60 days. Also includes 361,108 shares of common stock held by Rasmuson 2016 Family Trust, for which Mr. Rasmuson is trustee.

(8) Includes 173,162 options to purchase common stock exercisable within 60 days and includes 36,491 shares of common stock underlying RSUs held by Mr. Sullivan that have vested or will vest within 60 days.

(9) Does not include shares of common stock beneficially owned by Mallard Holdco, LLC. Mr. Esserman is Chief Executive Officer of TSG, Mr. O'Hara is President of TSG and Mr. Costello is Managing Director of TSG, and therefore may be deemed to beneficially own such shares, however each disclaims beneficial ownership of such shares.

(10) Does not include shares of common stock beneficially owned by Brown-Forman Corporation. Mr. Farrer is Executive Vice President, Chief Strategic Growth Officer of Brown-Forman Corporation and Mr. Nall is Executive Vice President, Chief Global Supply Chain and Technology Officer for Brown-Forman Corporation, and therefore may be deemed to beneficially own such shares, however each disclaims beneficial ownership of such shares.

(11) Includes 16,599 shares of common stock underlying RSUs held by Ms. Gloeckler that have vested or will vest within 60 days.

(12) Includes 12,779 shares of common stock underlying RSUs held by Mr. Lares that have vested or will vest within 60 days.

(13) Reflects information available to the Company in connection with the preparation of the Company's Proxy Statement on Schedule 14A related to its Fiscal 2024 Annual Meeting, filed on November 22, 2023. Also included 1,547,495 shares of Company Common Stock held by the Alex and Jeanine Ryan 2015 Revocable Trust, for which Mr. Ryan is trustee.

(14) Reflects information available to the Company based on the Statement of Changes of Beneficial Ownership Report filed on Form 4 on October 13, 2023.

(15) Includes 559,752 options to purchase shares of common stock exercisable within 60 days and 230,172 shares of common stock underlying RSUs that have vested or will vest within 60 days.

**Equity compensation plan information**

The following table provides certain information with respect to all of our equity compensation plans in effect as of July 31, 2024. A description of the material terms of such plan is set forth in Note 16 (Equity-based compensation) to our consolidated financial statements included in this Annual Report on Form 10-K.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants, rights and restricted shares <sup>(1)</sup>	Weighted-average exercise price of outstanding options, warrants, rights and restricted shares <sup>(2)</sup>	Number of securities remaining available for future issuance under equity compensation plans (excluding securities listed in first column)
Equity compensation plans approved by security holders	3,735,560	\$ 13.23	5,899,602
Equity compensation plans not approved by security holders	—	—	—

(1) Total reflects outstanding stock options and restricted stock units granted pursuant to the 2021 Equity Incentive Plan and the 2021 Employee Stock Purchase Plan as of July 31, 2024.

(2) Outstanding restricted stock units have no exercise price and are therefore excluded from the weighted average exercise price calculation.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

**Related Party Transactions**

Sarah Ryan, the daughter of Alex Ryan, the Company’s former President, Chief Executive Officer and Chairman, is employed as a Senior Analyst at the Company. Ms. Ryan earned approximately \$134,577 in salary, bonus and benefits during Fiscal 2024, including a grant of 1,157 RSUs and 2,271 stock options. Ms. Ryan has been employed by the Company for approximately three years.

**Transactions in Connection with our IPO and the Acquisition of Sonoma-Cutrer**

These summaries do not purport to be complete descriptions of all of the provisions of the documents relating to the recapitalization transactions, and they are qualified in their entirety by reference to the complete text of agreements which have been filed with the SEC. For information on how to obtain copies of these agreements or other exhibits, see the section entitled “Item 1, Business-Available information”.

**Stockholders Agreement**

In connection with the acquisition of Sonoma-Cutrer, we entered into an amended and restated stockholders agreement with BF and investment funds affiliated with TSG. Pursuant to the Stockholders Agreement, we are required to take all necessary action to cause the Board and its committees to include director candidates designated by TSG and BF, respectively, in the slate of director nominees recommended by the Board for election by our stockholders. These nomination rights are described in this Annual Report on Form 10-K in the sections titled “Board Composition and Director Independence” and “Board Meetings, Attendance and Committees.” The Stockholders Agreement also provides that we will obtain customary director indemnity insurance.

**Registration Rights Agreement**

In connection with the acquisition of Sonoma-Cutrer, we entered into an amended and restated registration rights agreement with investment funds affiliated with TSG and BF. The registration rights agreement provides TSG and BF, respectively, with certain demand registration rights, including shelf registration rights, in respect of any shares of our common stock held by it, subject to certain conditions. In addition, in the event that we register additional shares of common stock for sale to the public, we are required to give notice of such registration to TSG and BF, and, subject to certain limitations, include shares of common stock held by them in such registration. The agreement includes customary indemnification provisions in favor of TSG and BF, any person who is or might be deemed a control person (within the meaning of the Securities Act and the Exchange Act) and

related parties against certain losses and liabilities (including reasonable costs of investigation and legal expenses) arising out of or based upon any filing or other disclosure made by us under the securities laws relating to any such registration.

### ***Indemnification Agreements***

Prior to the completion of our IPO, we entered into indemnification agreements with each of our directors at the time and have entered into indemnification agreements with each new director elected to our Board since the IPO. These agreements require us to indemnify these individuals and, in certain cases, affiliates of such individuals, to the fullest extent permissible under Delaware law against liabilities that may arise by reason of their service to us or at our direction, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, we have been informed that in the opinion of the SEC such indemnification is against public policy and is therefore unenforceable.

### ***Sonoma-Cutrer Merger Agreement***

In connection with the acquisition of Sonoma-Cutrer, we entered into a merger agreement, pursuant to which, BF agreed, among other things, to a standstill provision pursuant to which, subject to certain exceptions, until BF beneficially owns less than 5% of the voting power of the Company's outstanding securities, it will not take certain actions to (i) acquire beneficial ownership of the Company's securities representing more than 40% of the voting power of the Company's outstanding securities, (ii) participate in the solicitation of proxies from holders of the Company's securities, (iii) form, join or knowingly participate in a "group" (other than with affiliates of BF) with respect to the voting of shares of Company's securities or (iv) nominate or cause to be nominated persons for election to the Board, among other restrictions. The standstill restrictions terminate in the event that (a) the Company enters into a definitive written agreement providing for a change of control of the Company, (b) in certain cases, a third party commences a tender offer, exchange offer or other similar offer that, if consummated, would result in a change of control of the Company, (c) a change of control otherwise occurs or (d) the Company files for, or becomes subject to a proceeding for, bankruptcy, reorganization, liquidation, dissolution or similar process. In addition, BF has agreed that it will not sell, assign, pledge, hypothecate or otherwise transfer (except for certain permitted transfers as described in the merger agreement) or dispose of shares of Company securities for a period of 18 months following the Effective Time.

### **Employment Agreements**

We have entered into employment agreements with our named executive officers. For more information regarding the agreements with our named executive officers, see "Executive Compensation — Agreements with our Named Executive Officers."

### **Related Party Transactions Policy**

In connection with our IPO, we adopted a policy with respect to the review, approval and ratification of related person transactions. Under the policy, our Audit Committee is responsible for reviewing and approving related person transactions. In the course of its review and approval of related person transactions, our Audit Committee will consider the relevant facts and circumstances to decide whether to approve such transactions.

## **Item 14. Principal Accountant Fees and Services**

The following sets forth fees from PricewaterhouseCoopers LLP ("PwC"), for the audit of our annual financial statements and other services rendered for the fiscal years ended July 31, 2024 and July 31, 2023. Fees and services related to the audit of the financial statements of the Company for the year ended July 31, 2024, as contained in this Annual Report on Form 10-K, are estimated.

	Fiscal year ended July 31,	
	2024	2023
Audit fees <sup>(a)</sup>	\$ 2,340,000	\$ 2,117,000
Audit-related fees	—	—
Tax fees	—	—
All other fees <sup>(b)</sup>	2,000	2,000
Total fees	<u>\$ 2,342,000</u>	<u>\$ 2,119,000</u>

(a) Audit fees were for professional services rendered for the audit of our consolidated financial statements, reviews of the interim consolidated financial statements included in quarterly reports, and other services that are normally provided by PwC in connection with regulatory filings or engagements, such as comfort letters and consents.

(b) All other fees consisted of software licensing fees.

### **Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm**

Pursuant to the Audit Committee charter, the Audit Committee is responsible for the oversight of our accounting, reporting and financial practices. The Audit Committee has the responsibility to select, appoint, engage, oversee, retain, evaluate and terminate our external auditors; pre-approve all audit and non-audit services to be provided, consistent with all applicable laws, to us by our external auditors; and establish the fees and other compensation to be paid to our external auditors. During 2024, the Audit Committee pre-approved all audit and permitted non-audit services provided by PwC.

**PART IV****Item 15. Exhibits and Financial Statement Schedules**

(a) The following documents are filed as part of this Annual Report on Form 10-K:

## (1) Financial Statements

- Report of Independent Registered Public Accounting Firm
- Consolidated Statements of Financial Position as of July 31, 2024 and 2023
- Consolidated Statements of Operations for the Years Ended July 31, 2024, 2023 and 2022
- Consolidated Statements of Stockholders' Equity for the Years Ended July 31, 2024, 2023 and 2022
- Consolidated Statements of Cash Flows for the Years Ended July 31, 2024, 2023 and 2022
- Notes to Consolidated Financial Statements

## (2) Financial Statements Schedules:

Separate financial schedules have been omitted because such information is inapplicable or is included in the financial statements or notes described above.

## (b) Exhibit Listing

The following exhibits are filed as part of this report or filed previously and incorporated by reference to the filing indicated.

Exhibit no.	Exhibit description	Incorporated by reference			
		Form	Date	Number	File no.
2.1	<a href="#">Agreement and Plan of Merger, dated October 6, 2024, by and among the Company, Marlee Buyer, Inc. and Marlee Merger Sub, Inc.</a>	8-K	November 7, 2024	2.1	001-40240
2.2	<a href="#">Agreement and Plan of Merger, dated as of November 16, 2023, by and among the Company, Auguste Merger Sub, Inc. Brown-Forman and Sonoma-Cutrer</a>	8-K	November 16, 2023	2.1	001-40240
3.1	<a href="#">Second Amended and Restated Certificate of Incorporation of The Duckhorn Portfolio, Inc.</a>	8-K	May 1, 2024	3.1	001-40240
3.2	<a href="#">Second Amended and Restated Bylaws of the Company</a>	8-K	May 1, 2024	3.2	001-40240
4.1	<a href="#">Form of Common Stock Certificate</a>	S-1/A	March 2, 2021	4.1	333-253412
4.2	<a href="#">Description of Capital Stock</a>	10-K	October 4, 2021	4.2	001-40240
10.1	<a href="#">Amended and Restated Registration Rights Agreement, dated as of November 16, 2023, by and among the Company and each of the other persons from time to time party thereto.</a>	8-K	November 17, 2023	10.2	001-40240
10.2	<a href="#">Amended and Restated Stockholders Agreement, dated as of November 16, 2023, by and among the Company and each of the other persons from time to time party thereto.</a>	8-K	November 17, 2023	10.1	001-40240
10.3	<a href="#">The Duckhorn Portfolio, Inc. 2021 Equity Incentive Plan.</a>	8-K	March 2, 2021	10.3	001-40240
10.4	<a href="#">Form of Director Indemnification Agreement</a>	S-1/A	March 3, 2021	10.3	333-253412
10.5	<a href="#">Form of Non-Statutory Stock Option Agreement under the 2021 Equity Incentive Plan</a>	S-1/A	March 10, 2021	10.5	333-253412
10.6	<a href="#">Form of Restricted Stock Unit Agreement under the 2021 Equity Incentive Plan</a>	S-1/A	March 10, 2021	10.6	333-253412
10.7	<a href="#">Amended and Restated Mallard Holdco, LLC 2016 Equity Incentive Plan</a>	S-1/A	February 23, 2021	10.18	333-253412
10.8	<a href="#">Form of Class M Common Unit Award Agreement under the Amended and Restated Mallard Holdco, LLC 2016 Equity Incentive Plan</a>	S-1/A	February 23, 2021	10.19	333-253412

[Table of Contents](#)

Exhibit no.	Exhibit description	Incorporated by reference			
		Form	Date	Number	File no.
10.9	<a href="#">The Duckhorn Portfolio, Inc. 2021 Cash Incentive Plan</a>	S-1/A	February 23, 2021	10.22	333-253412
10.10	<a href="#">Form of Deferred Compensation Plan</a>	S-1/A	February 23, 2021	10.24	333-253412
10.11	<a href="#">Amendment Number Eight to First Lien Loan and Security Agreement, dated as of February 22, 2021, entered into by and among Mallard Intermediate, Inc., Selway Wine Company, Mallard Buyer Corp., each other Subsidiary of Mallard Intermediate, Inc. the Lenders party hereto and Bank of the West</a>	10-K	September 28, 2022	10.27	001-40240
10.12	<a href="#">Amended and Restated First Lien Loan and Security Agreement, dated as of November 4, 2022, entered into by and among Mallard Buyer Corp., Selway Wine Company, each subsidiary of The Duckhorn Portfolio, Inc. party thereto, Bank of the West, as Administrative Agent and Collateral Agent, and the other lenders party thereto</a>	8-K	November 4, 2022	10.1	001-40240
10.13	<a href="#">Amended and Restated Employment Agreement between The Duckhorn Portfolio, Inc., Duckhorn Wine Company and Zach Rasmuson</a>	S-1/A	March 10, 2021	10.17	333-253412
10.14	<a href="#">First Amendment To Amended and Restated First Lien Loan and Security Agreement</a>	10-Q	March 8, 2023	10.2	001-40240
10.15	<a href="#">Amended and Restated First Lien Loan and Security Agreement, dated as of November 4, 2022, entered into by and among Mallard Buyer Corp., Selway Wine Company, each subsidiary of The Duckhorn Portfolio, Inc. party thereto, Bank of the West, as Administrative Agent and Collateral Agent, and the other lenders party thereto</a>	8-K	November 4, 2022	10.1	001-40240
10.16	<a href="#">First Amendment To Amended and Restated First Lien Loan and Security Agreement</a>	10-Q	March 8, 2023	10.2	001-40240
10.17	<a href="#">Second Amendment To Amended and Restated First Lien Loan and Security Agreement</a>	10-Q	June 8, 2023	10.3	001-40240
10.18	<a href="#">Employment Agreement between The Duckhorn Portfolio, Inc., Duckhorn Wine Company and Jennifer Fall Jung</a>	10-K	September 27, 2023	10.26	001-40240
10.19	<a href="#">Amended and Restated Employment Agreement between The Duckhorn Portfolio, Inc., Duckhorn Wine Company and Sean Sullivan</a>	10-K	September 27, 2023	10.27	001-40240
10.20	<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
10.21	<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
10.22	<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
10.23	<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
10.24	<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

[Table of Contents](#)

Exhibit no.	Exhibit description	Incorporated by reference			
		Form	Date	Number	File no.
10.25	<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
10.26	<a href="#">Employment Agreement, dated April 30, 2024, by and among the Company, Duckhorn Wine Company and Deirdre Mahlan.</a>	8-K	May 1, 2024	10.1	001-40240
10.27	<a href="#">Agreement and Plan of Merger, dated as of November 16, 2023, by and among the Registrant, Brown-Forman Corporation and each of the other parties thereto</a>	8-K	November 17, 2023	2.1	001-40240
10.28*	<a href="#">Amended and Restated 2021 Employee Stock Purchase Plan</a>				
19.1*	<a href="#">Insider Trading Policy of the Registrant</a>				
21.1*	<a href="#">Subsidiaries of Registrant</a>				
23.1*	<a href="#">Consent of Independent Registered Public Accounting Firm</a>				
31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				
31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>				
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>				
97.1*	<a href="#">Policy for Recoupment of Incentive Compensation of the Registrant</a>				
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.SCH*	XBRL Taxonomy Extension Schema Document.				
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.				
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.				
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.				
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.				
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).				

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\*Filed herewith

## SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Saint Helena, State of California, on October 7, 2024.

### The Duckhorn Portfolio, Inc.

By: /s/ Deirdre Mahlan

President, Chief Executive Officer and Chairperson

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Jennifer Fall Jung and Sean Sullivan, and each of them, as his or her true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for such individual in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or the individual's substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Deirdre Mahlan</u> Deirdre Mahlan	President, Chief Executive Officer and Chairperson (Principal Executive Officer)	October 7, 2024
<u>/s/ Jennifer Fall Jung</u> Jennifer Fall Jung	Executive Vice President, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	October 7, 2024
<u>/s/ Dave Burwick</u> Dave Burwick	Director	October 7, 2024
<u>/s/ Daniel Costello</u> Daniel Costello	Director	October 7, 2024
<u>/s/ Charles Esserman</u> Charles Esserman	Director	October 7, 2024



[Table of Contents](#)

<u>/s/ Marshall Farrer</u> Marshall Farrer	Director	October 7, 2024
<u>/s/ Michelle Gloeckler</u> Michelle Gloeckler	Director	October 7, 2024
<u>/s/ Adriel Lares</u> Adriel Lares	Director	October 7, 2024
<u>/s/ Tim Nall</u> Tim Nall	Director	October 7, 2024
<u>/s/ James O'Hara</u> James O'Hara	Director	October 7, 2024

**THE DUCKHORN PORTFOLIO, INC.**  
**2021 AMENDED AND RESTATED EMPLOYEE STOCK PURCHASE PLAN**

**1. DEFINED TERMS**

Exhibit A, which is incorporated by reference, defines the terms used in the Plan and sets forth certain operational rules related to those terms.

**2. PURPOSE**

The Plan is intended to enable Eligible Employees to use payroll deductions to purchase shares of Stock, and thereby acquire an interest in the Company. The Plan is intended to qualify as an “employee stock purchase plan” under Section 423 and to be exempt from the requirements of Section 409A of the Code, and is to be construed consistently with that intent.

**3. ADMINISTRATION**

The Plan will be administered by the Administrator. The Administrator has discretionary authority, subject only to the express provisions of the Plan, to interpret the Plan; to determine eligibility under the Plan; to prescribe forms, rules and procedures relating to the Plan; and to otherwise do all things necessary or desirable to carry out the purposes of the Plan. Determinations of the Administrator made with respect to the Plan are conclusive and bind all persons.

**4. SHARE POOL**

(a) **Number of Shares.** Subject to adjustment pursuant to Section 17 below, the maximum aggregate number of shares of Stock available for purchase pursuant to the exercise of Options granted under the Plan will be 1,250,509 shares (the “**Share Pool**”). For purposes of this Section 4(a), shares of Stock shall not be treated as delivered under the Plan, and will not reduce the Share Pool, unless and until, and to the extent, they are actually delivered to a Participant. Without limiting the generality of the foregoing, if any Option granted under the Plan expires or terminates for any reason without having been exercised in full or ceases for any reason to be exercisable in whole or in part, the unpurchased shares of Stock subject to such Option will not reduce the Share Pool and will remain available for purchase under the Plan. If, on an Exercise Date, the total number of shares of Stock that would otherwise be purchased upon the exercise of Options granted under the Plan exceeds the number of shares then available in the Share Pool, the Administrator shall make a pro rata allocation of the shares then available in as uniform a manner as is practicable and as it determines to be equitable. In such event, the Administrator shall notify each Participant affected by such reduction.

(b) **Type of Shares.** Stock delivered by the Company under the Plan may be authorized but unissued Stock, treasury Stock or previously issued Stock acquired by the Company. No fractional shares of Stock will be delivered under the Plan.

## 5. ELIGIBILITY

(a) **Eligibility Requirements.** Subject to the limitations contained in the Plan, each Employee (i) who has been continuously employed by the Company or a Designated Subsidiary, as applicable, for a period of at least six (6) months as of the first day of an Option Period, (ii) whose customary Employment with the Company or a Designated Subsidiary, as applicable, is for more than five (5) months per calendar year, (iii) who customarily works twenty (20) hours or more per week, and (iv) who satisfies the requirements set forth in the Plan, will be an Eligible Employee.

(a) **Five Percent Stockholders.** No Employee may be granted an Option under the Plan if, immediately after the Option is granted, the Employee would own (or pursuant to Section 424(d) of the Code would be deemed to own) shares possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of its Parent or Subsidiaries, if any.

(b) **Additional Requirements.** The Administrator may, for Option Periods that have not yet commenced, establish additional or other eligibility requirements, or amend the eligibility requirements set forth in subsection (a) above, in each case, consistent with the requirements of Section 423.

## 6. OPTION PERIODS

The Plan will generally be implemented by a series of separate offerings referred to as “**Option Periods**”. Unless otherwise determined by the Administrator, the Option Periods will be successive periods of approximately six (6) months commencing on the first Business Day in August and February of each year, anticipated to be on or around August 1 and February 1, and ending approximately six (6) months later on the last Business Day in January or July, as applicable, of each year, anticipated to be on or around January 31 and July 31. The last Business Day of each Option Period will be an “**Exercise Date**”. The Administrator may change the Exercise Date, the commencement date, the ending date and the duration of each Option Period, in each case, to the extent permitted by Section 423; *provided, however*, that no Option may be exercised after 27 months from its grant date.

## 7. OPTION GRANTS

Subject to the limitations set forth herein and the Maximum Share Limit (as defined below), on the first day of an Option Period, each Participant will automatically be granted an Option to purchase shares of Stock on the Exercise Date; *provided, however*, that no Participant will be granted an Option under the Plan that permits the Participant’s right to purchase shares of Stock under the Plan and under all other employee stock purchase plans of the Company and its Parent and Subsidiaries, if any, to accrue at a rate that exceeds \$25,000 in Fair Market Value (or such other maximum as may be prescribed from time to time by the Code) for each calendar year during which any Option granted to such Participant is outstanding at any time, as determined in accordance with Section 423(b)(8) of the Code.

## 8. PARTICIPATION

(a) **Election.** To participate in an Option Period, an Eligible Employee must execute and deliver to the Administrator an election form, in accordance with the procedures prescribed by, and in a form acceptable to, the Administrator. Such election form must be delivered not later than five (5) Business Days prior to the first day of an Option Period, or such other time as specified by the Administrator. An Eligible Employee will become a Participant as of the first day of the Option Period for which he or she timely delivered such election form and will remain a Participant with respect to subsequent Option Periods until his or her participation in the Plan is terminated as provided herein.

(a) **Election Amount.** Each election form will authorize payroll deductions as a whole percentage from 1% to 15% of the employee's Eligible Compensation per payroll period or as a whole dollar amount from \$10 to \$2,000 per payroll period, to be deducted from the Eligible Employee's pay during each payroll period occurring during the applicable Option Period.

(b) **Payroll Deduction Account.** All payroll deductions made pursuant to this Section 8 will be credited to the Participant's Account. Amounts credited to a Participant's Account will not be required to be set aside in trust or otherwise segregated from the Company's general assets.

(c) **Changes to Election for Current Option Period.** Each Participant may reduce his or her rate of contribution one (1) time during each Option Period, including to zero, but may not increase his or her rate of contribution. Any reduction to a Participant's rate of contribution must be communicated to the Administrator in accordance with the procedures prescribed by, and in a form acceptable to, the Administrator and will be effective as soon as administratively practicable. A Participant may also terminate his or her participation in the Plan by canceling his or her Option in accordance with Section 14 below.

(d) **Changes to Election for Subsequent Option Periods.** A Participant's election form will remain in effect for subsequent Option Periods unless the Participant files a new election form not later than five (5) Business Days prior to the first day of the subsequent Option Period (or such other time as specified by the Administrator) or the Participant's Option is cancelled in accordance with the Plan.

## 9. METHOD OF PAYMENT

A Participant must pay for shares of Stock purchased upon the exercise of an Option with the accumulated payroll deductions credited to the Participant's Account.

## 10. PURCHASE PRICE

The Purchase Price of shares of Stock issued pursuant to the exercise of an Option on each Exercise Date will be eighty-five percent (85%) (or such other percentage specified by the Administrator to the extent permitted under Section 423) of the lesser of (i) the Fair Market Value of a share of Stock on the date on which the Option was granted (*i.e.*, the first day of the Option Period) and (ii) the Fair Market Value of a share of Stock on the date on which the Option is deemed exercised (*i.e.*, the Exercise Date).

## 11. EXERCISE OF OPTIONS

(a) **Purchase of Shares.** Subject to the limitations set forth herein, with respect to each Option Period, on each Exercise Date, each Participant will be deemed to have exercised his or her Option and the accumulated payroll deductions credited to the Participant's Account will be applied to purchase the greatest number of shares of Stock (rounded down to the nearest whole Eligible Employees of a Designated Subsidiary and may, where appropriate, establish one or more sub-plans to reflect such amended provisions.

(b) **Return of Account Balance.** Except as provided in Section 11(a) above, any accumulated payroll deductions in a Participant's Account for an Option Period that are not used to purchase shares of Stock, whether because of the Participant's withdrawal from participation in an Option Period or for any other reason, will be returned to the Participant (or his or her designated beneficiary or legal representative, as applicable), without interest, as soon as administratively practicable after such withdrawal or other event, as applicable. If the Participant's accumulated payroll deductions for an Option Period would otherwise enable the Participant to purchase shares of Stock in excess of the Maximum Share Limit or the maximum Fair Market Value set forth in Section 7 above, the excess of the amount of the accumulated payroll deductions over the aggregate Purchase Price of the shares of Stock actually purchased will be returned to the Participant, without interest, as soon as administratively practicable after such Exercise Date.

## 12. INTEREST

No interest will accrue or be payable on any amount held in the Account of any Participant.

## 13. TAXES

Payroll deductions will be made on an after-tax basis. The Administrator will have the right, as a condition to exercising an Option, to make such provision as it deems necessary to satisfy its obligations to withhold federal, state, local or other taxes incurred by reason of the purchase or disposition of shares of Stock under the Plan. In the Administrator's discretion and subject to applicable law, such tax obligations may be satisfied in whole or in part by delivery of shares of Stock to the Company, including shares of Stock purchased under the Plan, valued at Fair Market Value, but not in excess of the maximum withholding amount consistent with the award being subject to equity accounting treatment under the Accounting Rules.

## 14. CANCELLATION AND WITHDRAWAL

A Participant who holds an Option under the Plan may cancel all (but not less than all) of such Option and terminate his or her participation in the Plan by delivering a notice to the Administrator in accordance with the procedures prescribed by, and in a form acceptable to, the Administrator. To be effective with respect to an upcoming Exercise Date, such notice must be delivered not later than five (5) Business Days prior to such Exercise Date (or such other time as specified by the Administrator). Upon such termination and cancellation, the balance in the Participant's Account will be returned to the Participant, without interest, as soon as administratively practicable thereafter. For the avoidance of doubt, a Participant who reduces his or her rate of payroll deductions for future payroll periods to zero percent (0%) in accordance with

Section 8 above will be deemed to have terminated his or her participation in the Plan as to all current and future Option Periods, unless and until the Participant has delivered a new election for a subsequent Option Period in accordance with the rules of Section 8 above.

#### **15. TERMINATION OF EMPLOYMENT**

Upon the termination of a Participant's employment with the Company or a Designated Subsidiary, as applicable, for any reason (including the death of a Participant during an Option Period prior to an Exercise Date) or in the event the Participant ceases to qualify as an Eligible Employee, the Participant's participation in the Plan will terminate, any Option held by the Participant under the Plan will be canceled, the balance in the Participant's Account will be returned to the Participant (or his or her estate or designated beneficiary in the event of the Participant's death), without interest, as soon as administratively practicable thereafter, and the Participant will have no further rights under the Plan.

#### **16. EQUAL RIGHTS; RIGHTS NOT TRANSFERABLE**

All Participants granted Options in during an Option Period under the Plan will have the same rights and privileges, consistent with the requirements set forth in Section 423. Any Option granted under the Plan will be exercisable during the Participant's lifetime only by him or her and may not be sold, pledged, assigned, or transferred in any manner. In the event any Participant violates or attempts to violate the terms of this Section 16, as determined by the Administrator in its sole discretion, any Options granted to the Participant under the Plan may be terminated by the Company and, upon the return to the Participant of the balance of his or her Account, without interest, all of the Participant's rights under the Plan will terminate.

#### **17. CHANGE IN CAPITALIZATION; COVERED TRANSACTION**

(a) **Change in Capitalization.** In the event of a stock dividend, stock split or combination of shares (including a reverse stock split), recapitalization or other change in the Company's capital structure that constitutes an equity restructuring within the meaning of the Accounting Rules, the Administrator shall make appropriate adjustments to the aggregate number and type of shares of stock available under the Plan, the number and type of shares of stock granted under any outstanding Options, the maximum number and type of shares of stock purchasable under any outstanding Option, and/or the Purchase Price under any outstanding Option, in any case, in a manner that complies with Section 423.

(b) **Covered Transaction.** In the event of a Covered Transaction, the Administrator may, in its discretion, (i) provide that each outstanding Option will be assumed or exchanged for a substitute option granted by the acquiror or successor corporation or by a parent or subsidiary of the acquiror or successor corporation; (ii) cancel each outstanding Option and return the balances in Participants' Accounts to the Participants; and/or (iii) terminate the Option Period on or before the date of the Covered Transaction.

#### **18. AMENDMENT AND TERMINATION**

(a) **Amendment.** The Administrator reserves the right at any time or times to amend the Plan to any extent and in any manner it may deem advisable; *provided*, that any amendment that

would be treated as the adoption of a new plan for purposes of Section 423 will have no force or effect unless approved by the stockholders of the Company within twelve (12) months before or after its adoption.

(b) **Termination.** The Administrator reserves the right at any time or times to suspend or terminate the Plan. In connection therewith, the Administrator may provide, in its sole discretion, either that outstanding Options will be exercisable on the Exercise Date for the applicable Option Period or on such earlier date as the Administrator may specify (in which case such earlier date will be treated as the Exercise Date for the applicable Option Period), or that the balance of each Participant's Account will be returned to the Participant, without interest.

## 19. APPROVALS

Stockholder approval of the Plan will be obtained prior to the date that is twelve (12) months after the date the Plan is approved by the Board. In the event that the Plan has not been approved by the stockholders of the Company prior to the one-year anniversary of the date the Plan is approved by the Board, all Options granted under the Plan will be cancelled and become null and void.

Notwithstanding anything herein to the contrary, the obligation of the Company to issue and deliver shares of Stock under the Plan will be subject to the approval required of any governmental authority in connection with the authorization, issuance, sale or transfer of such shares of Stock and to any requirements of any national securities exchange applicable thereto, and to compliance by the Company with other applicable legal requirements in effect from time to time.

## 20. PARTICIPANTS' RIGHTS AS STOCKHOLDERS AND EMPLOYEES

A Participant will have no rights or privileges as a stockholder of the Company and will not receive any dividends in respect of any shares of Stock covered by an Option granted hereunder until such Option has been exercised, full payment has been made for such shares, and the shares have been issued to the Participant.

Nothing contained in the Plan will be construed as giving to any Employee the right to be retained in the employ of the Company or any Designated Subsidiary or as interfering with the right of the Company or any Designated Subsidiary to discharge, promote, demote or otherwise re-assign any Employee from one position to another within the Company or any Designated Subsidiary or any other Subsidiary at any time.

## 21. RESTRICTIONS ON TRANSFER; INFORMATION REGARDING DISQUALIFYING DISPOSITIONS

(a) **Restrictions on Transfer.** Unless otherwise determined by the Administrator, shares of Stock purchased under the Plan shall be subject to a mandatory holding period of six (6) months following the Exercise Date on which such shares of Stock were purchased. During this time, such shares of Stock may not be transferred, sold, pledged or alienated by a Participant, other than by will or by the laws of descent and distribution. The Administrator may, in its discretion, impose such other restrictions on the transfer, sale, pledge or alienation of any shares purchased

under the Plan, or may, in its discretion, amend such restrictions, as it shall determine from time to time.

(b) **Disqualifying Dispositions.** By electing to participate in the Plan, each Participant agrees (or will be deemed to have agreed) to provide such information about any transfer of Stock acquired under the Plan that occurs within two years after the first day of the Option Period in which such Stock was acquired and within one year after the day such Stock was purchased as may be requested by the Company or any Designated Subsidiary in order to assist it in complying with applicable tax laws.

## 22. MISCELLANEOUS

(a) **Waiver of Jury Trial.** By electing to participate in the Plan, each Participant waives (or will be deemed to have waived), to the maximum extent permitted under applicable law, any right to a trial by jury in any action, proceeding or counterclaim concerning any rights under the Plan or with respect to any Option, or under any amendment, waiver, consent, instrument, document or other agreement delivered or which in the future may be delivered in connection therewith, and agrees (or will be deemed to have agreed) that any such action, proceedings or counterclaim will be tried before a court and not before a jury. By electing to participate in the Plan, each Participant certifies that no officer, representative, or attorney of the Company has represented, expressly or otherwise, that the Company would not, in the event of any action, proceeding or counterclaim, seek to enforce the foregoing waivers. Notwithstanding anything to the contrary in the Plan, nothing herein is to be construed as limiting the ability of the Company and a Participant to agree to submit any dispute arising under the terms of the Plan or in respect of any Option to binding arbitration or as limiting the ability of the Company to require any individual to agree to submit any dispute to binding arbitration as a condition of receiving an Option hereunder.

(b) **Limitation of Liability.** Notwithstanding anything to the contrary in the Plan, neither the Company, nor any of its subsidiaries, nor the Administrator, nor any person acting on behalf of the Company, any of its subsidiaries, or the Administrator, will be liable to any Participant or to any other person by reason of any acceleration of income, any additional tax, or any penalty, interest or other liability asserted by reason of the failure of the Plan or any Option to satisfy the requirements of Section 423, or otherwise asserted with respect to the Plan or any Option.

(c) **Unfunded Plan.** The Company's obligations under the Plan are unfunded, and no Participant will have any right to specific assets of the Company in respect of any Option. Participants will be general unsecured creditors of the Company with respect to any amounts due or payable under the Plan.

## 23. ESTABLISHMENT OF SUB-PLANS

Notwithstanding the foregoing or any provision of the Plan to the contrary, consistent with the requirements of Section 423, the Administrator may, in its sole discretion, amend the terms of the Plan, or an offering and/or provide for separate offerings under the Plan in order to, among other things, reflect the impact of local law outside of the United States as applied to one or more



Eligible Employees of a Designated Subsidiary and may, where appropriate, establish one or more sub-plans to reflect such amended provisions.

## 24. GOVERNING LAW

(a) **Certain Requirements of Corporate Law.** Options and shares of Stock will be granted, issued and administered consistent with the requirements of applicable Delaware law relating to the issuance of stock and the consideration to be received therefor, and with the applicable requirements of the stock exchanges or other trading systems on which the Stock is listed or entered for trading, in each case as determined by the Administrator.

(b) **Other Matters.** Except as otherwise provided by the express terms of a sub-plan described in Section 23 above or as provided in Section 24(a) above, the domestic substantive laws of the State of Delaware govern the provisions of the Plan and of Options under the Plan and all claims or disputes arising out of or based upon the Plan or any Option or relating to the subject matter hereof or thereof without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

(c) **Jurisdiction.** By electing to participate in the Plan, each Participant agrees or will be deemed to have agreed to (i) submit irrevocably and unconditionally to the jurisdiction of the federal and state courts located within the geographic boundaries of the United States District Court for the District of Delaware for the purpose of any suit, action or other proceeding arising out of or based upon the Plan or any Option; (ii) not commence any suit, action or other proceeding arising out of or based upon the Plan or any Option, except in the federal and state courts located within the geographic boundaries of the United States District Court for the District of Delaware; and (iii) waive, and not assert, by way of motion as a defense or otherwise, in any such suit, action or proceeding, any claim that he or she is not subject personally to the jurisdiction of the above- named courts that his or her property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that the Plan or any Option or the subject matter thereof may not be enforced in or by such court.

## 25. EFFECTIVE DATE AND TERM

The Plan will become effective upon adoption of the Plan by the Board and no rights will be granted hereunder after the earliest to occur of (i) the Plan's termination by the Administrator; (ii) the issuance of all shares of Stock available for issuance under the Plan and (iii) the day before the ten (10)-year anniversary of the date the Board approves the Plan.

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## EXHIBIT A

### Definition of Terms

The following terms, when used in the Plan, have the meanings and are subject to the provisions set forth below:

**“401(k) Plan”:** A savings plan qualifying under Section 401(k) of the Code that is sponsored by the Company or one of its Subsidiaries for the benefit of its employees.

**“Account”:** A notional payroll deduction account maintained in the Participant’s name in the records of the Company.

**“Accounting Rules”:** Financial Accounting Standards Board Accounting Standards Codification Topic 718, or any successor provision.

**“Administrator”:** The Compensation Committee, except that the Board may at any time act in the capacity of the Administrator (including with respect to such matters that are not delegated to the Compensation Committee by the Board (whether pursuant to committee or charter), if applicable). The Compensation Committee (or the Board) may delegate (i) to one or more of its members (or one or more other members of the Board) such of its duties, powers and responsibilities as it may determine and (ii) to such Employees or other persons as it determines such ministerial tasks as it deems appropriate. For purposes of the Plan, the term “Administrator” will include the Board, the Compensation Committee, and the person or persons delegated authority under the Plan to the extent of such delegation, as applicable.

**“Board”:** The Board of Directors of the Company.

**“Business Day”:** Any day on which the established national exchange or trading system (including the New York Stock Exchange) on which the Stock is traded is available and open for trading.

**“Code”:** The U.S. Internal Revenue Code of 1986, as from time to time amended and in effect, or any successor statute as from time to time in effect.

**“Company”:** The Duckhorn Portfolio, Inc., a Delaware corporation.

**“Compensation Committee”:** The Compensation Committee of the Board.

**“Covered Transaction”:** Any of (i) a consolidation, merger or similar transaction or series of related transactions, including a sale or other disposition of stock, in which the Company is not the surviving corporation or which results in the acquisition of all or substantially all of the Company’s then outstanding common stock by a single person or entity or by a group of persons and/or entities acting in concert; (ii) a sale or transfer of all or substantially all the Company’s assets; (iii) a dissolution or liquidation of the Company or (iv) any other transaction the Administrator determines to be a Covered Transaction. Where a Covered Transaction involves a tender offer that is reasonably expected to be followed by a merger

described in clause (i) (as determined by the Administrator), the Covered Transaction will be deemed to have occurred upon consummation of the tender offer.

**“Designated Subsidiary”:** A Subsidiary of the Company that has been designated by the Board or the Compensation Committee from time to time as eligible to participate in the Plan as set forth on Exhibit B, as amended from time to time (with the initial list of Designated Subsidiaries as of the date of adoption of the Plan by the Board set forth on Exhibit B). For the avoidance of doubt, any Subsidiary of the Company, whether or not a Subsidiary on the date the Plan was adopted by the Board, shall be eligible to be designated as a Designated Subsidiary hereunder.

**“Eligible Compensation”:** Regular base salary, regular base wages, overtime payments, annual bonuses, commissions and sales incentives (excluding, for the avoidance of doubt, any long-term or equity-based incentive payments or awards). Eligible Compensation will not be reduced by any income or employment tax withholdings or any contributions by the Employee to a 401(k) Plan or a plan under Section 125 of the Code, but will be reduced by any contributions made on the Employee’s behalf by the Company or any Subsidiary to any deferred compensation plan or welfare benefit program now or hereafter established.

**“Eligible Employee”:** Any Employee who meets the eligibility requirements set forth in the Plan.

**“Employee”:** Any person who is employed by the Company or a Designated Subsidiary. For the avoidance of doubt, independent contractors and consultants are not “Employees”.

**“Exercise Date”:** The date set forth in the Plan or otherwise designated by the Administrator with respect to a particular Option Period on which a Participant will be deemed to have exercised the Option granted to him or her for such Option Period.

**“Fair Market Value”:** As of a particular date, (i) the closing price for a share of Stock reported on the New York Stock Exchange (or any other national securities exchange on which the Stock is then listed) for that date or, if no closing price is reported for that date, the closing price on the immediately preceding date on which a closing price was reported or (ii) in the event that the Stock is not traded on a national securities exchange, the fair market value of a share of Stock determined by the Administrator consistent with the rules of Section 422 and Section 409A to the extent applicable.

**“Maximum Share Limit”:** The meaning set forth in Section 11 of the Plan.

**“Option”:** An option granted pursuant to the Plan entitling the holder to acquire shares of Stock upon payment of the Purchase Price per share of Stock.

**“Option Period”:** An offering period established in accordance with Section 6 of the Plan.

**“Parent”:** A “parent corporation” as defined in Section 424(e) of the Code.

**“Participant”:** An Eligible Employee who elects to participate in an Option Period under the Plan.

**“Plan”:** This Duckhorn Portfolio, Inc. 2021 Amended and Restated Employee Stock Purchase Plan, as from time to time amended and in effect.

**“Purchase Price”:** The price per share of Stock with respect to an Option Period determined in accordance with Section 10 of the Plan.

**“Section 423”:** Section 423 of the Code and the regulations thereunder.

**“Stock”:** Common stock of the Company, par value \$0.01 per share.

**“Subsidiary”:** A “subsidiary corporation” as defined in Section 424(f) of the Code.

**EXHIBIT B**

**Designated Subsidiaries**

(as of May 30, 2024)

Duckhorn Wine Company

Sonoma-Cutrer Vineyards, Inc.

## INSIDER TRADING POLICY OF THE DUCKHORN PORTFOLIO, INC.

### SECTION 1 PURPOSE

This Insider Trading Policy (this “Policy”) provides guidelines with respect to transactions in the securities of The Duckhorn Portfolio, Inc. (the “Corporation”) and the handling of confidential information about the Corporation and the companies with which the Corporation does business. This Policy is adopted by the Corporation’s Board of Directors (the “Board of Directors”) with such changes by the Corporation’s Compliance Officer as deemed necessary or appropriate to carry out the intent of the Policy to promote compliance with U.S. federal and state securities laws that prohibit certain persons who are aware of material nonpublic information about a company from: (i) trading in securities of that company; or (ii) providing such material nonpublic information to other persons who may trade on the basis of that information, commonly known as “tipping.”

### SECTION 2

#### PERSONS SUBJECT TO THIS POLICY

This Policy applies to all directors, officers, and employees (which for purposes of this Policy shall include contingent workers) of the Corporation and its subsidiaries. The same restrictions that apply to such directors, officers and employees also apply to (i) family members who reside with them, (ii) anyone else who lives in their household, (iii) any family members who do not live in their household but whose transactions in Corporation Securities (as defined below) are directed by them or are subject to their influence or control (such as parents or children who consult with them before they trade in Corporation Securities), and (iv) family trusts, family partnerships and similar entities controlled by them or any person described in clauses (i)-(iii) (collectively, “Other Covered Persons”). Directors, officers, and employees are responsible for transactions by Other Covered Persons and for informing them of this Policy.

The Corporation may also determine that other persons should be subject to this Policy, such as contractors or consultants who have access to material nonpublic information. Any such other persons will be notified by the Compliance Officer.

#### SECTION 3 TRANSACTIONS SUBJECT TO THIS POLICY

This Policy applies to transactions (including bona fide gifts) in the Corporation’s securities, including the Corporation’s common stock, options to purchase common stock, restricted stock units, or any other type of security or instrument that the Corporation may issue, including, but not limited to, preferred stock, debt, Corporation loans, convertible debt and warrants, as well as to derivative securities relating to any of the Corporation’s securities, whether or not issued by the Corporation or settled in cash or securities (collectively, “Corporation Securities”).

## SECTION 4

### INDIVIDUAL RESPONSIBILITY

Persons subject to this Policy have ethical and legal obligations to maintain the confidentiality of information about the Corporation and not to engage in transactions in Corporation Securities while in possession of material nonpublic information. Each individual is responsible for making sure that she or he complies with this Policy, and that any family member, household member, or entity whose transactions are subject to this Policy, as discussed above, also complies with this Policy. **In all cases, the responsibility for determining whether an individual is in possession of material nonpublic information rests with that individual**, and any action on the part of the Corporation, the Compliance Officer (as defined below) or any other employee or director pursuant to this Policy (or otherwise) does not in any way constitute legal advice or insulate an individual from liability under applicable securities laws. Persons subject to this Policy could be subject to severe legal penalties and disciplinary action by the Corporation for any conduct prohibited by this Policy or applicable securities laws, as described below in more detail under the heading “Consequences of Violations.”

## SECTION 5 ADMINISTRATION OF THIS POLICY

The Corporation’s Chief Administrative Officer and General Counsel (“CAO”) or such other officer as is designated by the Chief Executive Officer shall serve, in consultation with the Chief Executive Officer, as the Compliance Officer for the purposes of this Policy, and in such role, shall be responsible for the administration of this Policy. In the absence of the Compliance Officer, another employee designated by the Compliance Officer (or, if the Compliance Officer is unavailable, by the Chief Executive Officer, and, if the Chief Executive Officer is unavailable, by the Chief Financial Officer) shall be responsible for administration of this Policy. All determinations and interpretations by the Compliance Officer or her or his delegate shall be final and not subject to further review.

## SECTION 6

### STATEMENT OF POLICY

It is the policy of the Corporation that a director, officer or other employee of the Corporation or its subsidiaries (or any other person designated by the Compliance Officer her or his delegate as subject to this Policy) who is aware of material nonpublic information relating to the Corporation may not directly or indirectly through Other Covered Persons:

- a) engage in transactions in Corporation Securities, except as otherwise specified in this Policy under the headings “Transactions Under Corporation Plans,” “Transactions Not Involving a Purchase or Sale” and “Rule 10b5-1 Plans”;
- b) pass material nonpublic information on to others or recommend to anyone the purchase or sale of any securities when they are aware of such information;

- c) disclose material nonpublic information to persons within the Corporation whose jobs do not require them to have that information, or anyone outside of the Corporation, including, but not limited to, family, friends, business associates, investors and expert consulting firms, unless any such disclosure is made in accordance with the Corporation's policies regarding the protection or authorized external disclosure of information regarding the Corporation; or
- d) assist anyone engaged in the above activities in contravention of this Policy.

In addition, it is the policy of the Corporation that a director, officer, or employee of the Corporation (or any other person designated by the Compliance Officer or her or his delegate as subject to this Policy) who, in the course of working for the Corporation, learns of material nonpublic information about a company with which the Corporation does business, including a customer or supplier of the Corporation, may not trade in that company's securities until the information becomes public or is no longer material.

Further, it is the policy of the Corporation to comply with all applicable securities laws when transacting in its own securities.

There are no exceptions to this Policy, except as specifically noted herein. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure), or small transactions, are not exempt from this Policy. **The securities laws do not recognize any mitigating circumstances, and, in any event, even the appearance of an improper transaction must be avoided to preserve the Corporation's reputation for adhering to the highest standards of conduct.**

## SECTION 7

### DEFINITION OF MATERIAL NONPUBLIC INFORMATION

#### Section 7.1 Material Information

Information is considered "material" if a reasonable investor would consider that information important in making a decision to buy, hold or sell securities. Any information that could be expected to affect the Corporation's stock price, whether it is positive or negative, should be considered material. There is no bright-line standard for assessing materiality; rather, materiality is based on an assessment of all of the facts and circumstances, and is often evaluated by enforcement authorities with the benefit of hindsight.

While it is not possible to define all categories of material information, the following are some examples of information that ordinarily could be regarded as material:

- a) changes to previously announced earnings guidance, or the decision to suspend earnings guidance;
- b) a pending or proposed merger, acquisition or tender offer;
- c) a pending or proposed acquisition or disposition of a significant asset;
- d) a pending or proposed joint venture or licensing arrangement;
- e) a Corporation restructuring;



- f) significant related party transactions;
- g) a change in dividend policy, the declaration of a stock split or an offering of additional securities;
- h) bank borrowings or other financing transactions out of the ordinary course;
- i) the establishment of a repurchase program for Corporation Securities;
- j) a change in the Corporation's pricing or cost structure;
- k) major marketing changes;
- l) a change in management;
- m) a change in auditors or notification that the auditor's reports may no longer be relied upon;
- n) pending or threatened significant litigation, or the resolution of such litigation;
- o) significant regulatory developments;
- p) impending bankruptcy or the existence of severe liquidity problems;
- q) the gain or loss of a significant customer or supplier; and
- r) the imposition of a ban on trading in Corporation Securities or the securities of another company.

#### Section 7.2 Nonpublic Information

Information that is not generally known or available to the public is generally considered to be nonpublic information. In order to establish that the information has been disclosed to the public, it may be necessary to demonstrate that the information has been widely disseminated. Information generally would be considered widely disseminated if it has been disclosed through the Dow Jones "broad tape," newswire services, a broadcast on widely-available internet, radio or television programs, publication in a widely- available newspaper, magazine or news website or public disclosure documents filed with the Securities and Exchange Commission that are available on the Securities and Exchange Commission's website. By contrast, information would generally not be considered widely disseminated if it is available only to the Corporation's employees.

Once information is widely disseminated, it is still necessary to afford the investing public sufficient time to absorb the information. As a general rule, information is considered nonpublic until the end of the second full trading day after the information is released. For example, if the Corporation announces financial earnings after market close on Monday or before trading begins on a Tuesday, the first time a director, officer or employee can buy or sell Corporation Securities is the opening of the market on Thursday (assuming she or he is not aware of other material nonpublic information at that time). However, if the Corporation announces earnings after trading begins on that Tuesday, the first time a director, officer or employee can buy or sell Corporation Securities is the opening of the market on Friday (again assuming she or he is not aware of other material nonpublic information at that time). Depending on the particular circumstances, the Corporation may determine that a longer or shorter period should apply to the release of specific material nonpublic information.

## SECTION 8

### TRANSACTIONS UNDER CORPORATION PLANS

This Policy does not apply in the case of the following transactions, except as specifically noted: Section 8.1 Stock Option Exercises

This Policy does not apply to the exercise of a stock option acquired pursuant to a Corporation equity incentive plan or to a transaction in which a person has elected to have the Corporation withhold shares subject to an option award to satisfy tax withholding requirements and/or the exercise price. This Policy does, however, apply to any sale of shares as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price of or taxes associated with an option.

#### Section 8.2 Restricted Stock and Similar Awards

This Policy does not apply to the vesting of restricted stock, the settlement of restricted stock units, or similar awards or to a transaction in which there is an election to have the Corporation withhold shares to satisfy tax withholding requirements upon the vesting of any restricted stock or the vesting or settlement of any restricted stock unit. This Policy does apply, however, to any market sale of shares received upon settlement of any restricted stock unit or similar award.

#### Section 8.3 Employee Stock Purchase Plan

This Policy does not apply to periodic purchases under a Corporation employee stock purchase plan, if such plan exists, that are made as the result of an election made at the beginning of the purchase period. This Policy would apply, however, to an initial decision to participate in the plan or a decision to increase the level of contribution in a subsequent purchase period. It would also apply to any sales of shares purchased under the plan.

#### Section 8.4 401(k) Plan

This Policy does not apply to purchases of Corporation Securities in the Corporation's 401(k) plan as a result of periodic contributions made pursuant to payroll deduction. The Policy does apply, however, to initial elections to participate, and increases or decreases in the level of participation, in a Corporation stock fund and transfers in or out of a Corporation stock fund (including in connection with a plan loan).

## SECTION 9 TRANSACTIONS WITH THE CORPORATION

Any purchase of Corporation Securities from the Corporation or sales of Corporation Securities to the Corporation not already identified in Section 8 are not subject to this Policy.

## SECTION 10

### TRANSACTIONS IN MUTUAL FUNDS AND OTHER BROAD-BASED INDICES

Transactions in mutual funds and other broad-based indices that are invested in Corporation Securities are not transactions subject to this Policy.

## SECTION 11

### SPECIAL AND PROHIBITED TRANSACTIONS

The Corporation has determined that the following transactions present a heightened legal risk and the potential appearance of improper or inappropriate conduct. It is therefore the Corporation's policy that the persons identified below may not engage in any of the following transactions:

#### Section 11.1 Short-Term Trading

Short-term trading of Corporation Securities may be distracting to the person engaging in such trades and may unduly focus such person on the Corporation's short-term performance instead of the Corporation's long-term objectives. For these reasons, any director or officer of the Corporation who purchases Corporation Securities may not sell any Corporation Securities of the same class during the six months following the purchase (or vice versa).

#### Section 11.2 Short Sales

Short sales of Corporation Securities (i.e., the sale of a security that the seller does not own) may evidence an expectation on the part of the seller that the securities will decline in value and therefore have the potential to signal to the market that the seller lacks confidence in the Corporation's prospects. In addition, short sales may reduce a seller's incentive to seek to improve the Corporation's performance. For these reasons, persons covered by this Policy are prohibited from engaging in any short sales of Corporation Securities. In addition, Section 16(c) of the Securities Exchange Act of 1934 (as amended from time to time, the "Exchange Act") prohibits executive officers and directors from engaging in certain short sales. Short sales arising from certain types of hedging transactions are also governed by the paragraph below captioned "Hedging Transactions."

#### Section 11.3 Publicly Traded Options

Given the relatively short term of publicly traded options, transactions in options may create the appearance that a director, officer, or employee is trading based on material nonpublic information and focus such individual's attention on short-term performance at the expense of the Corporation's long-term objectives. Accordingly, persons covered by this Policy are prohibited from engaging in any transactions in put options, call options or other derivative securities on an exchange or in any other organized market.

#### Section 11.4 Hedging Transactions

Hedging or monetization transactions can be accomplished through a number of possible mechanisms, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars, and exchange funds. Such hedging transactions may permit a director, officer, or employee to continue to own Corporation Securities obtained through employee benefit plans or otherwise, but without the full risks and rewards of ownership. When that occurs, such individual may no longer have the same objectives as the Corporation's other shareholders. Therefore, persons covered by this Policy are prohibited from engaging in any such transactions.

#### Section 11.5 Margin Accounts and Pledged Securities

Securities held in a margin account as collateral for a margin loan may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan.

Because a margin sale or foreclosure sale may occur at a time when the pledgor is aware of material nonpublic information or otherwise is not permitted to trade in Corporation Securities, persons covered by this Policy are prohibited from holding Corporation Securities in a margin account or otherwise pledging Corporation Securities as collateral for a loan. An exception may be granted where an individual wishes to pledge Corporation Securities as collateral for a loan (not including margin debt) and clearly demonstrates the financial capacity to repay the loan without resort to the pledged securities. If an individual wishes to pledge Corporation Securities as collateral for a loan, she or he must submit a request for approval to the Compliance Officer at least two weeks prior to the proposed execution of documents evidencing the proposed pledge.

#### Section 11.6 Standing and Limit Orders

Standing and limit orders (except standing and limit orders under Rule 10b5-1 Plans, as described below) create heightened risks for insider trading violations similar to the use of margin accounts. There is no control over the timing of purchases or sales that result from standing instructions to a broker, and as a result the broker could execute a transaction when a director, officer, or other employee is in possession of material nonpublic information. The Corporation therefore discourages placing standing or limit orders on Corporation Securities other than pursuant to Rule 10b5-1 Plans. If a person subject to this Policy determines that they must use a standing order or limit order (other than pursuant to an approved Rule 10b5-1 Plan), that person must contact the Compliance Officer for clearance to place the order, which shall be reviewed by the Compliance Officer in her or his own discretion.

### **SECTION 12 RULE 10B5-1 PLANS**

Rule 10b5-1 under the Exchange Act provides a defense from insider trading liability. In order to be eligible to rely on this defense, a person subject to this Policy must enter into a Rule 10b5-1 plan for transactions in Corporation Securities that meets certain conditions specified in the rule (a "Rule 10b5-1 Plan"). If the plan meets the requirements of Rule 10b5-1, Corporation Securities may be purchased or sold without regard to certain insider trading restrictions. To comply with this Policy, a Rule 10b5-1 Plan must be pre-approved by the Compliance Officer and meet the requirements of Rule 10b5-1. A Rule 10b5-1 Plan

must be entered into at a time when the person entering into the plan is not aware of material nonpublic information. The plan must either specify the amount, pricing and timing of transactions in advance or delegate discretion on these matters to an independent third party and once the plan is adopted, the person must not exercise any influence over the amount of securities to be traded, the price at which they are to be traded or the date of the trade.

Persons subject to this Policy may only have one outstanding Rule 10b5-1 Plan at any one time (subject to certain exceptions). All Rule 10b5-1 Plans must have a “cooling off period,” the length of which will depend on the status of the person subject to this Policy. For directors and executive officers, the applicable “cooling off period” is the later of (1) 90 days after the adoption and (2) two business days following the disclosure of the Corporation's financial results in a Form 10-Q or Form 10-K for the fiscal quarter in which the plan was adopted, subject to a maximum of 120 days. For all other covered persons, the applicable “cooling off period” is at least 30 days from the time of the trading plan is executed to the time of the first trade pursuant to the plan.

Rule 10b5-1 Plans will be considered by the Compliance Officer on a case-by-case basis. Any Rule 10b5-1 Plan must be submitted to the Compliance Officer for approval at least five days prior to the entry into the Rule 10b5-1 Plan. No further pre-approval of transactions conducted pursuant to the Rule 10b5-1 Plan will be required.

### SECTION 13

#### TRADING WINDOW AND PRE-CLEARANCE PROCEDURES

To help prevent inadvertent violations of the federal securities laws and to avoid even the appearance of trading on the basis of inside information, the Board of Directors has adopted an Addendum to this Policy that applies to directors, executive officers subject to Section 16 of the Exchange Act, and other persons designated by the Compliance Officer who have regular access to material nonpublic information about the Corporation. The Corporation will notify those individuals who are subject to the Addendum.

The Addendum generally prohibits persons and entities covered by it from trading in Corporation Securities, except during the trading windows specified in the Addendum. Directors, executive officers subject to Section 16 of the Exchange Act and other designated persons also must pre-clear all transactions in Corporation Securities with the Compliance Officer.

In addition, from time to time, the Corporation may be involved in activities—such as proposed acquisitions—that are material and that are known only by a few people at the Corporation. For those individuals whose duties at the Corporation cause them to be aware of such activity, the Compliance Officer will notify them of an event-specific trading restriction and they will not be permitted to trade in Corporation Securities during such trading restriction. The existence of an event-specific trading restriction will not be widely announced and should not be communicated to anyone. Even if individuals are not notified of an event-specific trading restriction, they should not trade in Corporation Securities if they are aware of material nonpublic information.

## SECTION 14

### POST-TERMINATION TRANSACTIONS

This Policy continues to apply to transactions in Corporation Securities even after termination of service to the Corporation. If an individual is in possession of material nonpublic information when her or his service terminates, that individual may not trade in Corporation Securities until that information has become public or is no longer material.

## SECTION 15

### UNAUTHORIZED DISCLOSURE

Maintaining the confidentiality of Corporation information is essential for competitive, security and other business reasons, as well as to comply with securities laws. Directors, officers and employees should treat all information they learn about the Corporation or its business plans in connection with their employment as confidential and proprietary to the Corporation. Inadvertent disclosure of confidential or inside information may expose the Corporation and individuals to significant risk of investigation and litigation.

The timing and nature of the Corporation's disclosure of material information to outsiders is subject to legal rules, the breach of which could result in substantial liability to individual directors, officers, or employees, the Corporation, and its management. Accordingly, it is important that responses to inquiries regarding the Corporation from the press, investment analysts or others in the financial community be made on the Corporation's behalf only through authorized individuals, as expressly identified by the Corporation.

## SECTION 16 CONSEQUENCES OF VIOLATIONS

The purchase or sale of securities while aware of material nonpublic information, or the disclosure of material nonpublic information to others who then trade in the Corporation's Securities, is prohibited by U.S. federal and state laws. Insider trading violations are pursued vigorously by the Securities and Exchange Commission, U.S. Attorneys and state enforcement authorities as well as foreign regulatory authorities.

Punishment for insider trading violations is severe and could include significant fines and imprisonment. While the regulatory authorities concentrate their efforts on the individuals who trade, or who tip inside information to others who trade, the federal securities laws also impose potential liability on companies and other "controlling persons" if they fail to take reasonable steps to prevent insider trading by company personnel.

In addition, an individual's failure to comply with this Policy may subject the individual to Corporation-imposed sanctions, including dismissal for cause, whether or not the employee's failure to comply results in a violation of law. **In addition to the formal sanctions summarized above, a violation of law, or even a Securities and Exchange Commission investigation that does not result in prosecution, can tarnish a person's reputation and irreparably damage a career.**

## SECTION 17 CORPORATION ASSISTANCE

Any person who has a question about this Policy or its application to any proposed transaction may obtain additional guidance from the Compliance Officer at [legal@duckhorn.com](mailto:legal@duckhorn.com) or the Duckhorn Ethics and Compliance Helpline by phone at (877) 454-6344.

## **ADDENDUM TO INSIDER TRADING POLICY**

The Corporation has established additional procedures to assist in the administration of the Insider Trading Policy, to facilitate compliance with laws prohibiting insider trading while in possession of material nonpublic information and to avoid the appearance of any impropriety. These additional procedures are applicable only to directors, executive officers subject to Section 16 of the Exchange Act, and other persons who are periodically designated by the Compliance Officer or her or his delegate as being subject to these additional procedures (as well as their family members, household members and entities whose transactions are subject to the Insider Trading Policy) (collectively, “Covered Persons”). The Compliance Officer will notify those individuals who are subject to this Addendum and maintains a list of these individuals.

In all cases, the responsibility for determining whether an individual is in possession of material nonpublic information rests with that individual, and any action on the part of the Corporation, the Compliance Officer, or any other employee or director pursuant to the Insider Trading Policy, including this Addendum (or otherwise) does not in any way constitute legal advice or insulate an individual from liability under applicable securities laws.

### **SECTION 1**

#### **PRE-CLEARANCE PROCEDURES**

Covered Persons may not engage in any transaction in Corporation Securities at any time (other than as specified by the Insider Trading Policy, including this Addendum), even if not subject to a Blackout Period, without first obtaining pre-clearance of the transaction from the Compliance Officer. A request for pre-clearance should be submitted to the Compliance Officer at least two trading days in advance of the proposed transaction. The Compliance Officer is under no obligation to approve a transaction submitted for pre-clearance, and may determine not to permit the transaction. If a person seeks pre-clearance and permission to engage in the transaction is denied, then she or he should refrain from initiating any transaction in Corporation Securities, and should not inform any other person of the restriction.

When a request for pre-clearance is made, the requestor should carefully consider whether she or he may be aware of any material nonpublic information about the Corporation and should describe fully those circumstances to the Compliance Officer. The requestor should also indicate whether she or he has effected any non-exempt “opposite-way” transactions within the past six months, and should be prepared to report the proposed transaction on an appropriate Form 4 or Form 5, if applicable. The requestor should also be prepared to comply with Rule 144 under the Securities Act of 1933, as amended, and file a Form 144, if necessary, at the time of any sale. After receiving clearance to engage in a trade from the Compliance Officer, the requestor must complete the proposed trade within two trading days or make a new trading request.

### **SECTION 2**

#### **QUARTERLY TRADING RESTRICTIONS**

Covered Persons may not engage in any transaction in Corporation Securities (other than as specified by the Insider Trading Policy, including this Addendum) during a “blackout period” beginning two weeks prior to the end of each fiscal quarter and ending after the second full trading day following the date of the

public release of the Corporation's earnings results for that quarter (as calculated pursuant to Section 7.2 of the Insider Trading Policy). In other words, these persons may only conduct transactions in Corporation Securities during the "window period" beginning on the day after the second full trading day following the public release of the Corporation's quarterly earnings and ending two weeks prior to the close of the next fiscal quarter. These dates are generally communicated by email to the Covered Persons.

### SECTION 3

#### EVENT-SPECIFIC TRADING RESTRICTIONS

From time to time, an event may occur that is material to the Corporation and is known by only a few directors, executive officers and/or employees. So long as the event remains material and nonpublic, such persons as designated by the Compliance Officer, or her or his delegate may not trade Corporation Securities. In addition, the Corporation's financial results may be sufficiently material in a particular fiscal quarter that, in the judgment of the Compliance Officer, designated persons should refrain from trading in Corporation Securities prior to the commencement of the Blackout Period. In that situation, the Compliance Officer may notify these persons that they should not trade in the Corporation's Securities without disclosing the reason for the restriction. The existence of an event-specific trading restriction period or extension of a Blackout Period will not be announced to the Corporation as a whole, and should not be communicated to any other person. Even if the Compliance Officer has not designated a specific party as a person who should not trade due to an event-specific trading restriction, such party should not trade while aware of material nonpublic information.

#### SECTION 4 EXCEPTIONS

The quarterly trading restrictions and event-specific trading restrictions described above do not apply to those transactions to which the Insider Trading Policy does not apply, as described in the Insider Trading Policy under the headings "Transactions Under Corporation Plans" and "Transactions with the Corporation." Further, the requirement for pre-clearance, the quarterly trading restrictions and event-specific trading restrictions do not apply to transactions conducted pursuant to approved Rule 10b5-1 Plans, described in the Insider Trading Policy under the heading "Rule 10b5-1 Plans."

I have read and understood the Insider Trading Policy of The Duckhorn Portfolio, Inc.

Employee's Signature \_\_

Employee's Printed Name \_\_

Date \_\_



## SUBSIDIARIES OF THE DUCKHORN PORTFOLIO, INC.

<b>Entity</b>	<b>Jurisdiction</b>
Bootlegger's Hill, LLC	California
Canvasback Wine, LLC	Delaware
Chenoweth Graham, LLC	California
Domaine M.B., LLC	California
Duckhorn Wine Company	California
Heritage Vineyard, LLC	Delaware
Heritage Wine, LLC	Delaware
KB Wines Corporation	Delaware
Mallard Buyer Corporation	Delaware
Selway Wine Company	Delaware
Soleil Vineyards, Inc	California
Sonoma-Cutrer Vineyards, LLC	California
Waterfowl Wine, LLC	Delaware

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-254520) and Form S-3 (No. 333-266033) of The Duckhorn Portfolio, Inc. of our report dated October 7, 2024 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

San Francisco, California

October 7, 2024

**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 Annual Report on Form 10-K 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: October 7, 2024

By: /s/ Deirdre Mahlan

Deirdre Mahlan

President, Chief Executive Officer and Chairman

(Principal Executive Officer)

**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 Annual Report on Form 10-K 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: October 7, 2024

By: /s/ Jennifer Fall Jung

Jennifer Fall Jung

Executive Vice President, Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

**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 Annual Report on Form 10-K of the Company for the fiscal year ended July 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: October 7, 2024

By: /s/ Deirdre Mahlan

Deirdre Mahlan

President, Chief Executive Officer and Chairman

(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 Annual Report on Form 10-K of the Company for the fiscal year ended July 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: October 7, 2024

By: /s/ Jennifer Fall Jung

Jennifer Fall Jung

Executive Vice President, Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

**POLICY FOR RECOUPMENT OF INCENTIVE COMPENSATION OF  
THE DUCKHORN PORTFOLIO, INC. SECTION 1  
INTRODUCTION**

In accordance with Section 10D of the Securities Exchange Act of 1934, as amended, and the regulations thereunder, the Board of Directors (the “Board”) of The Duckhorn Portfolio, Inc. (the “Corporation”) has adopted a policy (the “Policy”) providing for the Corporation’s recoupment of certain incentive-based compensation paid to Covered Executives (as defined below) in the event that the Corporation is required to prepare an accounting restatement due to its material noncompliance with any financial reporting requirement under the securities laws.

**SECTION 2 ADMINISTRATION**

Administration and enforcement of this Policy is delegated to the Compensation Committee of the Board (as constituted from time to time, and including any successor committee, the “Committee”). The Committee shall make all determinations under this Policy in its sole discretion. Determinations of the Committee under this Policy need not be uniform with respect to any or all Covered Executives and will be final and binding.

**SECTION 3 EFFECTIVE DATE**

This Policy shall be effective as of May 25, 2023 (the “Effective Date”) and shall apply only to Covered Compensation (as defined below) that is awarded or granted to, or received by, Covered Executives on or after the Effective Date, except as otherwise agreed to by any Covered Executive.

**SECTION 4 COVERED EXECUTIVES**

This Policy covers each current or former officer of the Corporation subject to Section 16 of the Securities Exchange Act of 1934, as amended (each, a “Covered Executive”).

## **SECTION 5 COVERED COMPENSATION**

This Policy applies to any cash-based and equity-based incentive compensation, bonuses, and awards granted, paid, earned or that become vested wholly or in part upon the attainment of any financial reporting measure (“Covered Compensation”) to Covered Executives. For the avoidance of doubt, none of the following shall be deemed to be Covered Compensation: base salary, a bonus that is paid solely at the discretion of the Committee or Board and not paid from a bonus pool determined by satisfying a financial reporting measure performance goal, and cash or equity-based awards that are earned solely upon satisfaction of one or more subjective or strategic standards. This Policy shall apply to any Covered Compensation received by an employee who served as a Covered Executive at any time during the performance period for that Covered Compensation.

## **SECTION 6**

### **FINANCIAL RESTATEMENTS; RECOUPMENT**

In the event that the Corporation is required to prepare an accounting restatement due to the material noncompliance of the Corporation with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (such an accounting restatement, a “Restatement”), the Committee shall review the Covered Compensation received by a Covered Executive during the three-year period preceding the Required Financial Restatement Date as well as any transition period that results from a change in the Corporation’s fiscal year within or immediately following those three completed fiscal years. Regardless of whether the Corporation filed the restated financial statements, the Committee shall, to the full extent permitted by governing law, seek recoupment of any Covered Compensation, whether in the form of cash or equity, awarded or paid to a Covered Executive (computed without regard to any taxes paid), if and to the extent:

- (a) the amount of the Covered Compensation was calculated based upon the achievement of certain financial results that were subsequently the subject of a Restatement; and
- (b) the amount of the Covered Compensation that would have been awarded to the Covered Executive had the financial results been properly reported would have been lower than the amount actually awarded.

If the achievement of a certain financial result was considered in determining the Covered Compensation awarded or paid, but the Covered Compensation is not awarded or paid on a formulaic basis, the Committee shall determine the amount, if any, by which the payment or award should be reduced or recouped.

For purposes of this Policy, the “Required Financial Restatement Date” is the earlier to occur of:

- (a) the date the Board, a committee of the Board, or any officer or officers authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Corporation is required to prepare a Restatement; or
- (b) the date a court, regulator, or other legally authorized body directs the Corporation to prepare a Restatement.

For the avoidance of doubt, a Covered Executive will be deemed to have received Covered Compensation in the Corporation’s fiscal period during which the financial reporting measure specified in the award is attained, even if the Covered Executive remains subject to additional payment conditions with respect to such award.

#### **SECTION 7 METHOD OF RECOUPMENT**

The Committee will determine, in its sole discretion, the method for recouping erroneously awarded Covered Compensation, which may include, without limitation:

- (a) requiring reimbursement of cash incentive compensation previously paid;
- (b) cancelling or rescinding some or all outstanding vested or unvested equity (and/or equity-based) awards;
- (c) adjusting or withholding from unpaid compensation or other set- off to the extent permitted by applicable law; and/or
- (d) reducing or eliminating future salary increases, cash-based or equity-based incentive compensation, bonuses, awards or severance.

#### **SECTION 8 IMPRACTICABILITY EXCEPTIONS**

The Committee shall not seek recoupment of any erroneously awarded Covered Compensation to the extent it determines that:

- (a) the direct expense paid to a third party to assist in enforcing this Policy would exceed the amount of erroneously-awarded Covered Compensation to be recovered;
- (b) recovery would violate home country law where that law was adopted prior to November 28, 2022; and/or



(c) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to the Corporation's employees, to fail to meet the requirements of Sections 401(a)(13) and 411(a) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

## **SECTION 9**

### **NO INDEMNIFICATION**

For the avoidance of doubt, the Corporation shall not indemnify any Covered Executive against the loss of any erroneously awarded Covered Compensation or any Covered Compensation that is recouped pursuant to the terms of this Policy, or any claims relating to the Corporation's enforcement of its rights under this Policy.

## **SECTION 10 SEVERABILITY**

If any provision of this Policy or the application of any such provision to any Covered Executive shall be adjudicated to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Policy, and the invalid, illegal or unenforceable provisions shall be deemed amended to the minimum extent necessary to render any such provision or application enforceable.

## **SECTION 11 AMENDMENTS**

The Committee may amend, modify or terminate this Policy in whole or in part at any time and may adopt such rules and procedures that it deems necessary or appropriate to implement this Policy or to comply with applicable laws and regulations.

## **SECTION 12**

### **NO IMPAIRMENT OF OTHER REMEDIES**

The remedies under this Policy are in addition to, and not in lieu of, any legal and equitable claims the Corporation may have, the Corporation's ability to enforce, without duplication, the recoupment provisions set forth in any separate policy of the Corporation or in any plan, program or agreement of the Corporation (each, a "Separate Recoupment Policy" and collectively, the "Separate Recoupment Policies"), or any actions that may be imposed by law enforcement agencies, regulators or other authorities. Notwithstanding the foregoing, in the event that there is a conflict between the application of this Policy to a Covered Executive in the event of a Restatement and any additional recoupment provisions set forth in a Separate Recoupment Policy to which a Covered Executive is subject, the provisions of this Policy shall control. The Corporation may also adopt additional Separate Recoupment Policies in the future or amend existing requirements as required by law or regulation.