

Brown-Forman Corporation, AGM 2018

2018-07-26

Presentation

George Brown

Good morning. Good morning. Am I on? Okay. Welcome to Louisville. Welcome to the 2018 Annual Stockholders' Meeting. I know many of you would've traveled in or made sure that you're in town for today, and thank you. It makes it all so much more meaningful for us to have a live audience. And we've got a live feed as well, I think, online. So welcome to those of you who are listening in or who are watching by video. And then just so that you all know, we've got 2 other – maybe 3 other rooms here on campus with the shareholders watching on the screen there as well. And Paul and I were able to visit with them on our way here this morning. So welcome to them as well.

I know we've got some retired directors in the room today, and I wanted to be sure to welcome them. Ina Bond. Is Ina here? There she is. Ina, thank you for coming. Dace Stubbs, Sandra Frazier, Martin Brown Jr. And I know Paul's got family here today. Dr. Varga. Where's Dr. Varga? Dr. Varga. His sister Julie Hale, welcome. And Mrs. Varga – Missy Varga. Thank you, Missy for coming here as well.

Paul, do you want to join me? We also – in prior years, of course, we would've welcomed also Bill Street here today. So we just wanted to say a few words. Of course, many of you may know that Bill sadly passed last night.

Paul Varga

Yes, and we have – on your seats, we have put a very brief, but we think, very nice tribute to Bill that you can take with you. For those of you who didn't know him as well, but the background is – I mean, he was a stalwart at Brown-Forman, as both a leader, a director.

The city, the company and our industry last night lost a very great man. And so we thought we'd do just before we start with the formal business part of the program, was just to have a moment of silence in Bill's honor. Thank you.

Thank you all for allowing us to do that at the beginning of what, otherwise, is a formal business day, and I'll turn it back over to Garvin.

George Brown

Thank you, Paul. I think Lindy may have even dialed in. Lindy Street. So Lindy, welcome, and thank you.

Now if Bill Street were here, he'd say, "Garvin, time to get back to business." So that's what I'm going to do.

I now call to order the formal business portion of the 2018 Annual Stockholders' Meeting. We only have one item of business on the agenda for today, to elect the directors for the coming year. Unless there's an objection, I'll waive the reading of the minutes from last year's meeting.

If I could ask our Secretary and General Counsel, Matthew Hamel, to describe the notice given to shareholders.

Matthew Hamel

Thanks, Garvin.

Class A shareholders who appeared on our records as of June 18, 2018, are entitled to vote at today's meeting.

On June 26, 2018, we mailed a notice of this meeting, together with a proxy statement, a proxy card and a copy of the company's annual report, which included our Form 10-K for fiscal 2018.

To establish a quorum, to conduct business at today's meeting, we must have in attendance in person or by proxy at least a majority of the outstanding Class A shares. I can report that at today's meeting, approximately 92.8% of Class A shares are present in person or represented by proxy. We, therefore, have a quorum to conduct business.

George Brown

Thank you.

The following people were sworn in earlier as electoral inspectors to supervise the voting: Jeff Caffee, Muhammed Lasege and Stephanie Tso.

At this meeting, the only item of business is the election of directors. The following 14 directors are up for election to serve for the coming year. If I could ask each of you to stand as I call out your names.

Patrick Bousquet-Chavanne, Chief Executive Officer, Emaar Malls; Campbell P. Brown, President and Managing Director of Old Forester, Brown-Forman Corporation; Stuart R. Brown, Managing Partner, Typha Partners LLC; Bruce L. Byrnes, Retired Vice Chairman of the Board, Procter & Gamble Company; John D. Cook, Director Emeritus, McKinsey & Company; Marshall B. Farrer, Senior Vice President and Managing Director of Global Travel Retail, Brown-Forman Corporation; Laura L. Frazier, Owner and Chairman, Bittners LLC; Kathleen M. Gutmann, Chief Sales and Solutions Officer, United Parcel Service Inc.; Augusta Brown Holland, Founding Partner, Haystack Partners LLC; Michael J. Roney, Retired Chief Executive Officer, Bunzl plc; Tracy L. Skeans, Chief Transformation and People Officer, Yum! Brands, Inc.; Michael A. Todman, Retired Vice Chairman, Whirlpool Corporation; Paul C. Varga, Chairman and CEO of Brown-Forman Corporation. I, George Garvin Brown IV, Chairman of the Board, and I'm also standing for reelection.

I'd now like to entertain nominations for your Board of Directors.

Attendee

Mr. Chairman, I nominate Patrick Bousquet-Chavanne, Campbell P. Brown, George Garvin Brown IV, Stuart R. Brown, Bruce L. Byrnes, John D. Cook, Marshall B. Farrer, Laura L. Frazier, Kathleen M. Gutmann, Augusta Brown Holland, Michael J. Roney, Tracey L. Skeans, Michael A. Todman and Paul C. Varga.

George Brown

Is there a second?

Attendee

I second the nomination.

George Brown

Are there any other nominations? If there are none, I declare the nominations closed.

Matt, would you please describe the voting process?

Matthew Hamel

Thank you, Garvin.

If you completed and returned your proxy card, you've already voted and don't need to do anything further. If you did not send in a proxy card, or you did, but would like to change your vote, please ask for a ballot from one of the people now walking through the aisles or from the host in your remote viewing room.

In the election of directors, only Class A shares vote and a nominee will be elected if he or she receives a majority of the votes cast.

[Voting]

George Brown

Would the inspectors please provide the results to the secretary?

Matthew Hamel

To be elected as a director, a nominee must receive more than 50% of the Class A votes cast. At today's meeting, each of the 14 Director nominees has received at least 98.4% of the Class A votes cast. Therefore, each nominee is duly elected to be a director of the corporation.

George Brown

Thank you. And on behalf of your board, thank you for your continued support.

This concludes the formal business portion of our meeting. Unless there is any other business to come before us, I declare the formal portion of the 2018 Annual Stockholders' Meeting adjourned.

Okay. 2018 has been another productive and busy year here at Brown-Forman, certainly on the underlying organic brand results. But not just that, capital allocation has been busy. We have production facility, authorization to help modernize the cooperage here in Brown-Forman in Louisville, regular dividends, special dividend, a 5-for-4 stock split, paying into the employee pension fund in perpetuity securing it. And of course, the creation of the Brown-Forman Foundation. It's been a busy year.

But it's also been the year in which Paul Varga, after 31 years of service and 15 years as our leader, decided that he was ready to retire, and the year in which the board unanimously elected Lawson Whiting as Brown-Forman Corporation's next CEO, effective the 1st of January.

So some of you may remember other transitions. I certainly remember 2003, '05, and '07, during which time Paul slowly took on responsibility from Bill Street, from Owsley Brown during those cadences. I go back to '03. When I think of Paul's leadership, that's really

when he would've been in charge of the beverage business at the core of our company. And during the subsequent years, we've got out of Lenox, out of the wine brands, et cetera.

Before that, I do remember the transition from Lee Brown to Owsley Brown, and Bill Street taking on beverage responsibility. That would've been the early '90s. I think I was living in Vancouver in graduate school, writing a thesis on electoral systems. Not the most – actually, maybe a germane topic for today.

I don't remember – before that, I think it was '74 or '76 – Stuart will correct me. Where is Stuart? When his dad became CEO, and Robbie Brown was Chairman. And then before that, of course, I don't think I was alive, but luckily, Ernie Williams, who's Legal Relationship Manager at a long-standing firm that – here in Louisville that I grew up knowing as Ogden Newell & Welch, and is now Stoll Keenon Ogden, sent an article on Lawson Whiting this week from 1966 describing a transition, and naturally, not a lot has changed. It was about a man named Street, and it's Dan Street, and that's Bill Street's father. 1966, and they described him as the first outsider to lead the company. Not a word, Lawson, that we warm to. Don't worry. Not to be repeated. It was the '60s. But what I found fascinating in the interview with him – and this is great. As the French say, — ***Foreign Language*** — It means the more it changes, the less it changes. It sounds better in French. He says, "There is no question, but that inflation is upon us." And he goes on, "When the cost of money goes up, other costs also go up." The 5-foot 10 executive – I'm 5-foot 9.5, says that if Britain has to devalue the pound, it will place the dollar in further danger." So FX headwinds, global economic concerns. I mean – being led by a man named Street, I mean, it – not a lot has changed since those days.

And look, as exciting as it is to see Lawson announced as our next CEO, it's always exciting when a board moves on that critical part of its job description. Let's be honest, it doesn't

mean that we're not allowed to feel some emotion about Paul choosing to retire.

So look, Paul has been leading our beverage business in one way or another for 15 years. He's been at the company for 31 years, on the board for 12, 13? 15, I stand connected. On the board for 15 years.

When I think of his legacy, as I would've said in different annual reports and different press releases, I really do credit Paul singularly with helping create the Renaissance of American whiskey. In the early '90s, he moved down to Nashville, which is where the Jack Daniel's marketing team was at the time, and dove into that brand and he never dove out. He remained committed to the values of Lynchburg, Tennessee and to all that Jack Daniel's represents for the entirety of his career. In the late '90s, he was key in turning the brand around in its home country, the United States, at a time when American whiskey wasn't in vogue.

And so if I look out across the world today and see 13 million cases and read headlines of Jack Daniel's and read headlines as to how well our industry is doing, I give Paul so much of that credit.

I argue that in the wake of that, because not only has Brown-Forman felt the impact of that, obviously, on Jack Daniel's, but also on Woodford Reserve, on Old Forester, and now, on Coopers' Craft, on King – Kentucky Whiskey – King of Kentucky, Bourbon whiskey, which has just been released. We're not the only ones who have felt the benefits of this. 600-some-odd whiskey brands have come in the wake of our success. And that brings prosperity and jobs to the supply chains, which includes farmers and to the employees and to the shareholders, all those different companies and the counties in which they live and pay tax. And that's why I have argued that Paul is our most consequential CEO in this industry's modern era.

Yes. For the Brown family, that hasn't been all. Paul has dove into the complicated topic of family governance, at a family-controlled public company. And he and I and our work together in the last 11 years, I wouldn't be here discussing this were it not for the foresight and the energy and the credibility that he brought to the topic. My family and I are better partners today for Brown-Forman than we think we've been in a long time. Maybe we were better when there was just like 2 or 3 of us. But we're a large family, and we're a better partner than we've ever been, and that's thanks to his work. And my family and I are forever grateful.

Now on the back of all that came some good news, too, financially. Since he joined – since he took on that role in 2003, the value of the corporation has increased sixfold. And during that time, it hasn't just been equity growth, he's actually – and the board have returned \$8 billion of value to shareholders in the form of regular dividends, special dividends and share buybacks. \$8 billion is actually almost double the market cap of the corporation in '03, which is an interesting fact.

So that's my version on Paul. If you were to ask Paul what he hoped his legacy might be, he would talk about his impact on the company's culture. And there's something that is a private document inside the company, maybe we've talked about it publicly, I'm not sure. Our engagement and enablement surveys that we take that all the employees take. We benchmark how engaged our employees are and whether or not they feel enabled to go do their jobs against corporate America, global corporations, et cetera. And in the time that Paul's been CEO, we've gone up and up on those scores in a way that should hearten you as to our future. What is public, in the world of HR, are the awards that we've been winning in places like Poland, France, Germany – what was it? Is it Mexico? Thank you, Mexico as a great place to work. That's public. It's also public that in this country Brown-Forman has been winning human rights awards for the work that we've been doing, that Paul's been doing, that Ralph de Chabert has led on diversity and inclusion. And Paul

would also tell you that, that's one piece of work he feels like he's left unfinished. It's okay, Paul. You did a pretty good job. And actually, I've already witnessed a bit of a wrestling match with people hoping to take up that baton.

HR might seem like – I know we all love the financial metrics because they're easy to read and define, but they're backward-looking metrics, right, by definition. Those numbers have been rolled up. They're discussing the past. The HR metrics are the only metric that I've ever been able to see that are truly forward-looking metrics for Brown-Forman Corporation.

I don't know what those enablement and engagement scores were when they came up at Tennessee Honey, but I know that they were even higher today. And that gives me a great sense for the future of what people are working on in the hallways of Brown-Forman in 2018 and what they'll bring to us in 2020 and 2021 and beyond.

There is also another forward-looking topic that HR gets into and it's a complex one described in two really simple words. It's called talent development. And since his early days on the board and as CEO, Paul has gone straight into the topic of his own succession planning. That's the apex of talent development. And going back at least 10 years, Paul's worked really closely with John Cook, Chairman of our Governance and Nominating Committee, our Lead Independent Director and all the other directors on that committee and on our board from the topic of his own succession planning.

And so we were so excited to announce Lawson Whiting as our next CEO coming this 1st January. Thanks to all the work that the board and Paul have done on the topic in the last 10 years.

There will be other years where I'll be able to wax lyrical on Lawson, no doubt. Today is the last day that Paul will be, in this setting, as the CEO of our corporation. Look at all that

he's done. We know the what, we know the where, the how. The fascinating question is why, why has he done it? Why did he dive into those topics? I think it's because he is inherently an optimist on people and on organizations, and he believes that with the right set of values and the right work ethic and setting the right tone and the right transparency and the right level of trust, that he can improve the world around him. I think he's an optimist, I think he's a builder and I think he loves organizations and people. And he'll also remind you, it's – not only did he dive into the Brown family work because of all those reasons but also because he's from a great family. And so it's such a joy to have the 3 of you here today, and thank you for all the support that you've given him in the last 15 years.

We were able to celebrate with Paul in June at the Global Leadership Conference (sic) [Global Leadership Summit.] We had about 200 employees from around the world come to Louisville and – sorry – all right. I am looking at Dr. Varga now, feeling a little emotional. We had about 200 employees from around the world come to Louisville and got to celebrate Paul. And then I think at a meeting in Austin, Texas. No doubt they gave you an applause or two, probably a ribbing. I know those are some of your old colleagues from the early days. There are events planned for this fall for Paul. And then of course, last night, a variety of stakeholders and the board had a lovely dinner and the Brown-Forman, Brown Family Shareholders Committee were able to thank Paul also.

This is the last time that we'll be with him as CEO, and so I was wondering if you would join me in standing and thanking Paul for his leadership for 15 years.

Paul Varga

Thank you. Thank you. Thank you. Thank you. Wow. I've been thinking about what I might put on some kind of business card in retirement, and Garvin just gave me the idea. I mean, it's a little bold, but Renovator of American whiskey. I mean, that's a hell of a

business card. I've been trying to figure out what I was going to go do. Look you all, thanks.

When you retire, of course, people start sending you things and expressing all kinds of warm and very kind sentiments about the work there, but I thought we might just lighten it up a little. One of the fun things – I mean, everybody – the most common asked questions, really a couple of questions. One is, "What are you going to do?" And two is, "Really, is Missy ready for you to retire?" I think just the normal things. And one thing that somebody sent me I just thought it was so fun I'd share with you, that was this quote they said to give you some hope about how much you might enjoy retirement, that retirement is waking up in the morning with nothing to do and by bedtime having done only half of it. So if you want to know officially what I'm going to do, that's it.

Before I get a chance to say thanks to you all, I thought I'd do what I'm charged to do, which is to give you a proper business report here. And I thought because of the fact that I'm retiring, I'd probably give it a little longer view versus going through all the details of our fiscal year '18. And it's not because fiscal year '18, the one we concluded just April 30, I'm trying to hide it because it wasn't good or anything. It was really an exceptional year, and I thought I'd just hit on that first.

Really, if you've had a chance to read our annual report or hear our earnings call at the end of the year, you would've heard that we were able to double the rate of growth and underlying sales for the year, which was a very ambitious goal we'd set for ourselves. And in fact, accomplished it and even edged forward our underlying operating income growth.

For the first year in many, Jane and I waiting and waiting and waiting for the dollar to weaken a little bit in our favor. We actually had some help from foreign exchange for the first time, and that of course, helped our reported earnings. We then, of course, had two things that I thought – which are I think a hallmark of Brown-Forman generally. And

you'll see the word balance in there. We had really nice balanced growth geographically and in the portfolio. I mean, it was really – it was really a wonderful, rewarding year for the company. People who work here were able to see, it wasn't just Jack Daniel's, Black Label driving everything, or it wasn't just one country. It was really well spread, the development of the business around the globe and across the portfolio. And that is actually a hugely important thing for Brown-Forman Corporation because in effect it takes risk out of the company's performance each year if you can spread it across a number of brands and a number of geographic locations.

And then finally, we, as a result of all this, had a really exceptional year in terms of just our metrics. We had industry-leading operating margin, again, very high return on invested capital, which is at the top of the industry and a remarkable TSR.

I thought what I'd do, before we got into some of the TSR metrics, is just share with you along the way, when you – this a quick summary. There's all kinds of highlights and milestones. And so our finance group earlier in the year was nice enough to capture it in video form, so they'll say it and show it a lot better than I could.

[Presentation]

Paul Varga

Isn't that cool? I mean, it's just so many – for a long time, all of us at Brown-Forman, when they'd come up to you, somebody from outside the company or the industry and ask you, "What do you do for a living?" It would be so fun with technology to say, "We just do that." Just hold that up and play it, just use the music and everything. It's fun.

But it resulted, as I've said, in a total shareholder return that was, I mean a staggering 53%. I'm going to say right now, do not hold Lawson to that type of annual growth. That would be unreasonable in my opinion. Now – and you can see, we put the benchmarks on here

that have our competitive set within the industry, the S&P 500, big group of companies, of course, that we like to benchmark against, and then a subset within it that – we’re in this sector called consumer staples. So think of a lot of packaged goods companies, food, beverage, et cetera. And we very much outperform that sector, which has been struggling of late to get growth.

Now if you look at it with like – we do this every year, the same slides. If you look at it over a 3-year period, a 5-year period, or a 10-year period and get a chance to look at Brown-Forman, really, in great part because of the super year we had. But we had been doing pretty well on these long-term metrics, anyway. We had moved to the top relative to all of these benchmarks. And so I mean, it really is – now these are just percentages. We oftentimes, we also convert them to dollars. And so here’s a way to look back over just using the 10-year metric. If you were to have invested \$100 in Brown-Forman and these benchmarks over the 10-year period, you see that Brown-Forman, particularly relative to the one that I think is really interesting here, is compared to the S&P 500, which is a such a large collection. It’s an indices that captures what reasonable investors might expect to get from an investment in equities, generally. We were fortunate enough to more than double the rate of growth, and then the dollar figure that results is captured there on the chart. So a really great year for the company, all of our people, for the owners and shareholders of Brown-Forman.

Now I’m starting to think about how can you – I mean, I’ve always wondered whether you all were just bored with my talks every year because a lot of times, it was – a lot of this – maybe some different results, depending upon what was going on, but a lot of the same recipe for what drove it. And I thought I’d go into a little bit, pull back the tent a little bit now that I’m going to be retiring, and to talk to you about what a large group of us – and when I mean that, I mean the management, the board, in consultation with the family and with the support of the family have actually tried to do, clearly, this is a –

has been a superior investment. So as managers, we are regularly thinking about how to continue to make this a superior investment.

And so when – I pulled this out from – I mean, maybe back in the early 2000s because I remember working with Owsley and Bill and something. And we talked about our portfolio and the company in some varying ways, and we always thought that, "Hey, if we were going to capture through the lens of an investment point of view, maybe we could use a different investment – talk about the company through an investment style." And so if you were to go – any of us were to go to our investment advisers and say, "Hey, I'd like to make an investment." They would ask you what your objectives are. And your objective might be – I'd just use this classification: growth or income, or growth and income, a hybrid, pretty normal stuff. There's all kinds of ways one can cut that, but those are, I think, I always feel the basics about when one just stands to think about how to invest their money. And then of course, there's metrics you can use to evaluate how you're doing on those, and these basically set the expectations for an investor based on what their choice is, whether it's growth or income.

And so I thought just as the example, some of this will be, I mean, very familiar to a lot of you. If you chose growth, you would have a high expectation of the stock's appreciation. You may have a lower expectation, of course, of the dividends you receive, because the company oftentimes is investing so much back into the company, oftentimes at early stages, to fuel superior growth. And because you want high returns, you're willing to accept higher risk. I mean, it's a pretty normal balancing act of risk/reward and income there. If you accept income, which, is more typical of people as they move their investments out later in life for a future retiree like me. Well, you would be looking for expected stock appreciation maybe to be low. You would not want to be wanting to take the risk with the principal that you had. And of course, your expectations of the income would be regular and high. And then somewhere in between, there's varying hybrids of growth

and income.

But I remember this back from years ago, what if you could have your cake and eat it, too? And you could have high growth, you could have high income and low risk. Wouldn't that be a great investment, right? And so from time to time, and not every month or every quarter or every year can Brown-Forman accomplish it, we would devise and talk about metrics that would measure these. Of course, how's your stock appreciation? How's your capital going out to the shareholders? How much risk are you undertaking? How much volatility is in the stock? How much capital risk do you undertake to get the business to grow in the way that you'd like? And then can you do it over a very, very long period of time? And so about oh, I don't know, maybe 6 or 8 months ago, I asked Muhammed Lasege, who's here with us today, to help me look at those metrics and see how Brown-Forman would stack up against other investments. So I thought – and it's becoming known in our company inside as the funnel chart. So what this is, is the S&P 500, plus the industry competition that Brown-Forman has. We put – results of a group of about 509 companies. So you start with that, and you first say how many companies over the last 10 years were able to have price appreciation greater than 10%? It really cuts the group down. It's sort of surprising that it cut it as much as it did. But it cuts it down to 138 companies.

And then if you risk-adjust it, and the one we use here is a measure that we're going to call beta, but there's all kind of ways to think about risk, capital risk, et cetera, concentration risk. It cut – this particular metric, cut it in half, down to 68 companies. And then if you talk about getting the cash out – as Garvin referenced, we have been very successful and been fortunate to be able to provide the type of capital distributions through dividends and special dividends over the years. If you measure that – the one we use is dividend yield, and this includes both the regular and special dividends, it cuts the group of companies from 68 down to 8, for those who had a dividend yield greater than 2.5%. And then, if on

the measure of consistency, if you then track how many of the companies increased their dividend for 25 years or more, these are called the dividend aristocrats, and it's actually an index line, Brown-Forman's is in its, I think, 32nd year of increasing the dividend each and every year. It cuts the group another 25% down to 2 companies. And then if you do the ultimate measure of what I can consider a risk and reward balance and ratio, it's called return on invested capital, and look at the standard of greater than return on invested capital of 20%, only 1 company remains at the end – at the bottom of the funnel. And we get such joy out of thinking that we were able, over periods of time, to manage both risk and reward for shareholders to yield this kind of circumstance.

Now 2 things, after I saw this chart, when Mohammed was sitting in my office, taking me through it. One was – I should have been using Mohammed for my slides for years, this one. And two was – it's a hell of a time to retire. And so – but more seriously, you all, it's a – this happened against the backdrop, as you can imagine, that if we look back over these years, and there will be – this slab will look the same from 10 years from now and 20 years. Things happen in the world. And the thing that we've tried to do with Brown-Forman is run the company in a way so that it could navigate whether you had tough currency times or whether you had global economic crisis so that we weren't so leveraged on the balance sheet. We've tried to run the company in a way so that we could benefit when the winds were at our back and we were not hurt so badly when the winds are in our face.

And the modern one that everybody's talking about, of course, are these tariffs that are in the news each and every day. And I just thought I'd share with you that we're giving proper and appropriate attention to that. Our teams are very busy analyzing and trying to do, as you would imagine at Brown-Forman, a very balanced approach to how to think about pricing. And it fundamentally comes down to pricing and value. And I'm really pleased and proud of the work that Lawson and the teams are doing right now to hit just

the right sweet spot. And the most important thing they're doing is giving us flexibility and lots of alternatives because it's so uncertain how that tariff topic will go. But my advice to you is look at it against a long-term horizon as this company largely does and there's no need to freak out.

So one of the things that gives us so much hope is actually the reality of this that the global opportunity for the company – one of the reasons we've been so successful is the ability take our leading brands most – driven, of course, by Jack Daniel's, around the world. And that opportunity, particularly in the world's emerging markets, remains enormous. It remains enormous. And this is a sampling of the portfolio that I know Lawson and the teams will be taking out to the world, and we think there's a lot of continuing growth.

There's one statistic – putting aside even the global potential that remains for Jack Daniel's and our American whiskey portfolio, even in the hypercompetitive United States right now, this statistic should give you some hope. This category, American whiskey, hit its peak in the United States of volumetric consumption in 1970 at 80 million 9-liter cases. And from 1970 to the year 2000, it declined to 32 million cases. That was basically the surge of vodka consumption in this country, and people switching out of spirits to beer and wine. Fast-forward to 2000, since 2000, every single year, American whiskey has grown through to today. But it has only grown back to the point where it's still below 50 million cases. We are still 30 million cases of American whiskey consumption below the 1970 half point, and there are vastly larger numbers of people in this country to consume the product. So the per capita consumption is still very low by historical standards.

So if I'm Lawson and the team's looking at this, there's a continuing huge opportunity in this country alone. And then you put aside that we're only 350 million of the 7.5 billion people in the world, we've got a long runway. So this is what maybe excites us so much about it.

Now if those of you had a chance to just glance at the annual report this year, I thought I'd just give you - there's so many ingredients in Brown-Forman's success. I thought I'd just highlight 5 and reference them real quick.

One has been - you've seen over the years us report on the fact that we've actively managed our portfolio. And a lot of times people mean with that they're just out buying things. Well, we've been buying things, we've been selling things, and most importantly, we've been creating things. And that will continue to be really important to the success of Brown-Forman going forward, the innovation within trademarks. And again, I think we continue to have great runway there as well. There's lots of ability. We were in a presentation yesterday where Campbell Brown was sharing the portfolio development of Old Forester. I mean, it's been spectacular just over the last few years, and that will continue on the Woodfords and Jack Daniel's and the Herraduras and Sonoma-Cutrs of the world. So there's a lot of room for portfolio management tips still today.

Superb brand building. Just because you have what you think are the right things in your portfolio, doesn't mean they're naturally going to grow. The company has to do the right work to build them. And if you just look around, I was just trying to think about some of the things that we've had the opportunity to highlight over the years, whether it's the - I don't know, the thing we were in yesterday, which is the new Old Forester distillery in homeplace in Downtown Louisville on Whiskey Row. It, oftentimes, for me begins with the product itself. Our distillers and our production operations, all of our colleagues across all of those operations are exceptional at getting the right product in the bottle. I mean, because that's the true test. Our package work, as I said, the homeplace and some of the excellent advertising, the work that's been going on at the Jack Daniel's distillery around advertising and the returns to, I think, Jack Daniel's roots in terms of the way it advertises and promotes its authenticity would be shining examples, along with the sponsorships.

I don't know if you all got to see the much of the coverage this year of Woodford Reserve's sponsorship of the Kentucky Derby, but another example of the types of brand building that will continue to be important to Brown-Forman.

Well, if you run a good business and you're fortunate enough to have it continue to grow over time, it throws off money. And the other test of our team has been do we deploy it well? Do we put it to good use? And the investments I have been talking about, we sort of held our breath because we looked – this was 5 or 6 years ago, and said, "We're going to be putting a lot more money into capital to reinvesting in our core business," whether it was inventories, expansion of plants, building new facilities, all of that, and we're nearing the end of it. We'll continue to invest in the business in big ways, but it's been a very – a period of very significant capital expansion for us at the company. And I think more than anything that has set us up for the next 10 to 20 years of growth. And those are important investments to make well in advance.

But Garvin highlighted some of the capital distributions. In concert with the board, we work so hard on this topic of capital deployment, and I think our track record, by being flexible, which is really important in this but also making the right investments at the right time, has served the company well.

It might sound funny to highlight this part of it, but I think it's just so important not to take it for granted. A huge ingredient is the governance system. This triad of the company's management and partnership with the company's board, and partnership with the Brown Family and shareholders, generally, has served the company so well. And I consider it very strong and developing still, continuing to develop. I think it's a – it's not conventional all the time, but I think it's an asset for the company to do it the way that Brown-Forman sees fit to ensure that we continue to grow the company and build the value of the company over a long period of time. And I think this system that has been put in place, Garvin

was referencing it, we worked hard at this, learning from Bill and Owsley and the boards before us. It was really important for us to make advances on that, mostly because of the fifth and sixth generation of Brown Family, who wanted to be engaged and be active and strong owners and shareholders. So a lot of work has gone on, on that front as Garvin mentioned.

And of course, the last piece, it was kind of Garvin to mention my interest in this, are the people and the culture. I mean, none of it happens, none of those first 4 happen unless you have a culture where good people can thrive. And we've tried to do that as much and with regularity as we could. And I really do think it is the magic ingredient. If this can continue, I think it will advantage the company relative to many of its competitors in the marketplace.

Speaking of great people and a great culture – this is one of my favorite pictures. We have announced that Lawson will be running the company January

— Audio Gap —

tell you, he's an excellent choice, you all. I mean, I've worked alongside him. And just to gush a little bit about him, he's done everything. I mean, the resume he has is incredible in terms of the number of experiences, but it's more than that. He really has the smarts and, importantly, the values. I think just like – I'm sure he feels the way I do. It's great to encounter a place – when you're as good a person as he is, to encounter a place like Brown-Forman, and because you match up with it. And so he is the right choice. And I will say, he, in partnership with Garvin, like Garvin and I have partnered over the years, they have a great relationship. And they'll be superb, I think, the top of the Brown-Forman governance system for years to come. It's really – I mean, it's important – these are the most important decisions the board and the leadership of the company make is to who to put in charge to make the good decisions, to set the tone, et cetera. And I'm just going

to tell you, we've made an excellent choice. So congratulations, Lawson.

I'm going to finish by just basically doing the opposite of what Garvin was so nice to do with me, which is to thank you all. When you're about to retire, you – I mean Jim Welch had told me this. He said, "You just have this overwhelming urge to thank people. You just want to run and say, thank you, thank you, thank you." And so I've been doing that for about pretty much last 8 or 10 weeks. But I thought I'd be a little comprehensive here today. I mean, I love this picture, too. I want to thank Bill and Owsley, neither of which are with us this morning. And they put me in this job. I mean, I don't know why. I don't know how they decided to pick me, but they did. And it was really an amazing course that they had set the company on. They had really set the company on this amazing course, and they entrusted a whole bunch of us with me, as the CEO, to go run Brown-Forman. And I will tell you – I'm going to tell you a funny story about how I might have been destined to work at Brown-Forman.

I was at business school in West Lafayette, Indiana. I went to get my Masters at Purdue, and there was an internship opportunity for Brown-Forman. And so I came down to work that summer and ended up joining the company. And I didn't think about till years later that – somebody was inquiring about something, and I had to go back and I looked at my addresses. And a while I was at Purdue University, I lived – the road I'd lived on was Brown Street. So go figure. Go figure.

So – but we put the cover of the annual report on here. That cover of the annual report, when designed, was intended to honor our brands. I'm going to tell you, it honors a lot more than our brands, and it belongs right there next to that picture because those 2 people are icons of American whiskey, to be sure. So I thank them. I'll be forever indebted to them.

You also, of course, want to thank – look, the pictures, I can have 100 of them to thank

people. Here is our board from this year's annual report. You see here the family committee. It's changed quite a bit over the years. And then our leadership team, always – all of us always dynamic and in flux. One thing, not only just to thank you, the board, for what you've done to support me. And I'll tell you the other thing is, seeing Dace and Ina, and there's Martin and Sandra, I mean – but also, I've stayed regularly in contact with Don Calder and Barry Bramley and Steve O'Neil and – I mean, it's really – if you think – Dick Mayer. I mean, people who played a prominent role in the company's development who are no longer on our board or aren't as active, being here in support, I mean, those people, too, are very important.

This is a picture of fifth-generation family committee, but of course, Garvin and I, and me, particularly, had a chance to work with a lot of fourth-generation family members. And so very appreciative of the support over the years. Christie, particularly, all those times you and I have talked about life at Brown-Forman.

So I will say that none of this happens at the company for one individual or for the whole company without this kind of support system. And while Garvin was nice to reel off all those nice staff and everything, this group right here is the group – and they'll tell you, it's the group that they lead. This is the group that has helped drive Brown-Forman to the heights it's at. This executive leadership team, we're a – this one's a big group. People are like, "How do you have such a big team?" and all of those kinds of stuff. We make it work. And it was important to draw on as many great talents and develop – part of this was for development, to develop people. So that with the knowledge, I would be moving on and others would be moving on in time that we would have great people to continue to lead Brown-Forman. And I think that's the case today. Ever dynamic, but we're ever appreciative of all the people that have helped the company produce the results that it has. And of course, Garvin was nice to recognize them.

I was sitting there thinking my kids aren't here, and I was trying to remember if they had activities or they're just in bed. I mean, they are teenagers. I have a feeling. I know one of them for sure is in bed.

But anyway, none of – as all of us know, the sacrifice of the families makes it so that executives can be executives are immense. And this is the answer to one of the questions, "What are you going to do after you retire?" Some of this right here. I feel like we've been down here for so many years and serving this company and this family. I'm going to go serve this family now a little bit. So it's going to be fun.

Let me finish you all by saying this. I said it last night at the – we had a great dinner last night. And I said it that it's been a privilege to lead the company. And the word privilege is important because I just used the statistic last night, and surely it is true if you just use the world's population of 7.5 billion and you think that maybe 6 billion people are out there looking for good work. I had some good work. And only 50,000 public company CEO jobs exist in the world, and I got one of them. And then I started thinking about that, how rare that is, and I started thinking about what are the chances of within that 50,000, coming across this place, where it aligned with my values. And I will tell you, I was raised by this man and my mom to be good, to be kind and respectful. And I'll tell you that finding this place where that exists each and every day was the key. It is such an incredible place. As I was saying, I like to say that the key to greatness is countless acts of goodness. And at Brown-Forman, you regularly see it. You regularly see goodness. And it's not one stroke that makes Brown-Forman great, it's this repetitive nature of people being good to each other. And more than financial, I mean, just generally speaking. And so I remember talking to one of my business parents, Owsley Brown, right before he was retiring. And I asked him, I said, "What is it that you're going to remember the most? What are you proudest of?" And I was expecting him to say, "Oh, the international development of the company, the total shareholder returns," something that was a metric. And he

said – and it was, "Hey, it was the ability to find what I was good at and do it for my own enjoyment and then for the benefit of many others." And I said, "Well, that's an interesting thing." And he said, "Well, because that's the key to happiness." And I said, "Well, that's interesting."

And of course, back then, I had, for a long time, written his speeches, and so I have memorialized that. I said, "I'm going to try to say that." And I got it short to, "Discover your gifts, use them without fear, share them with others, and joy shall appear." And I hope that you all have derived as much joy from me as I have from you.

Thank you so much, so much for enriching my life. And for one last time, let me just say, thank you. Thank you all. Thanks. Thank you.

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