

Brown-Forman Corporation, AGM 2013

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Presentation

George Brown

I think we're about ready. Good morning. Welcome to Brown-Forman's Annual Meeting here in 2013. We've - mother nature's cooperated with us today in Louisville, Kentucky and it's a lovely day, which is helpful in July. So thank you so much for coming along.

We've got some familiar faces in the audience. I know from inside the United States, I think we've got California here today. Thank you very much and I think it's the state of - do I see the state of New York? I saw somewhere over the week, the last couple of days. Plenty of representation from the states of Kentucky and Tennessee. Thank you for coming along. All counties in Kentucky. And from outside the U.S. U.S., we've got Australia this year, the United Kingdom. We've also got some retired directors with us today. And so it's a special pleasure to be able to welcome Mr. Martin Brown, Sr., along today. Hello, Martin. And Ina Bond, where is Ina? Hello, Ina. And the retired director and former CEO of our Beverage business, Mr. Bill Street. I think I saw him. There he is. Thank you. Thank you for coming along today. And then we've also, of course, got some retirees that I've spotted in the audience. And thank you for your continued support of the company. And then as well, you should just know that I think for the first time in a while, we've also have a great number of guests outside of this room and outside of Louisville today. So we're actually going live now streaming online and so it's a pleasure as well to be able to welcome our partners in the financial community who may be watching this from their desks in New York or in London, which I think is about 2 in the afternoon now or 2:30, as well as from other cities around the world. So a warm welcome to them as well and thank you so much for attending our Annual Meeting today.

It's the year 2013. We've been public for 80 years now. And so this is our 80th Annual Meeting. We went public, of course, in 1933. And for any of you who are history buffs, you'll know that that's not an accident. We lived through Prohibition with one of the few medicinal licenses that were issued in the country in that time through that calamitous period in our – the history of this country's legislation. And then in 1933, in order to go – to raise capital, really, Mr. Owsley Brown I took half the company public. And so in that event, it's sort of special to be here on the 80th anniversary of this company being public. There's a display on Prohibition that you'll be able to see in one of the hallways walking over to the brand fair afterwards. So I would encourage you to go see what some of the team have put together about that period in history. Okay?

So let's move now to the formal part of the meeting. I now call to order the formal business portion of the 2013 Annual Stockholders' Meeting. We have 2 items of business on the agenda for today's meeting. The first is to elect your directors for the coming year. Second, we'll secure approval of the Brown-Forman 2013 Omnibus Compensation Plan. Unless there's an objection, I'll wave the reading of the minutes from last year's meeting.

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

Matthew Hamel

Thank you, Garvin. The people who are entitled to vote on the items on today's agenda are Class A shareholders who appeared on our records as of June 17, 2013. On June 27, 2013, we mailed each of these people a notice of this meeting, together with a proxy statement, a proxy voting card, a copy of the – and a company – and a copy of the company's annual report, which included our Form 10-K for fiscal 2013. To establish a legal quorum to conduct the business on today's agenda, we must have in attendance at the meeting, in person or by proxy, a majority of the outstanding Class A shares. I can report

that at today's meeting, 95.5% of Class A shares are present in person or represented by proxy. We, therefore, have a quorum to conduct business.

George Brown

Thank you, Matt. The following people were sworn in earlier as electoral inspectors to supervise the voting: Jeff Caffee, Holli Lewis, Mark Stegeman. At this meeting, the following 10 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 Business Development at Marks & Spencer in the United Kingdom; Martin S. Brown Jr., a partner in the law firm of Adams and Reese in Nashville, Tennessee; Bruce L. Byrnes, former Vice Chairman of the Board of Procter and Gamble; John D. Cook, Director Emeritus of McKinsey & Company; Sandra A. Frazier, Founding and Managing Member of Tandem Public Relations in Louisville, Kentucky; Dace Brown Stubbs, a private investor; Paul C. Varga, Chairman and CEO of Brown-Forman Corporation; Jim Welch, Jr., Vice Chairman of Brown-Forman Corporation.

And I also stand for reelection. In addition to my role as Chairman of your board, I'm also an Executive Vice President of the company. I'd now like to entertain nominations for your Board of Directors.

Executive

Mr. Chairman, I'd like to nominate the following: Joan C. Lordi Amble, Patrick Bousquet-Chavanne, Garvin Brown IV, Martin S. Brown, Jr., Bruce L. Byrnes, John D. Cook, Sandra A. Frazier, Dace Brown Stubbs, Paul C. Varga and James S. Welch, Jr.

George Brown

Is there a second?

Executive

Mr. Chairman, I second the motion.

George Brown

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

The second order of business here today is described as Proposal 2 in your proxy statement. We're asking you to approve the Brown-Forman 2013 Omnibus Compensation Plan. This is the program that allows us to pay our employees and directors performance-based compensation, both in cash and in the form of equity awards. We believe the plan is essential to attract, motivate and retain key talent, and your Board of Directors has unanimously recommended a vote for this proposal. I just can't help but say a few words on this. Omnibus Compensation Plan, probably not a phrase that rolls off everyone's tongue really easily. Omnibus is a fancy Latin word, which means all in one. And so what this is, is basically the document or the tool that the shareholders use to govern, literally, how people are paid in cash and long-term equity at the company. And that's for a broad group of senior managers, as well as for the Board of Directors. Okay, typically in corporate America, these things last for about 10 years. You voted on the last one in 2004. So we'll probably vote again on an Omnibus Compensation Plan in 2023. It can get confusing, this is separate from say-on-pay and say-when-on-pay, which are 2 things that you voted on 2 years ago and you voted to vote on that every 3 years. And that's a document that really governs the much more senior top 4 or 5 officers in the company. And so you'll vote again on that next year, all right?

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 do anything further. If you did not send in a proxy card or if you would like to

change the proxy card you did send in, 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. For Proposal 2, the approval of the Brown-Forman 2013 Omnibus Compensation Plan, only Class A shares vote and approval requires an affirmative vote of the majority of the votes cast, provided the number of votes cast is a majority of the shares entitled to vote on the proposal.

George Brown

Will the inspectors, please, provide the results to the secretary?

Matthew Hamel

Thank you. At today's meeting, each of the 10 director nominees has received at least 99.3% of the Class A votes cast. Therefore, each nominee is duly elected to be a director of the corporation. For Proposal 2, approval of the Brown-Forman 2013 Omnibus Compensation Plan, I'm pleased to report that the number of Class A shares cast on Proposal 2 represented at 95.5% of the shares entitled to vote on that proposal and that 99% of the votes cast were voted in favor of Proposal 2. Therefore, the Brown-Forman 2013 Omnibus Compensation Plan is approved.

George Brown

Thank you. On behalf of your board, thank you for your continued confidence in us and for your approval of the Omnibus Compensation Plan. So unless there's any other business to come before us, I declare the formal portion of the 2013 Stockholders' Meeting adjourned. All right.

Just before we move on, I mean it's worth observing, it's been a good year at Brown-Forman. Really not a bad year at all. I was thinking about it, I thought if Brown-Forman

is a garden, this garden is in bloom. I was nudged to think about it a little bit more at a meeting recently in London. It's sort of nice being in an office where others have come through and use it as a central meeting place. And Hendrik Rossbach, who is in charge of pricing analytics in Europe – he's based out of Hamburg, was in London recently with a bunch of the sales directors from all over Europe. I think Hendrik's – Paul's going to talk about margins later. I think Hendrik is doing a pretty good job. And so we were just chatting with the team, I was chatting with the team and towards the end of things, Hendrik want to see if there were any other questions and people can often be reticent in the public setting to ask questions. I didn't think anything would happen and then on my left, Pavel Lisitsyn, our sales director from Russia raises his hand. Pavel? He said, "Yes, I've got a question." Okay, so what do you think of F '13 and how would you describe the drivers of growth? Seems a little like Wall Street Journal. So okay, it got me thinking about it. And how would I describe this garden that's in bloom? And actually it was Bill Street who used to always call Woodford Reserve an acorn that he wanted to see grow in to a great oak tree. And Bill, I would say that, that acorn is a very strong sapling right now in our garden. It's about 250,000 cases worldwide growing at double-digits, I think, for the 16th year in a row. Certainly on Jack Daniel's in the world of brands, Jack Daniel's continues to be this wonderful flower in the midst of our garden feeding so much with growth all over the world, even in Japan these days. And Japan, has not been a wonderful spirits market – imported spirits market for the last decade, and Jack Daniel's is doing so well in Japan now. And not just Jack, even in Japan, Early Times is doing well. Thanks to this renewed excitement from the local sales force. The Russians want Early Times. So the brands are just in such wonderful shape. On the people side, of course, in Paul's team, there've been changes in the last year that the head gardener – the head gardening team. We've got new people who've joined the team: Kristen Hawley, Lawson Whiting, John Hayes. Others have gotten new, exciting challenges, Jill Jones, Jane Morreau. Of course, the 4,000 employees around the world. This garden has long roots, but the luster

of today's color is really theirs. The Pavels of the world and the Hendriks of the world.

On our board, we've had an exciting year. John Cook has really played the role of lead independent director for some time, but this year now, has taking on that title officially. And the board also, in May, went down to look at that sapling in Woodford Reserve down in Versailles, Kentucky at one of its meetings, where it was joined as well by some – by a member of Family Committee as a guest on that tour. In the family, of course, the family has been in the garden for 143 years, some of those mature hedges around the edges of the garden, we can thank the family for. Those roots run very deep but there are some new flowers sprouting, too. This year, we had 2 professors come down from the Kellogg School of Management at Northwestern University the help run a governance course for a combination combined audience of family members and directors. We've also had DendriFund, a sustainability foundation funded by the company and staffed by the company and some family members, really kick off this year.

So it's been an exciting year. But I think I found the best answer for Pavel when I went down to Sydney, Australia, in June to a meeting that Marshall Farrer had organized. And I don't know if you've been to Sydney, it's a long way. The Sydney Harbour and the people and the business will get you over the jet lag. I was on a coffee break and I started chatting with someone who just joined the company 3 years ago. Wonderful guy named Grant Onions, who's from Tasmania and is a salesman down in Tasmania, which of course is just a little bit further than Sydney. I think it's another 4-hour flight. And Grant said to me how excited he was. He couldn't have been a nicer, more enthusiastic guy. And he said if there are 3 words that I'm taking back to Tasmania, they're belief, confidence and balance. Belief and confidence are great words. Sure, every company would love them. But balance is a Brown-Forman word. It's the way that we balance brand building between the being true to tradition from yesterday but innovating for today to win today. It's about how we engage long-term family shareholders and uphold our responsibilities

to our public shareholders and our partners in the financial community. It's about how we have such great engagement from so many, from such a great number of family members while at the same time, having the industry's strongest management team taking this company to untold heights. And culturally, I think balance is how we've been able to grow such a wonderfully complex, global, international business with real operating businesses in market all over the world without actually ever forgetting who we are or where we're from. We're distillers and we're from Kentucky. That sense of place gives us a strength that allows us to grow all over the world without ever losing our way. It's like a beacon that helps light our way home.

And so, please help me welcome a man who always gives me a warm welcome when I home and has been leading this company for a very successful 10 years, Mr. Paul Varga.

Paul Varga

Well, thank you, Garvin. That was some fine gardening yourself there. And I think using the theme that was in our annual report on the wall behind me, I think there's some nice proof there of some of what the company manifest here in one of its foremost leaders is all about. So it's my role, as always, to take you through a combination of things here today. Of course, I want to touch on FY '13, the recent business results, but then also try to always give a little bit of insight into what's happening at the company and how we might be operating. And so today, I'll talk a little bit about things that oftentimes you don't see because you don't work here every day. So I'll get a little bit into the – maybe a little of the underbelly of our culture as I talk about our people some.

But let me start with fiscal year '13, what we call, top-tier performance that highlight our results. Garvin referred to them. Sometimes because we've had such nice, consistent performance – and these numbers are on the screen behind me, I often hesitate to come up and talk about the same thing, but I remember a friend of mine, who is a CEO, once

told me – he said, "Never miss the opportunity to talk about good results. And by the way, if you have bad results, it's a perfect time for a 3-week international trip just to get away, so be elusive." Thankfully, I'm here today and not on a 3-week international trip. But you can see here, I'll just highlight a few – this underlying net sales growth at 8%, which is near our historical average when you do stretch these periods out over long periods of time. Our underlying operating income at 13%, really stronger than our traditional rates of growth and underlying operating income growth. EPS growth even higher at 16%. We continue to have at or near the top of our industry a very attractive return on invested capital, signaling the efficiency with which our company produces its cash and profits. A really fine total shareholder return at 31% for the 12-months, all of these are ending April 30, which is the conclusion of our fiscal year. And you see, even though the S&P 500 had, I mean, a super year at 16%, our rate of return or growth in shareholder return was almost double that for the 12 months. And then just signaling the growing size of Brown-Forman's market capitalization, we ended the year around \$15 billion in market cap. So I mean, a very strong quantitative performance for the year. And usually when we talk about in here, I sometimes forget that there's so many of our employees who actually tune into this and so if you wouldn't mind joining me in a salute to them, all the people who produced these results are all over the world, that Garvin referenced with a round of applause.

Now we try not to take these for granted, right? I mean, they just aren't going to happen magically by themselves so we look backwards first to see, hey, we been doing this consistently. And so we try to show this chart as much as we can, which is putting various timeframes on a similar performance called total shareholder return and of course, we'll start to compare ourselves to – of course, you see on here the S&P 500, you'll see the consumer staples which is a broad group of consumer packaged goods companies, against which we like to compare ourselves. And then you see various participants in our industry. And the thing that stands out across all of these timeframes, 1-year, 3-year, 5-year, 10-year

is how strong our industry is. You see that in almost every instance that the industry generally performs above the S&P 500 and consumer staples. So we're performing well with our brown bar on these screens, near the top of the industry in almost every point of these periods and doing it against what I consider to be a very significant benchmark in a great set of global competitors. And I remember 10 years ago, all of the questions that the company received – I know when I first took over this role, I was getting this question a lot, can we compete on the international scale with competitors who are much larger than us? And they are really good competitors. I mean we interacted with these folks every single day in the marketplace. So the benchmark in the competitive reference we have is actually a very good one. And you see in each period here, the 2 largest players, who are, as I said, fine competitors: Diageo and Pernod. Brown-Forman has been able to outperform them across every single one of these timeframes. So smaller companies in various timeframes have even done better than us. So that question of size remains an important influence on our business, but it's probably not the dominant one that everyone might have forecasted to be 10 or 12 or 15 years ago. And as we like to say at the time, and I still believe this, but the size question, that size will be a result of our work, not a prerequisite for it. And so we'll continue to be sensitive to it, but continue to march on as Brown-Forman always does. And I think the other thing when you look at these, just look at the numbers on the bottom scale. They are really some significant 10-year numbers with all that's gone on in the last 10 years. And for the company to eclipse 15% compound growth in total shareholder return is something that everybody at the company is very proud of, so.

Now this quantitative performance is also underpinned by something Garvin was just referencing, and we – this, I think is maybe demonstration of the thoughtfulness of our company. And we try not only to produce quantitative results done over time, but also to do it in a very balanced way. And if we just put a few of the areas of balance that are involved in our ongoing act, which refers to geography, here. You can see that – and if

you've read any of our annual report over the last many years, you would've seen the broad performance of the company geographically. I think the numbers for the last 12 months ending April 30 was that the United States, our oldest and most largest market, grew 6% in terms of underlying net sales. The developed international markets grew at about the same rate, 6% underlying net sales and then the emerging markets out in the world grew at 12%. So across the globe, unlike many of our competitors, who in 1 of those 3 segments or so, or 3 groupings – and it's not just one of the ways we look at it, we look at it, obviously, by country. And so when we go and look at how we are doing in developing around world, we're always impressed by the great diversification of our performance. So within function, it takes not just the sales or marketing or production operation to do all this great work, it's the coordinated effort across everybody from our information systems, in our production, our tax, our treasury. And you just can't imagine the amount of work that's going on each and every day to produce the kind of results across every function of Brown-Forman. Within the P&L, we were really anxious this year to want to improve our pricing and margins because the prior year when we – I spoke with your a year ago, we had exceptional results, but they were so volume-driven that we thought, particularly on Jack Daniel's Black Label, there was an opportunity to reinforce some of its specialness and premiumness out in the market. So we produced stellar results again but with a different balance of volume and pricing, and even great cost management, which flowed through our gross profit growth. So there was a nice, what I call P&L balance, in the delivery of our results as well.

Investment, we have often talked publicly about our very broad definition of investment. It encompasses things that don't show up in your advertising and promotion line like investments in packaging. oftentimes people, when they talk about the investment, define it narrowly by not including their investment in people. Well, we often will refer to an overall aggregate investment as encompassing investment in people, in training and systems. Thinking, of course, about things like our media investment, the kind of pro-

motional efforts we put behind our brands very traditionally, but also our balance sheet investments. We've been very heavily investing behind Jack Daniel's capacity, our cooperage capacity in order for creating barrels that – in which we can store our whiskey. And then, of course, even in places like Sonoma-Cutrer. All of it aim toward the future where we can supply the demand we anticipate there being for our products.

And then finally the portfolio. A year ago we were striving to do a better job on, what we were calling at the time, our trademarks that we're not Jack Daniel's because we were so successful on Jack Daniel's because of the launch of Jack Daniel's Tennessee Honey and the growth of Black Label particularly in FY '12 that we wanted FY '13 to have a better balance of portfolio growth. And what you see, we're just so proud of – this is a sampling of the product portfolio. And we really did have a better performance from the non-Jack Daniel's brands. It's a hard benchmark, you all, to keep up with Jack Daniel's performance globally and it's one of the highest benchmark you can place on a portfolio of brands, but Garvin mentioned this one, Woodford is on fire. I mean the whole category against which our bourbon brands and our American whiskey brands are competing. I mean we – it's like some form of renaissance. And for those of us, who've been around this business for a long time, it is so welcome after all these years of either stagnancy or slight decline to see American whiskeys coming into such favor, not just in the United States, but on the heels of Jack Daniel's international growth, creating opportunities for brands like Early Times and Woodford Reserve and Jack Daniel's line extensions all over the world. So this word balance could also be replaced with the word comprehensiveness. We just feel like we wanted there to be a quality underpinning to the great quantitative results we were producing. And I give you these examples to demonstrate that all these people across Brown-Forman are working so hard to make it a very high-quality performance in addition to the impressive numbers I've shared with you.

Now it's impossible not to talk about the Jack Daniel's trademark when you talk about

Brown-Forman's progress. It's just – it is so important to us and it's at the forefront of everybody's mind all over the world because it is the thing that has created so much opportunity for our company, particularly in the international marketplace. It is the source of our route-to-market strength. It is the primary source of pride for many of our people. Because in many places around the world, it's almost the exclusive brand we sell. People are rounding it up increasingly with more entrants from Brown-Forman's portfolio, creating some of their own, but this is the preeminent brand in virtually every country around the world for Brown-Forman's operations. And so I thought I'd talked a little bit about it. And sometimes we use this phrase; it's not to be boastful, I think as much as it is to be descriptive, that Jack Daniel's lives every day as a business enterprise and it's something I would like to call rarefied air. And so let me explain to you what this little 2x2 is. On the bottom access here is volume metrics and for purposes of splitting this in 2, this is 10 million cases, which in our business, is huge. If a brand can achieve 10 million 9 liter cases, it's very big. On this axis is price and we sort of define superpremium in our business as USD 25 and above, and of course, price is, for a variety of reasons, vary all over the world. But we think we've got it directionally correct. And usually there's an inverse relationship, of course, in the sale of most products with price and volume. And so what we tried to do here is to plot the largest brands in terms of ultra-premium scale and volume just to see how it looks. And so the first thing you can see is that some of the greatest trademarks in the world represented here above the \$25 price point that are doing very impressive volumes, 3 million, 4 million, 5 million, maybe 6 million cases of volume, but at exceptional prices. I mean these are, I mean, economic engines for their owners. I mean very impressive brands: Grey Goose, Johnnie Walker Black, Grey – Hennessy, Chivas Regal. Wonderful trademarks. On the other end of the spectrum, extremely well known and popular brands. I really don't even know if the scale would capture it correctly, but selling 15s and 20s and 25 millions of cases of Smirnoff and Bacardi around the world, very impressive, large scale operations. But at quite a bit lower prices, right? So I

mean here's the sort of 2 ends of the spectrum we've been trying to study. And then in between are a couple of brands, we would note, that are very large in size and actually pretty premium price but not quite at sort of the \$25 global price level, which are impressive brands like Absolut Vodka and Johnnie Walker Red. And there's really only one brand in the world that is as a single trademark, as a single expression of a trademark, that is above 10 million cases in \$25 and that's the brand we happen to own, which is Jack Daniel's Old No. 7. And so this is a source of incredible power and passion for our company. It opens so many doors. It's why we are, I mean, I think extremely thoughtful about its continued development. But it also is the reason that Brown-Forman is enjoying so much of its success today – one of the main reasons. But when you look at it from a brand and trademark standpoint, it is the basis of our – I mean, certainly our greatest brand asset, but has been the preeminent driver as well of our most recent growth.

Now there are other ways we might describe this, and it's also the basis for all kinds of what we call brand and line extension activity. And so one thing that I try to capture here, not every person in the world drinks Jack Daniel's, and that's a disappointment to us. So we like to think about what are the reasons someone might not drink Jack Daniel's. And it becomes pretty common sense, but we use words on here like maybe, Jack Daniel's brand imagery isn't just for them. In some instances, for example, people think Jack Daniel's isn't pricey enough. Affordability. On the other end, some people actually really just, on a regular basis, cannot afford to pay that premium price that we charge for Jack Daniel's, so they choose other brands that are more affordable to them. Sometimes say, sporting events or festivals or music concerts, those sorts of things, it's convenience that there's not a bar there. They'd like to drink Jack Daniel's in maybe the format they like but there not a bar. So there's convenience comes into play. It's a barrier. Sometimes it taste. Other times, it's perceived strength and potency. The fear that they're going to get out of control if they drink big bad Jack Daniel's. And so we think about these things. And one of the – of course, you do out and you do marketing and you try to leverage all of the great assets

and address some of these things that are maybe inhibitions with people or barriers and – but it's also a very, very motivating reason for our brand extensions. And so I'll just show you some of these labels over the years that are out in the marketplace and, in many instances, thriving. And I'll just a couple of examples using this nice one here, Gentleman Jack, which is over here on the far end. Gentleman Jack works on the imagery of Jack Daniel's. It refines some of the edges of what we know to be the Jack Daniel's imagery. It actually tastes differently, it's twice mellowed. It's certainly not more affordable, it's more premium-priced. It doesn't really work on convenience and its potency, I think it might be perceived as less potent. So it can work on any of these. Obviously, our ready-to-drink offerings, Jack Daniel's & Cola work on taste because we're on a mix format. Potency, with its diluted effect of the product itself. Imagery, it sometimes makes us appear in reality to be more contemporary because the settings we're in and the way we present it. Very much a convenience item. We like to sometimes say we're competing for the beer occasion when we offer these products. And in each one of these instances, you'll see an example where Jack Daniel's extensions play a role in addressing things that are just harder for Jack Daniel's Black Label to accomplish. Now oftentimes, when one goes and extends these brands, they come at the expense of the parent product. And what we found and that's why we try to do this so thoughtfully and in a balanced way, is that in almost every instance here, these business successes in the marketplace have been additive to the Jack Daniel's trademark. They have not been what we sometimes call, cannibalizing the parent brand. They add to it and oftentimes because they're addressing these issues that exists, they're drawing in new consumers or adding new occasions for the trademark. And so, it is a wonderful success story here, not only captured in this mega brand of Jack Daniel's Old No. 7, but also in these line extensions. And maybe 20 years ago, 99-point-whatever percent of all of the sales and profits of that would've been tied up somewhere in here a long time ago. And today, increasingly, we're deriving a higher percentage from these while this one continues to march on. So it's really, really a nice

success story of trademark development as well.

Now I've got to mention this guy right here. Tennessee Honey, really becoming an important success story for the company just turned the last couple of years. As we first launched it in the United States, it's continued to grow here. It's been part of this explosive flavored whiskey segment in the United States and has shown real promise in the last 12 to 15 months as we've rolled that internationally. And so it's really, it's probably been our most rapidly accepted line extension on a global scale of anything virtually Brown-Forman has done. Certainly, anything Jack Daniel's has done. So very exciting and we'll continue to report on its progress. I thought I'd share with you a few advertisements about how we take, not only Jack Daniel's Old No. 7, but also some of these - I think examples here are Gentleman Jack, which has a new advertising campaign, and Tennessee Honey. So I'll just run them all together, there's 4 spots.

[Presentation]

Paul Varga

So you see a balance or composition of creative there intended to appeal to a variety of audiences and taken out to do the world to introduce, not only new trademarks from Jack Daniel's, but also very much even within the Jack Daniel's brand, you saw an example of very traditional approach, which we have long done, one we're very proud of but also which usually emphasizes the place where Jack Daniel's is from and where it's made, but also bridge very much advertisements that demonstrate that Jack Daniel's is very much alive in society and where it's consumed and how people enjoy it with one another.

So in addition to all of the things we're doing today to try to make Jack Daniel's this 147-year-old brand remain relevant, we take this for granted today because it's been going on now for several years. But just think about when people go out into the world today, how do they get information? And they Google, right? I mean that's exactly what people do

today. They Google to find things out. And so tried to look and see, well, what is in the world of authors and athletes and scientists and sport cars, you can almost do any of these subjects. And what I find fascinating about this is, I mean, look at the company we will end up keeping here: Martin Luther King and Shakespeare, Michael Jordan, Einstein, the Ford Mustang. All of these – and what's interesting about them, a lot of them not creations of the last 12 months. These are very established and in some instances, centuries-old, people that are searched and sought-after. So when people do the same thing for whiskey, they get this. And this is the company that Jack Daniel's is keeping in a modern world where people are gleaning information in this way. And so it's not only the messages we're sending out, but it's also the way that people are interacting and we can do an entire presentation today on the sophistication of Jack Daniel's efforts in the world of digital, all of which grew out of early day work and inspiration that came from a direct mail campaign, to be quite honest, 50 or 60 years ago and things that we would've learned, applying modern technology today to capture still the direct imaginations of consumers, in this case, around the world through Facebook friends and direct activity. It's one of the most interesting and fun developments in the Jack Daniel's franchise over the last 10 years. It's very, very exciting. And who would have – and I used to joke about this, but how could this guy, Jack – his name, Jesper Newton Daniel, 147 years ago have figured out he would be the top Googled whiskey? I mean it's just – and we all joke inside and this is true. I mean I don't know that a lot of people knew his name was Jesper Newton Daniel, but the D stroke of marketing genius was when this guy changed his name from Jesper to Jack because – nothing against any Jespers in the audience or in the investment community, but there's no way that Jesper and Coke would be the call that the Jack and Coke is so – and for all the advertisements we're doing, I think if you go back, that was probably the single greatest marketing stroke that has occurred in the history of the brand. So an area here that is rich with excitement at the company and around world.

I'd like to talk about, as great as it is today, looking ahead a little bit for other brands in

our portfolio, too. But here are just 5 statistics that should give you as much excitement as it does us about the future for Jack Daniel's and Brown-Forman. The first is that the whiskey category worldwide, and it is the most worldwide I mean in terms of breadth of distribution, is the top-performing spirits category in the last 10 years, the whiskey category, with a 6% annual compound growth rate. Okay, so we're on a growing core category of whiskey. Within it, the premium-plus side is leading the growth. That is exactly where Jack Daniel's is positioned and many of Brown-Forman's entrants are positioned. So we think we're positioned very well against both aspects of that. A third, that within whiskey, which would include Scotch and Irish and Canadian and all kinds of other whiskeys, U.S. whiskey is now outpacing every other whiskey category in part because why, Jack Daniel's has been driving it. But a very encouraging sign for those people who are in the bourbon business or in the American whiskey manufacturing and selling business. The fourth, is that today, Jack Daniel's is, of course, in a leadership position with being the world's largest premium whiskey, okay? So those are 4. And I think the most fascinating thing is, well, how do you continue this? Is that we only have a 3% share of the category and for reference, when we study other categories, similar priced segments, similar scale and think about things like tequila, look at rum, you look at vodka, most of the leading brands will – you can – will already represent north of 10% share. So 12%, 13% share. So we think there's a lot of room not only because of the momentum that are behind the categories, but also very much because we still have a relatively low share. It's hard to say that we've just cracked the surface with the size of the brand, but I do think there's a tremendous remaining opportunity.

Now, I'd like to shift gears a little bit from the what of our business and the results and talk a little bit about the how. And every single one of the Brown-Forman people that we encounter, they come to work to, of course, work on – they have a great job to work on great brands, to have productive careers, all of the things. They also want to have a sense of purpose when they come to work. And because we're in beverage alcohol,

periodically, our people will think, "I wonder what people think about me working in beverage alcohol." They will – periodically, their children will ask them, "What do you do for a living?" And so going back, I started to think back almost 20 years on this topic. And the kinds of conversations have gone at Brown-Forman in maybe 5 or 6 years ago, we would've exposed this purpose at Brown-Forman to you and talked about it in some different ways. Increasingly, we're having conversations with our own people about it and we're finding that it brings real meaning to them. And I'll just read this to you that we believe we are enriching the experience of life by responsibly building beverage alcohol brands in our own way that will thrive and endure for generations. There's a lot of strategy in that. But it's also – there are some underpinnings here of the good that alcohol and our products are bringing to society, particularly it gives a backdrop where the media, of course, will portray 10:1 or 100:1, more negative messages associated with things like the misuse of alcohol. So I started to think about the most provocative things I've read on this or seen and I went back to a time in 1996 when Owsley Brown was working for Bill Street and Owsley Brown, at the time, was asked to give a speech and he asked me to help him with it. And he wrote something and I went by and looked at it, and I thought I'd just read you a passage from something – this will be familiar to those of you who know the voice of Owsley Brown, that he wrote, and I was very fortunate to help him work on, but really goes to what we believe our brands in part, are doing in society. So let me just read this passage to you. "For millennia, mankind has known of 3 types of benefits derived from moderate alcohol consumption. It is known of physical benefits as alcohol is one of our oldest known medicines. It's also known of psychological benefits as alcohol has long been used to ease the tensions of mankind. And it's known, too, that alcohol has always played an important social role by marking the important of life and facilitating the harmonious interactions of people that create civic unity." I know, Kristen, you've heard that voice before. And anyway, I went – I found those to be very helpful, that social good. We, a contemporary expression, we try to use our initials for Brown-Forman

when we can. For our endurance strategy, we call it building forever. Today, we call that social good building friendships for the role that our products and brands are playing in elevating the social interaction of the world. And so there's some real purpose and I think our people, increasingly, are finding great use and enjoyment in the exploration of this kind of work. I just thought I'd share it with you. We joked, we were in Europe a couple of weeks ago for our European congregation and we were just talking about this. And I told them at the time that when I was coming back through customs, when they asked they always ask, "Well, what do you do for living?" That I was going to tell them that I facilitate the harmonious interactions of people. And I was in a hurry and decided I didn't want to be held up in customs so I chose not to do it. But in any event, I do think that these words and these ambitions of ours, that go beyond just the production of economic profit and value, are really, really important, not only to us, but also to a growing an important stakeholder wheel. We find that conversation on topics ranging from everything from the environment to alcohol responsibility are important to our customers, and give us favor in the marketplace. And when we talk to them about things like diversity, I mean it's amazing how the – what the social consciousness is today of all of the people that we interact with. And how we're enriching the experience of life for governments where we pay hundreds of millions of excise taxes every year. And just think about what's done with those tax. They build roads for our employees, of course, who – if they have a wonderful career and their lives are enriched, maybe through the production of their work, they can send their children to school, and maybe their kids will go off and do great things in the world. So I mean there this an interconnected – interconnectedness to this, that we're beginning to explore but then we think it's really, really helpful and oftentimes, when we're in these meetings, we talk about what it means because you're the primary audience here today to you, as owners and shareholders, but it's far larger than that and far more complex than that. And I think at Brown-Forman, we understand that – the qualitative aspect is as much as the quantitative. And it happens really because – and we're

going to be reporting on this in about 4 weeks when we publish our next Corporate Social Responsibility report. So there will be a lot for you to read on our progress against these stakeholders and how we're enriching life. And none of it happens, of course, without the people we all clapped for a few minutes ago. These are our large collection of people all over the world. And the way that our executive leadership team is talking with our people and amongst ourselves about it is, these results will continue to happen as long as we have a cooperative environment, which it looks like we will, by continuing to develop our brands, but probably the foremost thing is developing ourselves and making a real commitment to the continuous improvement of each of ourselves. I think I've said it before that if the company wants to, say, grow 10% or 12% every year, so too does Paul Varga and all of the executives and all the employees. And the way that sometimes we describe this is, are we really thinking as clearly and as well as we might strive to do? And of course, that's circumstantial. Some days are better than others for your – the clarity of your thought. But are we diagnosing things well? Are we being very thoughtful and comprehensive? Are we generating good ideas? Do we have the right mindset and the approach to work? So always assessing the quality of our thinking. After that, it's really hard after you've thought a lot about things to communicate it well because you're talking to very large groups of people and they're all going to hear it a little differently. After you've communicated it, then you have to go live it, right? You have to go execute and actually do things that bring it to life. And I think most importantly, we are trying – this is through our diversity work with Brown-Forman. This has come to life so much. We're trying to let people be themselves at Brown-Forman. I mean there's a natural tendency in any corporation, particularly as it gets larger, to homogenize things. And you need organizational structure, you need process, there's no doubt. But corporations are also famous for squelching entrepreneurial spirit. They're famous for keeping ideas diminished. And so one of the things we can do is make people feel great about bringing themselves, their own ideas into the workplace. If we do that, I mean, it'll help our perpetuation, ambition

immensely. One of the ways I do it for myself. I do this and I think you can say this for the collective at Brown-Forman is that, I like to ask these questions. Do I think for myself? Do I say what I think? Do I do what I say? And can I be who I am? And I think if you can answer yes to those questions or if your corporation can create an environment where people can do that, the chances of continued growth and great ideas, which are usually the source of all this growth, are so much to your advantage that you will continue to win in the marketplace. I just really firmly believe that. And I think just sort of finishing with this reference to proof, your all's presence here today and I mean there's a great dinner last night, it's just a reminder, to me, or the proof of your continued engagement and care about Brown-Forman. We often describe, particularly the family controlled, but the engagement of our shareholders generally, as a real strategic advantage and this packed room and the way you ask questions, your interest in the company is an advantage because we find that in many public entities, people are not as interested, do not care about some of the stuff we've been talking about here. And so I think the continuing care and nurturing that you all do as shareholders of the company remains a huge advantage. And so we thank you for that. We think it's proof of your interest in the company and I hope what I've shared with you today is also proof that your investment in the company will remain an excellent one. Thank you, all, very much. We are done.

I think what we'd like to do now is just to invite you to the brand reception and the brand fair that is – there'll be great signs. It's in the Design Center again for those of you who've been here before. And thank you for your attendance this morning.

George Brown

Thank you very much. Okay.