

Brown-Forman Corporation, AGM 2015

2015-07-23

Presentation

George Brown

[Presentation]

Good morning. Paul and I hadn't seen the video. Welcome to Brown-Forman. Welcome to our Annual Stockholders' Meeting.

Is this anyone's first time to a stockholders' meeting here? And we'll – welcome. I hope you enjoy it. We're just getting started with the video.

Just to orient you all, we're about 180 people here between this room and the one behind us. We are on video today. We've got a live feed online, video and audio. Last year, we had 175 people dial in on video, another 25 ended up listening to the audio subsequently. So – and those people are spread around the world: New York, London, Pennsylvania, I'm hoping, a certain person I'm thinking of, Florida and other places. So welcome to all of you who are on video and audio as well. It's a lovely day here in Louisville, Kentucky. We've had a break in humidity.

Before we move on, I just wanted to make sure that I acknowledge some of our former directors who are also in the audience today. Bill Street is with us. Hello, Bill. Bill was our – Bill ran the beverage company for a great number of years. His father was also at the company and on our Board of Directors, Dan Street. Martin Brown, Sr. is here today. Hi, Martin. Ina, Ina Bond is here today. And Dace Brown Stubbs, about whom I'll say some things later, is also here today.

There are a great many people from all sorts of places. I'd be remiss if I didn't, frankly,

mention my mother is in the audience today. Welcome, mom, in from Montréal. And my wife and kids, Ryan and Isabel, are here today for the first time. So that's a bit of a treat. Thanks, guys, for coming along.

Now I'm going to move to the formal part of the meeting. I now call to order the formal business portion of the 2015 Annual Stockholders' Meeting. We have just one item of business on the agenda for today: to elect the directors for the coming year.

Unless there is 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 15, 2015, are entitled to vote at today's meeting. On June 23, 2015, we mailed a notice of this meeting, together with a proxy statement and a proxy card and a copy of the company's annual report, which included our Form 10-K for fiscal 2015.

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 93% 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, Mike Carr and Tom — ***indiscernible*** —

At this meeting, the item of business is the election of directors. The following 13 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. Joan C. Lordi Amble, retired Executive Vice President of American

Express Company; Patrick Bousquet-Chavanne, Executive Director, Marketing and International at Marks & Spencer, the United Kingdom; Martin S. Brown, Jr., an attorney in the law firm of Adams and Reese in Nashville, Tennessee; Stuart R. Brown, managing partner of Typha Partners, LLC; Bruce L. Byrnes, retired Vice Chairman of the Board at Proctor & Gamble; John D. Cook, Director Emeritus of McKinsey & Company; Sandra A. Frazier, founding and managing member of Tandem Public Relations in Louisville, Kentucky; Augusta Brown Holland, founding partner of Haystack Partners, LLC, also in Louisville, Kentucky; Michael J. Roney, the CEO of Bunzl plc, based in London, United Kingdom; Michael A. Todman, Vice Chairman of Whirlpool International; Paul C. Varga, Chairman and CEO of Brown-Forman Corporation; James S. Welch Jr., Vice Chairman of Brown-Forman Corporation.

I'm also standing for reelection. I am George Garvin Brown IV, Chairman of the Board, also Co-Chairman of the Brown-Forman Brown Family Shareholders Committee and, like my cousins on the board, one of 38 fifth-generation shareholder descendants of our founder, George Garvin Brown.

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

Shareholder

Mr. Chairman, I nominate Joan C. Lordi Amble, Patrick Bousquet-Chavanne, Garvin Brown IV, Martin S. Brown, Jr., Stuart R. Brown, Bruce L. Byrnes, John D. Cook, Sandra A. Frazier, Augusta Brown Holland, Michael J. Roney, Michael A. Todman, Paul C. Varga and James S. Welch, Jr.

George Brown

Is there a second?

Shareholder

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

Thanks, 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.

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

Thanks, Davis [ph]. Just got a vote coming in. Thank you. Thanks, Linda. 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 13 director nominees has received at least 99% 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's any other business to come before us, I declare the formal portion of the 2015 Annual Stockholders' Meeting adjourned.

Great. Well, thank you. This is one of the fun parts of the year, certainly for me. There are other good parts, too. One of them, frankly, is I get invited to lots of interesting and fun meetings here at Brown-Forman. If I look back over the past few months, I was able to get to a meeting with our Canadian team in Toronto. I was in Toronto just in April with my family, visiting my wife's family for Passover. Got to sneak out of the festivities for a day and go see the Canadian team.

Paul and I were over in Barcelona. I guess it was just last month, at the start of July, and then of course in June I was with the European team. And then in June, Paul had a global leadership conference here in Louisville, 160 people in from all of the world.

And there's one theme that kept coming up through all those different meetings, Toronto, Barcelona, Louisville, such different audiences. And of course, you can imagine there were tons of things that came up. But the one thing that kept coming out as the differentiating factor for Brown-Forman was culture.

Culture is a notoriously difficult concept to describe. It's a little bit like nailing Jell-O to the wall. But certainly, the company will talk about values, behaviors, leadership culture Paul describes quite articulately. And Jim Welch is very articulate on this subject on culture. I was chatting with Kerry Walsh Skelly over in Europe, she's a 20-year veteran of the company, Senior Vice President of Corporate Affairs, all-around clever person. And she thought - to me, she said, "You know, Brown-Forman culture" she said the way she would describe it is that "it was sort of like the secret sauce in the sandwich." And that the ingredients might change a little bit from market to market, a little rye bread here, and it's pita bread there, but ultimately, it was the secret sauce that was common to each market

that would help people with ambiguity. If they're left on their own in a room and they're at a crossroads in a decision, which way do they go? And it's that sense in the room to help them through ambiguity that is culture. It's usually more efficient than bureaucracy and other things.

Lisa Steiner, a member of Paul's staff, his Chief of Staff, she and I were chatting about it, and we agreed that we couldn't quite figure out where the company culture and a family culture started and finished. Ultimately, she said, "Listen, they are dependent upon each other. They are interwoven." And I was reminded of that at the Kentucky Derby this year. I was – we – the Kentucky Derby is a big time for Brown-Forman. A lot of people come in to host their partners and others from around the world.

And I was walking through the admin building, and I saw this trophy that we've got over here, and it's called the Integrity Cup. Integrity Cup. I mean, I've heard of the Stanley Cup, but who's heard of a Integrity Cup? Where is John Cook? Chicago – he's from Chicago. They won the Stanley Cup. And there's the Integrity Cup. And it's – and Yiannis Pafilis, our country manager, a Greek national who runs Russia, was there with his Russian distributor, CCHBC, and they were looking at this trophy.

So what is the Integrity Cup? It's a trophy that was given to George Garvin Brown, our founder, in 1911 by a local bank. And I don't know what banking relationships you have, but I don't often get a trophy from the bank. And so why did he get this trophy? Well, it turns out that he had invested in a tobacco company that had gone bust. He was one of the lead investors. Other people lost money. The bank lost money. He's feeling pretty guilty about this. Without anyone knowing, over 30 years, he saved up the money and paid the bank back. And the community, the bank, were all pretty shocked by this in 1911, and so they made a trophy for him and gave it to him.

It's a family heirloom, nothing to do with the company, passed down through the gener-

ations, and it ended up with Dace Brown Stubbs. And just a couple of years ago, I guess she thought she'd like the company to have it. And that's the best illustration I can think of about where these things start and finish.

Dace Brown Stubbs is a member of our fourth generation. She was on our board, until just a few minutes ago, for about 16 years. And like others in her generation, she brought stewardship, wisdom, charisma, engagement to the board. I personally am so grateful that she stayed on and agreed to continue to serve over this last decade during this transition from fourth to fifth generation. And it was apropos that this year, she chose not to stand for reelection as it was this year that is actually the 50th anniversary of a member of the fourth generation coming onto our board.

And it was in 1965 that Lee Brown, whose son was elected to the board today, Stuart, and Owsley Brown Frazier joined our board. At the time, 1965, the – Jack Daniel's had about 600,000 cases of volume. I know there are some people who tracked the amount, and the market cap of the company was \$110 million.

In their wake came Owsley Brown II, whose daughter was elected today to the board, Augusta Holland. My dad, Martin Brown, Sr., son was elected to the board today, Ina Bond. Laura Lee Brown served on our Lennox board, a subsidiary during that time. Mac Brown, Robbie Brown, their cousins, would have been leaders of the company. They didn't do all that alone. They had spouses, two that I have certainly gotten to know most in my active time, have been Christy Brown, who's not only a great partner for Owsley but also someone who really helped us embolden the culture of anchoring this company in our community; and then Jean Frazier, who's daughter is on our board, Sandra, was the spouse of Harry Frazier, and Jean Frazier was actually a great leader of a lot of the family governance work that you'll read about in our annual report going back for about a decade.

All of them would point to Bill Street as being one of their peers and all the work that he did during those 50 years for this company, too.

Plant trees so that others might enjoy their shade, is what Owsley Brown II used to say. It sounds really obvious. Paul makes it look so easy. But it hasn't always been like this. And in the 1970s, in the 1980s, even in the early '90s, the soil wasn't as fertile as it is right now for our category, our industry. They could have easily called in the local pulp and paper company for great short-term personal advantage, but they never did. They kept planting trees for the benefit of all the people in this room, for those on the video, on the audio, too, for the fifth generation, for the sixth generation.

So as someone who has benefited so much from their wisdom, their leadership, I hope you'll join me in asking all of them, including those in the fourth gen that I've not mentioned today, to stand so that we might thank them for 50 years.

Thank you. One of the things they did was succession planning. I think they got that right with Paul. It goes back to 2000 – I think it was 2003. I helped plan Bill Street's retirement party and Paul's welcome party. And so actually, I mean, it's not something that you all are probably clocking. It's not a statistic that Paul will mention at a cocktail party, but I think he's actually the longest-serving CEO in our industry. I would argue he's probably also the most successful CEO in our industry. Don't worry, he's only 51. But will you please help me welcome Paul Varga to the stage?

Paul Varga

Well, thank you. Thank you, Garvin. That was very kind. Just seeing the faces in here and how well attended as always, for all of us, so motivating that everybody just shows up and that you care. And so as part of my welcome, just thank you for being here. I mean, it just – it means so much to us, and it really does motivate us.

So I was thinking about what we might talk about today. And I [ph] recalled I recently had this conversation with somebody, and Garvin was nice to talk a little bit about the history of 2003 and starting as a CEO, but people often are interested in how you kind of got started. And somebody recently asked me, not associated with Brown-Forman, how I came to join Brown-Forman. And so I thought I'd share with you a little of that just because I find it interesting that I'm standing here today with that auspicious beginning.

I was up at Purdue University getting my Master's. And there was – as we have this summer, actually the people, my niece was actually walking through the aisles here as an intern. And they had internships. And back then, you came and interviewed for the internship, and you spent the summer. And I came down and was interviewing, and Bill, you remember the B&S spirits crew from the day. They were getting Jack Kennard and Jack Davis [ph] and David Schusterman [ph], And you sort of interviewed with the brass to get these internships. So I thought it was sort of pretty cool. And so I've done my prep and read the annual report and everything. And of course, I came down thinking I was going to get quizzed on Brown-Forman. And as part of it, of course, they asked a very natural question. Jack Davis [ph] asked me, "Well, why do you want – why are you interested?" And I hadn't thought about that. I thought they might ask me something about the company or the brands. I just said, "I thought it would be a really good job." And he kind of looked at me, "Is that all you have to say?" And he went on, and he asked me, I don't know, a couple of questions later, "Well, what are you looking for from your career?" And I hadn't thought about that either. And so I said, "Well, I just really want a really good job."

And then I was driving back to West Lafayette, and I was thinking, "I think I blew that." Somehow I got the internship. And by the good graces, really the good graces of those interviewers, I have the privilege to update you today on Brown-Forman.

So one thing that I did in prep was to – actually we produced the annual report, and this is this year's. And you see semblances of it on the walls here as well. It's called – entitled Exceptional Spirit, as Garvin referenced. And I thought just to see how different Brown-Forman might be today versus when I interned, I've looked at the 1986 annual report. So I had somebody pull it yesterday, and it's, I mean, sort of interesting. There's different brands, and there's different executives, of course, in there, and there's different words and different financials. But what is amazing is the focus in this document this year is about people, it's about brands, it's about philosophy, it's about culture, it's about family, and so too was it in 1986.

So it's really amazing how what Garvin just talked about stands the test of time. And so I thought – and I was telling Eliza yesterday, Eliza Brown, how it's a challenge when the results are consistently good and the same people show up with the same interest and care for Garvin and I to keep it interesting for you. How do we update the same great story each year? So here's my try at 2015. So – and I will tell you it started as, and ended as, an exceptional year.

Do we have the slides working? Here we go. Here's just a few highlights from it I've pulled. We again significantly outperformed on an organic growth basis all of our competitive set, very broad-based geographically, building on the geographic expansion of the company over so many years and led this year very strongly by the United States, the U.S. market, particularly with the great interest in bourbon, had an exceptional year. France, where we started a company about almost 2 years ago now, had a wonderful year as well as continuing to see wonderful growth out of the emerging markets.

Jack Daniel's, as has been part of the theme for the last many, many, many years, continues to lead the way, the family of brands contributing the dominant portion of the company's incremental growth. We continue to make strong incremental investments in

capital, preparing for the future largely around our distilling, the cooperage operations that you saw in the video, really preparing for the next 20 and 30 years at the corporation. Something we're very proud of I'll get into here in a minute, industry-leading return on invested capital and operating margin, 2 things that we hold and cherish very, very highly and just a couple of the key benchmarks for how we run the company.

The big detractor from the performance in FY '15 were FX headwinds. You all would have seen that the strengthening of the dollar would have depressed the reported earnings growth, and so that would have been the big story. And it shows up – it's really interesting, a chart you've seen from us, I think, almost the last 5 years, we'll look at our total shareholder returns to investors over 1-, 3-, 5- and 10-year periods. And Brown-Forman is this sort of orange bar here. You see we hold an advantage over all of our competitor sets on a 10-, 5-, and 3-year, and we actually were at the low end of it for 1 year. And it was really, we think, because of those foreign exchange headwinds.

But nonetheless, our view about how we should look at this are more along the 5- and 10-year views. It's not just because we only had a 2% TSR, and actually, this was as of April 30. So if you fast-forward it to today, the stocks had actually very nice appreciation just over the last 10 weeks or so. So in any event, we think foreign exchange was the dominant piece of why we were a little softer on total shareholder return in the last 12 months.

So this is something we've shared with you before, but I just think it is so important so that you get grounded in the way we think about the businesses by highlighting a couple of key metrics. Here's the way I'd say it: Every business, I don't care where it is, the 2 things they absolutely have to be basically in business are capital to start it and then something or some source of sales. You have to be able to sell something to someone in order to drive revenues. And so what – we put efficiency measures associated with the degree to which that capital, return on invested capital, produces profit and then the degree to

which the sales produce profit. And if you could have one or the other, that's wonderful. If you have both, it's exceptional.

And so let me show you how we stack up on that. The S&P 500, so 500 companies, on average have operating margins that look like they're sort of here about like 16% or 17% and returns on invested capital that are closer to, say, 10% or 11%. Then you'll see our industry set has nicer margins, a little lower returns on invested capital. Consumer staples, these are large groups of what we call packaged goods companies, so sort of like Procter & Gamble, Coca-Cola, companies like that. They have very nice returns on invested capital but just a little bit lower operating margin.

Brown-Forman sits here. We have far and away the highest margin, far and away the highest returns on invested capital. And this didn't just – literally this just didn't just appear. It happened through conscious, what I call, focusing of the corporation's efforts and investments on the things that could drive that. And the 2 most prominent things that we did in terms of transactions were exiting the consumer durables business and sale of our popular priced wines, while at the same time, taking our time and our energy, our resources, our creativity and putting it against premium whiskeys at a time when premium whiskeys were very, very well sought after.

So what happens with this, sort of interesting to see, if you go back, just using the 10-year numbers and look, because of the amazing success of the company's premium spirits portfolio, this is what the corporation looked like from a profile in 2005: So \$2.7 billion in sales, which converted to about \$400 million in operating income; a very nice return on invested capital of 17%; and a market cap of around \$5 billion. What's really interesting, I think, about this is to see the percentage changes in each of the lines horizontally. We sold off businesses which reduced our sales, but then we grew them back organically by building our premium spirits portfolio, and Jack Daniel's leading the way. That led to a

52% increase in sales, not that great actually over 10 years. I mean, pretty good but not that great.

Operating income, however, went up 131%. So you can see we were focusing on higher-margin items, and we got greater profit than we did sales. The returns, because we were doing it organically, largely, went up 5 percentage points. And then you see how the market appreciated that emphasis and focus by converting a 52% increase in sales to a 276% increase in market capitalization.

So that's how we, over time, were able to position the corporation on that prior slide in the upper right quadrant. So this works for us. I mean, it really, really works.

Now you can have an excellent business and it not grow. I mean, there's a lot of businesses out there that are really good businesses today that are struggling to get sales momentum to actually really grow their profits. And here, I just thought I'd share with you a 1-, 3- and 5-year perspective of the company's organic growth to show that yes, we have an excellent business, and by the way, it also continues to grow.

So the 2-headed contributor of excellent business that grows are why the market, I think, appreciates so much the company's equity and why it has the P/E multiple that it does, the expectation that this good business will continue to grow. And so you can see we've also got on here, you can see, as moving from 5 years to 3 years to 1 year, that the out-performance of Brown-Forman relative to its competitive set has lengthened a little bit on an organic basis. So we continue to grow.

I'd also say that it's beyond the financials. It really is – I don't think this is like one or the other. I mean, the way I'd like to think about this is none of our quantitative success is coming at the expense of qualitative success. In fact, I might contend that the qualitative piece is helping fuel the quantitative success.

And on here, you see examples of our commitments to environmental sustainability, diversity. Each year, we can populate the slide with third-party endorsement. And also, we're very proud to be – when we're recognized by the Climate Leadership Awards, et cetera. Christy and I were talking last night, and she called it the totality of Brown-Forman's performance that she appreciates so much. We call it the comprehensiveness of it. And I think these things are partners, not things to trade off.

And so a question I ask myself, usually on this day, is how do you sustain this? How do we just keep this going so that it can be as impactful for all of us but also out in the world in the way that we'd like along the lines of the ambitions we set for ourselves, which is to continue to do this forever.

So what gives us hope? Well, part of it is what is going on with bourbon right now. I mean, it just is really amazing. I mean, those of us who've been around for long enough can recall a time when we were working against the grain. It sure is nice, particularly for our smaller brands, the Woodford Reserves and the Old Foresters, to have this kind of momentum and interest in bourbon. So that's the thing – one of the things that keeps us so optimistic about what might lie ahead for us.

A second thing is this. We own this, and this is something we don't take for granted. It is a very special trademark in the world today. As being based here in Louisville, Kentucky or in America, we would have a long experience and knowledge of the Jack Daniel's brand. For those of you who travel outside the United States, just spend some time in a bar anywhere, and you will find how widely accepted around the world today this brand has become because of the work of our people over the last 20 or 25 years.

It really is amazing, and it's become special beyond our industry. It's the 86th largest brand of any kind in the world by Interbrand, a group that ranks brands. On that ranking list are a very wonderful collection of trademarks, any of which you might be proud to

own. But we own this one, and so we think a lot about its position in the world today and how much potential it continues to have for growth. And so we call that the exploration of how much runway might exist for Jack Daniel's going forward. And I hope this – you'll find this compelling. We think it has a lot.

So for all the success and all of the development of Jack Daniel's on a very, very wide geographic basis, the more and more we study the numbers of it, the more we think we're still at a very early stage of being able to develop it around the world.

There's 4 lenses I would propose to you that we use to analyze the length of the runway for Jack Daniel's. We look to see how much continuing geographic scope it might have. We study the demography, so like birthrates, to see how favorable those might be because those have a big impact on your ability to sell your products in these markets. We look at the breadth of our portfolio and see, underneath the Jack Daniel's trademark, what expressions might we put into the marketplace in order to meet the ambitions and needs that we see. And then pricing, so important particularly when we have things like excise taxes or cost increases, the ability to communicate in a way sufficiently to consumers that they're willing to pay a slightly higher price for your products as you take price increases. It's a very important point in the enduring success of any brand.

So we study these. And I'll give you a shorthand for how you might remember them the way we remember them that: The geography is the earth, the demography is the birth, the portfolio is the girth, and the price is the worth of any brand. And so I'm going to give you an example of why we believe, just using the examples of earth and girth, Jack Daniel's has some numerical continuing runway.

So the first thing we'll look at is geographic distribution. And at the top here is percentage of the business for Jack Daniel's compared to Johnnie Walker, which is a larger whiskey brand. It's the only premium whiskey brand that's larger than Jack Daniel's in the world.

And so we look to it to see what kind of development might lie ahead for our brand.

And back in 1985, they – Johnnie Walker had about 19% of its business already in emerging markets. You'll see that in 2014, we've just reached 19%. So 30 years of work, and we've got to 19%. Today, they have almost 2/3 of their business in emerging markets. So we may have runway that approaches something like another – those are billions of cases of Jack Daniel's, of potential that exists just by following the lead of where other whiskey brands have gone geographically. So we think there's – still continuing, even with excellent development over the last 30 years for our company, there's still a very, very long runway, we believe.

Now let's look at it from another angle, which is the portfolio development, or what we call girth. Here you see the percentage of a trademark's total volume derived outside the original parent expression. So in this case for us, it's Jack Daniel's Black Label. What do Jack Daniel's RTDs or Jack Daniel's Tennessee Honey or Gentleman Jack, Tennessee Fire, what do they represent as a percentage of the total?

And you can see back in 1985 a very – only a very small 4% came outside of Jack Daniel's Black Label. Well, today, it's grown very significantly. Tennessee Honey, Gentleman Jack, the RT – everything is done so well, and yet it still only represents 14%. And if you look at the Johnny Walker franchise, a very significant 42% comes from the girth piece for them. These are just 2 examples of continuing runway.

So you ask yourself, how are you going to get there? And I would propose, we have shared this within our company, that just as narrowing our focus on premium spirits has served us so well, continuing to focus our efforts, our energies, our creativity on the best opportunities will be the – I think, the best recipe for continuing success. So the F stands for continuing to be first in American whiskey, led by Jack Daniel's. There's a lot of companies who are enjoying success in American whiskey who would love to have the perch that

we have, so we don't take it for granted. So we restate being first in American whiskey worldwide is our #1 priority.

Second, because Jack Daniel's has become so big, the bar for everything else at Brown-Forman has gone up. So what used to be trading a brand, a value many, many years ago of, say, \$100 million of brand value, total value, today, it has to be \$1 billion because Jack Daniel's has raised the bar so high for the corporation and for our work that we would strive to build what we call today billion-dollar brands. And we have aspirations for a whole bunch of them, brands like Woodford Reserve and Herradura. We're doing work even yesterday on Old Forester. I think the Finlandias and the Southern Comforts and the – if you go through it, we have a lot of brands of sufficient scale that, if they aim in the right direction and have success, can become this kind of valuable. So dealing with very, very, very small brands, meaning things that might not be that meaningful that we can't envision that they could be meaningful, become a lower priority for us. So it's a real prioritization help for us.

Continued globalization. I mean, just continuing this march around the world, particularly with a focus on emerging markets, places like Africa, the BRIC markets, Eastern Europe, continues to hold great potential for us. So continuing the globalization of the company and the investments required to do it. You heard Garvin talk about this. We list it. We just don't take it for granted that the unique culture with superb people will continue to be the magic ingredient in bringing all this together.

And then finally, superb investments. I think, as an example of the strategic investment, these are some of the investments that have served us so well over the last 10 and 20 years. You'll see global expansion, including building out our own companies in many key markets, innovation you see listed there, just a couple of the examples on Jack Daniel's and Woodford Reserve – I mean, just how helpful they have been to the company and

those trademarks, the regular requirement in working capital to put aged inventory down, I mean, very, very helpful that we have the assets, the physical assets and are creating new ones to be able to do that.

The capital expenditures, this little picture you can – probably hard to see. That is the property at Slane Castle, this new Irish investment. So also, planting trees so others may enjoy their shade. Here's a perfect example of it. But it also includes new distilling operations at Jack Daniel's. So very different scale of investments.

Continuing to look for acquisitions that can be meaningful and attractive businesses to us. They've been hard to come by. I mean, if they've been very attractive, they don't have willing sellers. So what it has forced us to do is to focus on our business and, at times, make what I consider to be the best investment we can make, which is repurchasing our own shares, which is it – what we consider to be an investment in Brown-Forman. So deploying our capital and making investments in really, really strategic ways, we think that is going to be – continue to be a big part of the Brown-Forman story.

Now let me shift this. The reason that I would contend that Brown-Forman – an investment in Brown-Forman is one of the best investments we can make is because of what Garvin talked about. You're going to continue to hear from many of us on the topic of culture. We've chosen to be – try to be articulate about, as you say, nailing Jell-O to the wall. It's very, very difficult to sit and try to diagram or think about it.

So sometimes the best way to do it is just to practice it and to talk about it. And one of the finest examples that I've seen recently of that, and you're going to have to bear with me because I'm going to show you a video, was about a 15-minute talk that Jim Welch gave across the town here at the Marriott in front of our global leadership group. And it really was – I wonder if – he asked for the mic, and I didn't know what he wanted it for. And so that's always a little leery, and I was like, "Well, what are we going to do here?"

So Jim asked for the microphone, and he cares a lot about Brown-Forman, and he shared some of his sentiments about what he thinks makes Brown-Forman special, very much in the same way that Garvin did. So here's an excerpt of that.

[Presentation]

Paul Varga

So there you go. There was just 1 minute on it. That's enough. I can say just from the feedback that all of us heard, one of the more impactful communications of Brown-Forman's magic ingredient that literally around the world, we were still hearing about it when we were in Barcelona, that many of our employees have heard. And so I wish you could have the whole 15-minute version, but there's just a – about a 60-second piece of it. So thank you, Jim.

And so in there was this phrase that Jim referred to – I mean, there was a lot in there about care and respect and empathy and collaboration. The phrase that Jim referred to that has been around Brown-Forman for so long that is a hallmark of collaboration is this one: No one of us is as smart as all of us. And the question that I – every time, we start to talk about culture, we see this phrase that comes in, well, how does that work? And I thought I'd give you just a little bit of a – maybe a peek underneath the tent about the way we, this executive leadership team and this extended governance system – I hate that phrase, but it's just that sort of what we – what it is, this unique governance system at Brown-Forman – how it works to create some of this sort of magic.

And so first thing I thought I'd share with you is just some pictures and names. And this is – this group, with the exception of Thomas Hendricks, you saw on the video earlier who's in Amsterdam today, everybody is here. And so 14 of my colleagues who make up our executive leadership team today, thought I'd do something sort of fun to think about. And this is a nice enabling factor for Brown-Forman if you think about it. So here's 14

people. You think about them as functional leaders or what their current job titles are, and I chose not to do that purposely here. So I thought I'd just give you a couple of just observations about this group.

Well, the first is that 5 of this group have played very, very significant regional leadership roles at Brown-Forman, 5 of the 14 pictured here. Okay? Five of the 14 here have had very significant financial responsibilities at Brown-Forman, financial leadership responsibilities. Seven have had brand leadership responsibilities at one time in their careers, 7, so half the group.

And here are 3 statistics that I think is usually – I would find this uncommon at almost any company: 3 have literally been in charge of or led the company's most important brand, Jack Daniel's. So on my team are 3 people who know Jack Daniel's up and down, okay? Here's the – 3 have led the human resource function of Brown-Forman in their career, not just been in it, led it, have led the large group of people dedicated to people. Now I'll tell you the other one, 3 in this midst, have led our production operations. So as a collection of people and collection of experiences, they give the company an amazing asset, an amazing asset of experience.

Now couple of other things on them. That's a interesting number. That's their collective years of experience at Brown-Forman, 269 years of experience across all of those functions, sharing roles and – by the way, that overlap could be a recipe for total dysfunction. I mean, it really can if we don't manage it. So we're working on that. But also now I do – 269 years of experience at Brown-Forman. Before Brown-Forman, they got all their experiences at all these places, okay, got all their experiences at these places. And that's what brought them to Brown-Forman, all these wonderful companies where they trained and developed and honed their capabilities.

And why is that uniquely beneficial to Brown-Forman, to you and to me? I've only worked

at one. I've only worked here. I'm the only one who's only worked at one company. So I get to tap in to all of that in order to help run Brown-Forman. So it's a huge asset for our company. And so I think about it, here's the way - I'm going to use - I think I try to reflect about through what lens can I talk to you about "no one of us is as smart as all of us", and I thought I'd just use the device of my title.

So you see this all the time today, right? The Chief Executive Officer, these initials: CEO. I mean, it is an interesting title today in the world. I mean, it's overly politicized. I mean, it, at times, has held up as a, I mean, very interesting example of income inequality in the world. There's all kinds of - and it's oftentimes held up as one of greed.

And I thought I'd just give an alternative view of what it is required to be a Chief Executive Officer at Brown-Forman Corporation. And I'll use the device of getting rid of executive because I know what chief means, and I know what officer means. But all the time, I'm wondering, what's it mean to be executive? And I would contend, at Brown-Forman, you're called upon to be all of this: to be the chief ethics officer; to be the chief evaluation officer; to be the chief empowerment officer; to be the chief excellence officer; et cetera, et cetera, et cetera. And the reality is no one person has all that, right? I mean, it's just - or can draw on it in any given time across the complexity required to bring that together. No - I don't think any one individual can do it. But it's needed to make Brown-Forman go.

And here is the magic of no one of us is as smart as all of us: We do it. This group does it. And I'll just use examples just with some of the faces. I mean, all of us are ethical, but I'd say Matt and Jane set the standard for ethics. They have unusual responsibility as it relates to that. Alex, when we need energy, he's our chief energy officer. He is our chief energy officer. Michael's evaluation skills, the analytical capacity that come. Thomas, Mark, Jill, Lawson, John, Mike, those are our operators. These results, they come from

the empowerment and execution that those people bring each and every day. Jim Welch, Ralph, quality, empathy, I mean, they've set the tone. I mean, they really have set the tone for us. Lisa, Kirsten, the words employee, empowerment, encouragement, they have led that and inspired the rest of us to do it within the team. So you can see that the collection here is better than the whole. I can't be the CEO I can be if I don't have this.

And so it extends to this, what I call, governance system. These are pictures from our annual report of the Family Committee, of our board and our executive leadership team. And the thing that I found wonderful about it, is that words like endurance and encouragement and empowerment around there, those come from our board. I mean, they push us and encourage us on strategy. They ask us to help sustain this through things like succession planning, et cetera. They get the continuity of this. The family, there's no better chief endurance officer than the family. It is the chief endurance officer of Brown-Forman. So all of this comes together in a really interesting way and, I think, makes Brown-Forman special.

And so in closing, what I can tell you is today, 29 summers later, that being the Chief Executive Officer of Brown-Forman Corporation is a really good job. Thank you.

We want to take questions, gentlemen. Let's invite them.

Question and Answer

George Brown

If there are any further questions?

Paul Varga

Yes. We always offer the opportunity if people have questions.

George Brown

And of course, you also have a brand fair. Paul's team, Paul, the board and I will all be at the brand fair just this way. I think we've got the summer interns. I don't know what you all will be doing in 29 years, but - who will be guiding us along the way. So unless there's anything else?

Paul Varga

Thank you all very much for your attendance here today. Thanks.

George Brown

Thanks so much.

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