

# **Brown-Forman Corporation, AGM 2014**

## **2014-07-24**

### **Presentation**

**George Brown**

[Presentation]

**George Brown**

Good morning. Welcome. Welcome to Louisville, Kentucky. Welcome to our annual meeting here at Brown-Forman. We're streaming live now off of our website as well, so not only do we have some spillover rooms around our campus, but we're also being broadcast into the analytical community in New York and London today and a variety of other places. So I'd like to offer my warm welcome to them as well overseas.

And just to set the scene for them, they don't have the joy of being here in Louisville today, they should know that I think we're about 220 here in this room. We've got spillover for another 30 around the corner and I think another 40 in another room, and it's a stunning blue sky day, about 80 degrees in Louisville, Kentucky.

So before we move in, I would like to especially welcome 3 people, I think, who have spent a lot of time sitting on this stage in their lives, and so if you would please join me in welcoming 3 of our retired directors: Ina Bond; Martin Brown, Sr.; and Bill Street.

We've got a lot to get through today, so I'm just going to move into the formal part of the meeting. I now call to order the formal business portion of the 2014 Annual Stockholders' Meeting. We have 2 items of business on the agenda for today. The first is to elect the directors for the coming year. Second is to seek your approval of a nonbinding advisory proposal to approve our executive compensation. 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**

Thank you, Garvin. Class A shareholders who appeared on our records as of June 16, 2014, are entitled to vote at today's meeting. On June 26, we mailed the 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 2014. 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 Class A outstanding 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 Mark Stegeman.

At this meeting, the first order of business is the election of directors. The following 12 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 in the United Kingdom; Martin S. Brown, Jr., an attorney in the law firm of Adams and Reese in Nashville, Tennessee; Bruce L. Byrnes, retired Vice Chairman of the Board at Procter & Gamble; John D. Cook, Director Emeritus of McKinsey & Company; Sandra A. Frazier, Founding and Managing Member of Tandem Public Relations in Louisville, Kentucky; Michael J. Roney, the CEO of Bunzl plc based in London, United Kingdom; Dace Brown Stubbs, private investor; Michael A. Todman, the President of Whirlpool International; Paul C. Varga, Chairman and CEO of Brown-Forman

Corporation; Jim S. Welch, Jr., Vice Chairman of Brown-Forman Corporation. I'm George Garvin Brown IV, I'm the Chairman of the Board, and I'm also standing for reelection.

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

**Attendee**

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

**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.

The second order of business here today is described as Proposal 2 in your proxy statement. We're asking you to approve on a nonbinding advisory basis the executive compensation of our named executive officers described in the proxy statement. This vote, which is known colloquially as say-on-pay, is not binding. However, the board values the opinions of its shareholders, and the Compensation Committee of the board will take into account the outcome of the advisory vote when considering future executive comp decisions. Our executive comp is described in the proxy statement, and the Board of Directors has unanimously recommended a vote for this proposal.

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 if you'd like to change the vote on 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 nonbinding advisory vote on executive compensation, only Class A shares vote, and approval requires an affirmative vote of the majority of the shares present in person or represented by proxy and entitled to vote on the proposal.

**George Brown**

Would the inspectors please provide the results to the Secretary?

**Matthew Hamel**

Thank you. To be elected as a director, a nominee must receive the votes of more than 50% of the Class A shares cast. At today's meeting, each of the 12 director nominees has received at least 98% 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 nonbinding advisory vote on executive compensation, approval requires an affirmative vote with the majority of the Class A shares present in person or represented by proxy and entitled to vote on the matter. I'm pleased to report that 97% of the Class A shares present or represented by proxy voted in favor of Proposal 2. Therefore, the nonbinding advisory vote on executive compensation is approved.

**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 2014 Annual Stockholders' Meeting adjourned.

Is this anyone's first Annual Stockholders' Meeting? Okay. We've got a few. My first meeting was in 1988. I was 19 years old, my brother Campbell and I were interning here at Brown-Forman, not very glamorous jobs, but it was a great summer. And I can remember going to the annual meeting at Actors Theatre. I know – actually, I know a bunch of you were there. I remember who was there. Well, some of you made a big impression on me, as I was just getting to know some second cousins and third cousins that summer.

Lee Brown was the Chairman and CEO, and I can remember sitting sort of up in the stands, it felt, at Actors Theatre and hearing his voice. The tone of his voice, run that meeting, and it made quite an impression. I know some other people were there, too. I know Bill Street was there. I don't know what he was doing or what his job title was. He was running something, but he was there. And I caught up with Bill a couple of months ago here in Louisville and he was wondering, "Well, what are you thinking for the July meeting?" I said, "Well, you know, Bill, I spent so much time working on these annual report letters. I really like this year's letter. I think I'm just going to come read my annual report letter." "That's an awful idea. Don't you think everyone will have read it already?" All right. Fair enough, but bear with me. I would like to read just some excerpts from it, because I really like it this year. And I want to read something else to you as well from one of our internal newsletters. So the letter starts off:

Few of us would have missed the buzz this year about the boom in American whiskey, whether it's been the success of new independent craft distillers, trail-blazed by our very own Woodford Reserve or a Japanese company's purchase of a large U.S. whiskey brand. The world seems to have fallen back in love with American whiskey. Of course, many in the industry talked about how well positioned Brown-Forman is for this, and I go on

to say that this category trend and Brown-Forman's good fortune are not a coincidence. In fact, were it not for Brown-Forman's focus on American whiskey and, in particular, its home states of Kentucky and Tennessee, I have no doubt that the industry would not be seeing this resurgence. I go on to congratulate Paul and his team, noting that Paul's 11-year tenure running our beverage business, and these results are probably not coincidental either. I also mentioned that Paul would be the first to tell you that it didn't start with him. He's only our third CEO since the fourth generation of the Brown family took on leadership of this company in 1974. He follows on from W.L. Lyons Brown and Owsley Brown II, each of whom would have been under considerable pressure to turn away from this company's commitment to American whiskey when the category was less robust, less buoyant, and each of whom not only led the company to success in his own day, but also laid the foundations for our ability to deliver strong consistent results year after year. I go on for a little bit. Best regards, George Garvin Brown, Chairman of the Board, June 2014.

Now I'd also like to read from an internal newsletter. Bear with me. It was written for an internal audience and digs into a little bit of the craft of our trade, barrel-making, saw a bit of that in the video. You might find it too much detail, but barrels have been in the news this year. Of course, we broke ground on our new cooperage, the Jack Daniel Cooperage in Trinity, Alabama. We've actually already won an award down there, the Innovator of the Year Award 2014, from the Woodworking Machinery Industry Association. And there's been a bit of controversy about barrels in the state of Tennessee this year, with some thinking that they need not be new. John Hayes, our Global Director of Jack Daniel's, has been at the heart of some of that.

So the newsletter. Chairman's message: Bourbon is Kentucky. It has also been recognized as a distinctive whiskey of the United States by resolution of Congress. As a Kentucky-based distiller, Brown-Forman has always emphasized the traditional quality methods and materials that go into the making of our fine Kentucky bourbons. Their taste and

color are produced by maturation in the finest, new, all caps, charred-white oak barrels that can be made. And it go – the column goes into a little bit too much detail for today about lobbyists and laws and legislatures and so on and so forth and the competitors.

Today, bourbon has a good reputation and is gaining in popularity in the United States and around the world. It's taken years to build confidence in the quality of bourbon, and the consistency of our whiskey is the foundation on which your company was built. Both my father and my grandfather, George Garvin Brown, played roles in establishing the fine name of bourbon whiskey. They were proud of the bourbon they made and sealed in bottles at the distillery, just as I am proud of the bourbon we make today. Our customers have good reason to believe, "There is nothing better in the market." George Garvin Brown, Chairman of the Board, November 1967.

So that piece was actually written by my grandfather almost 47 years ago. It was written 2 years before I was born, the year my brother was born. John Hayes found this piece in the archives, as he was having a bit of fun down in Tennessee this past year. Reading it today in this setting reminds me that it's about more than just barrels. It reminds me that in an ever-changing world, to quote William Faulkner, there are some things that just don't change like our commitment to quality, to our brands, to remaining relevant and like the commitment of the Brown family to this company and to its independence.

Look, some things have changed. We're able to welcome 2 wonderful new directors to our board today. There are new faces in Paul's team. For some, this is their first annual meeting. But in the big picture, 1967, 1988, 2014 [ph], nothing's changed. There's no new news to report today at this annual meeting. We're just doing what we've always done. We're distillers. We make whiskey in places like Kentucky and Tennessee, and we sell it all over the world. We care about how it's made. We care about things like barrels made in places like Trinity, Alabama, and we even win awards for that work. All of that is possible,

thanks to the people in this room here today, all the people in this room here today. This is your company, your heritage, and these are your results. Congratulations on a great year. Thank you.

And the man who's been leading it, Paul Varga.

### **Paul Varga**

Thanks, Garvin. Thank you, all. He always sets such a nice tone for speaking and a high bar for following. But I will say, if I'd known all we could – all we had to do was read our annual report letters, it would've saved me some preparation time. And as complimentary as you were about the management team in your letter, I might just read your letter instead of my own. No, seriously, to everybody, thank you for being here. It shows – I'm always struck about how much people care to show up and engage, and this is particularly true of the Brown family, who commits to 2 days, I mean 2 full days. I mean, that's it – one of the dinners we had last night, I heard 2 different references to other annual meetings and one of them was to them lasting less than 30 minutes. Another one was, I think, it was Heather said something like 11 minutes or so. It was really funny. And I said, "Well, you all will commit something like 17 hours over the – these 2 days to engaging in Brown-Forman, so thank you very much for caring enough to just be here and to listen to us talk about Brown-Forman.

So what I'm going to do, I am going to go into the results a bit, and I'd like to talk about – I'm going to start, I'll say with something that I normally would conclude with, which is the company's total shareholder return. Oftentimes, I will build to this to demonstrate there's a lot of things that go on that contribute to a company's annual performance in terms of returns. So what you have here on the screen, I thought I'd start here and then begin to peel back the onion, so to speak. And what you have here is the corporation's expressed as a \$100 investment at the beginning, what it would be worth 12 months later.



And these would be ending with our fiscal year back in the spring, April 30. And what you see is an investment of \$100, you see Brown-Forman on the second line, would've been worth \$132 – \$130 at year end, so 12-month performance of 30% growth. I mean, an astonishing number, one we don't expect to have every year.

You also can see on the slide where we ranked versus other benchmarks, and we have a number of our individual competitors on here, some of which didn't have as good a year as they've had in prior years. But you see the aggregate for the industry, which is called the competitive set here, on average, they were off just a bit for the year compared to where we were. You see the S&P 500, the 500 largest companies by market capitalization in the United States, and you see consumer staples, which are made up of companies that would be familiar to you, Coca-Cola, Procter & Gamble, a lot of companies we would call packaged goods. I've always loved that Brown-Forman Corporation was included in the index that was called a staple in the household. I mean, liquor is in there. And actually, if you look at the definition, it says essential to the household. And how wonderful? How wonderful?

But what you see here is a comparative performance that is, indeed, really astonishing. There's only one company that exceeded us during this last 12 months, and it's actually Beam, which had to be sold in order to accomplish that objective. So in any event, a wonderful 1 year and during the course of the year, it ended April 30, since that time, I thought we would celebrate it a bit inside a company, the fact that for the first time in the last several weeks, the corporation's market capitalization actually exceeded \$20 billion in market cap. So a very large number in a relatively short amount of time for this company and so very great results that we're all very proud of. But our performance really should not be measured on a 12 month. And so we oftentimes will reflect on what we've done over time, and I won't ask you to look at every number on here, but there's a color code that I'll ask you to look at. And what you'll see here, even though we were second

on the 1 year, when you stretch the time horizon out to include 3 years, 5 years and 10 years, you see that Brown-Forman was at the very top relative to all these benchmarks that I just referenced on the 1 year. So something we actually don't strive to do every single year, we always strive to have superior performance. We want to be a wonderful investment for our shareholders, of course. I don't recall a time where we were at the top across all of the time frames as we are at this time, so don't have this expectation every year, you all, so... But the one thing I thought that was one of the most compelling things is that over 10 years, just using this \$100 invested at the beginning, you see almost a fivefold return for shareholders over 10 years. And if you think about that compared to what the S&P 500, which actually came back from its low points of 4 or 5 years ago, an investor would've doubled their money versus almost quintupling it. So obviously, a very good investor – investment for anybody who's been a long-term shareholder as most in this room have been.

So now I'm tempted to stop here, but actually, we really do care a lot about why this goes on. This is a lot of the what, and so I thought I'd take you through some of the why and how this has actually happened. And so I'll start with some that are more in the realm of financial and economic aspects of the corporation, a little bit for the industry, too. And one of the first things I always ask about when doing any consideration of an investment is, is in fact the business we're considering here a good business? Is it – I mean, is it fundamentally a good business? And so there's 2 ways. Sometimes there's a lot of ways people can look at this. I have 2 metrics on here that I consider to be at the very top of any list when you want to evaluate the business and the quality of it. And so you'll see here the letters ROIC, which is return on invested capital, which is a measure of the profitability relative to the capital deployed in the business. So it's a bit of an efficiency measure as it relates to profit but from the capital put behind the investments. This is a profit efficiency measure called operating margin, which is the degree to which the sales of the company actually yield profits. So on both ends, they're slightly different, but they

get to the fundamental profitability of the company. And so what we've got here, we've got a scale that will show you all the way from 5% operating margin to 35% and then from 10% returns on invested capital, all the way up to 25%.

So what you'll see here, first and foremost, is that these other benchmarks I referred to actually are nice businesses. I mean, everything I'm going to show you is a very good business. Here's the consumer staples, the food and beverage companies I talked about, a lot of the grocery store companies have very nice returns on invested capital and in excess, it looks like maybe 17%. They have operating margins that are probably more like 9s and 10s and 11s, something like that. You see in the S&P 500, the average for returns on invested capital are lower, but they have nice margins. So it's something short of 20%, maybe 15%, or that might have looked like 17%.

Our industry stacks up extremely well on margins. You can see that the operating margins for the industry overall, this is just an average, approximates something like 30%. This is with the denominator being stripped net sales. When you put Brown-Forman on this grid, we actually – on the combination of them, in terms of the profitability of the company, we are at the very high end of margins and very high end of returns on invested capital. So on any basis, one would consider the business we have to be an exceptional business. That's why we title it an exceptional business model.

Now great businesses don't always grow. I mean, they – you can have very good businesses. We have, if I would apply Southern Comfort, for example, on here, it would have some of the characteristics of being a good business but being growth-challenged. So one of the other things we like to look at is how have we been growing, what's the momentum behind the business to see if it, as well, matches up with the excellent business model. So what I've got on here again are the benchmarks, and I have a 1 year, just this last year of FY '14, and then just to make sure we're keeping a longer perspective, we've

also looked at 5 years.

So first thing you see, it was a tough year for many of the indices and even our industry as it related to overall bottom line operating income growth. Then you have a mixture here, a little bit of organic and reported, but the numbers in these sets are so large that I think they're directionally correct and will make the point. During FY '14, Brown-Forman had an 11% growth in operating income.

Now we don't normally average that far above the industry. We have tracked above many of these benchmarks historically but not to that degree. And what you'll see here, if you look at the fab here, you'll see numbers like 3, 4 and 5 for our benchmarks, but still Brown-Forman approximately double or more than double the growth rate. So you have this wonderful business model that has this great momentum. I mean, those are 2, I mean, tremendous attributes for any company to have.

Now oftentimes, when you have a business like this, you actually incur more risk to get these rewards. And I think the third dimension, this is so interesting every time we look at it, is we have relatively low capital risk when we compare ourselves to these other benchmarks as well. So I've already discussed returns on invested capital. What you see is Brown-Forman having a noticeably higher return on the capital that it puts into the – invests in the business compared to these benchmarks. And then also it's, when we go to study how much debt do we incur to undertake our business in order to get these rewards, you would also see that on the ratio of debt to EBITDA, which is the amount of debt that – relationship to basically operating income, what you see is they have twice as much, so a very important ratio.

So that is a unique combination of factors that I think underpins Brown-Forman's success, which is an excellent business with great momentum that's undertaken with relatively less risk. I mean, you can't find those investments every day, and so I'll just give you one

other statistic that our Investor Relations folks often shine a light on. Over the last 10 years, when you take the 500 companies of the Standard & Poor's 500 index, there were 128, I think is the number, of the companies had over that 10-year period a higher return than Brown-Forman, which put us at about the 75th percentile of performance, which is pretty good. We take that all the time I think.

When you risk-adjust it and think about some of these other factors, the measure that's used in this analysis is actually beta, a measure of volatility, what you find is that there are only 4 companies in the entire S&P 500 who have the combination of higher returns and lower risk. So we are 5 companies out of 500, and that's 99th percentile. I mean, I just don't know that you can actually expect that all the time, but it is what we sometimes refer to as rare fat air. And a lot of that is associated with some things I'll talk about here in just a minute, but 99th percentile, we're very proud of that mostly because it's a lot higher than most of our SAT scores, so those kinds of percentiles we don't get to.

So I've done a lot of quantitative metrics here. What I don't want to be lost is the fact that beyond these financials is what I consider to be a very comprehensive qualitative performance as well. Oftentimes, people will talk only about the quantitative aspects of it. Not only do we think that we have performed comprehensively across many aspects of corporate responsibility, but we actually think the performance on the aspects of corporate responsibility contribute to the quantitative metrics. So much so that increasingly, our customers, our investors are more and more interested in our scores on these topics. And they're harder to quantify, admittedly, but people are paying far more attention to them. And they've become something that we have always had a focus on this and an interest on it. I just think we continue to raise the level of professionalism, focus and interest that we place on it.

So what you see here, there's a number of references, I won't go through all of them. But

it's comprehensive across the world of corporate responsibility, very important to us. And so what you need to know is that our quantitative success has not come at any expense to qualitative success as well. It's a really important aspect of our performance.

So how does this happen? I mean, why are these results and this good business model and this great momentum? Why do they happen? It's a question, I feel like a little kid, I'm constantly asking why, why, why, why, why? I'm going to take you through a few other slides here that I think will give you a better feel for it. So the first and foremost reason is this trademark and this particular expression, too. Jack Daniel's Black Label, a very unique, one of the world's most valuable 100 brands of any kind, also probably 1 of the top 3, I'm guessing, most valuable brands in all of distilled spirits. With it, though, have come a really important period of development related to innovation as we have expanded, I think, very thoughtfully the expressions from the Jack Daniel's family as well. So it's not just this trademark. You've seen references to Tennessee Honey in the video, and I'll talk a little bit more about that in a minute. But In addition to Jack Daniel's, it is, of course, the brand that leads our portfolio. But we have a relatively narrow portfolio of premium brands that we take to the marketplace, particularly relative to our competition. And one of the important aspects of improving the attractiveness of our business were decisions we made in prior years that when we went to focus on premium spirits more, we ended up exiting businesses that we didn't feel warranted as much of our attention, our investment dollars and were not as attractive as the businesses we have today. And I think the combination of that portfolio evolution going back now 7, 8, 9 years is really important to the – those economics and the attractive financials of the company today. So these were good businesses that served us well, but we chose to exit them so that we could focus on that. And this focus, particularly on Jack Daniel's trademark, has helped us enormously.

Now beyond this, Garvin inferred – referred to this, and we talked about it in the video,

it's nice to have the category momentum we've got. I mean, there have been years where we did not have it. And so all of the headlines, the references, the PR, the commentary, you'll see it in the bars, the presence of American whiskey and bourbons increasingly in the retail establishment. It's just a great testament to how alive bourbon is. We sometimes – I had an opportunity recently to talk about bourbon to our local Chamber of Commerce, and we declared that, in fact, American whiskey is now cool. I mean, who would've thought it? And so here, over the last many years, but I will say American whiskey was always cool at Brown-Forman, particularly because of Jack Daniel's. And I actually think one of the reasons, maybe amongst 5, 6, 7 reasons, why bourbon and American whiskey are cool is because of Jack Daniel's. Jack Daniel's has made it cool, particularly outside the United States. So I thought I'd show you one television commercial that's running right now that will reinforce how cool American whiskey and Jack Daniel's is.

[Presentation]

### **Paul Varga**

And all of that's real. There's nothing like having the authenticity of that kind of history and to be able to tell those stories, so how wonderful that we can bring those into the present, these relics and really interesting stories from both the companies and the categories but also this particular brand history, so really special that we can do that.

Well, I've talked about this in prior years, I think another important aspect of these results and the continuing opportunity for Brown-Forman Corporation goes to this, and let me explain it. Uniquely, we believe, because this is a "both-and," we find that we compete against scotch whiskey, particularly outside the United States, very directly where it's referred to as just generally whiskey, and we also have overlap with the vodka category. And what's very interesting about this is these are the 2 most attractive and largest-growing global categories. And so you would like to have associations with both whiskey and

vodka. And what we find is, is that – what you see here are expressions that go up, what we call a premium ladder within the trademark. So Johnnie Walker has a red, a black, a gold, and you will see increasing pricing for it.

Over on the vodkas you see less of that. There has been far less success of laddering up within a vodka trademark. But what they have done, we call this more horizontal line extensions, they have added flavors. If you're ever in the store, at the bar, you will see that a lot of the vodka brands have an array of flavors, so promoting their mix-ability. So you've got this combination of premium-ness and versatility and mix-ability. And I really think that it's very unique to American whiskey, very unique to Jack Daniel's that what Brown-Forman has in front of it is the opportunity to do both premium laddering, just like scotch, so unique innovation opportunities, as well as some of this more recent of the last 10 to 15 years, some of these in the last 5, ability to promote the versatility and great taste and put it in the bottle as it relates to flavored whiskeys, ready-to-drink brands. You will not see a lot of scotch companies with expressions like you see on this side of the screen, and you won't see a lot of vodka companies with these expressions. So it's a unique sweet spot, we think, that we can take across the world. And that's the other most important aspect of this that, in fact, I think this is true, Jim Welch will know this, that I think 1994 was the year we made the most concerted effort on the continuing globalization of Brown-Forman so we're – this summer, about 20 years, so it's been a generation. The company was in international markets, but the big push that Owsley Brown and Bill Street, as architects, put out for the company was to globalize it, fundamentally to globalize it.

So here we are, maybe a generation later, and you think about what Brown-Forman has done. And it's not just that it's an opportunity. I mean, it's real today the performance of the company across this global landscape. So let me share a few of the facts with you. These are underlying sales growth. The first is, just in FY '14, the U.S. continues to grow for Brown-Forman. Even though proportionally the U.S. is becoming a lower percentage



of Brown-Forman's overall sales, it continues to grow and that the market itself is very exciting. It still remains far and away for us and for the industry, the most valuable and important distilled spirits market in the world, and it's ripe for innovation is the other thing. It's just a wonderful market for innovation. The developed international, which would've been some of the earlier Brown-Forman international markets, you all would think Japan, Australia, U.K., Germany, markets like that. Here's where we've had great historical differentiation versus our competition who were in those markets maybe 50 years before us or 100 years before us. We were still relatively new, so we've been coming up the development curve largely on the back of Jack Daniel's, and that – this particular continent grew – or these particular groups of markets grew 6% during FY '14.

And then the emerging markets of the world, which is what the most concerted push was 20 years ago, was to go out into those markets and to start to establish our company, our brand, et cetera. You can see how fast Brown-Forman has essentially globalized as a company and largely because the appeal of Jack Daniel's as a trademark was everywhere. And oftentimes, you all would have heard this from us before, American pop culture, whether it was literature, movies, rock 'n roll, whatever it was, had brought the brand's initial awareness into these countries even before Brown-Forman could get there. So in some ways, this is a story that is a modern 20 years' success story that has taken a lot of work, but I will tell you from a standpoint of an organic globalization, not dependent on acquisitions, this is a fairly rapid globalization story. The world's moving faster though, I'll say that.

Now in addition to this, we also – what enabled some of this were great investments that I think the company made along the way. And so what I've popped up here are the places, where Brown-Forman either through a couple of our acquisitions but, more frequently, we developed organically, are places where we have gone what we call more forward-integrated into – toward own distribution. We call that our route to consumer.

20 years ago, the dominant way we went to the marketplace was to export our products and then have them represented by agents. And so today, you'll find that across the world, we've become Brown-Forman Australia, Brown-Forman Poland, Brown-Forman Germany, Brown-Forman France where, in many instances, we will have 75 or 80 or 150 people of our own employees on the ground to conduct our business. And it really has been a key element in securing the independent future of Brown-Forman to have a global route to market. So it's not only strategic, but it also has been something that's contributed to these wonderful results.

Now the other thing that has happened, start to see some of these things, barrels and agave plants and wine bottles pop up. We have consistently supported investment in our manufacturing operations, and they've really been an aspect of our last 4 or 5 years as we've tried to ramp up, particularly around the bourbon-making. And so you'll see, Garvin was mentioning those in the video, Cooperage, Jack Daniel's, Woodford Reserve, for sure. There's an enormous expansion going on at Jack Daniel's right now. And it's all very exciting, it's to accommodate more of what you see on the map so that we can continue – we call them "once in a generation" investments, so we can continue to have the product that we will need for the future.

So let me do a quick summarization here. So you've got – I think I got this right. You've got a wonderful total shareholder return that is fueled by an excellent business, that has momentum, carried out at a relatively low risk, partnered with a comprehensive performance that incorporates the qualitative aspects of corporate responsibility, led by Jack Daniel's and a premium portfolio of brands, has category momentum, it is uniquely positioned against the opportunities that exist for both scotch and vodka, and it has a landscape for carrying out its work. And I would say most of our employees will tell you that, particularly in the emerging markets, we are still at very low levels of development, so with enormous global opportunity.

So that's the story, but the one missing piece that I haven't mentioned, that I think is so important, Garvin was referring to it as well, is that the magic ingredient of the place are actually all of this. I mean, it really is. I think I've been doing this long enough to know that none of it happens without people, and it's a comprehensive definition of people, too. These are the – both the individuals and groups of people you'll see on here, everybody from the family to our French leadership, individual people, you'll see us engaging in more fun or philanthropic activities. You see our board on here. And I think one of the most interesting aspects of thinking about all of this – I mean, it can be a cliché to say that it takes people. I actually think it's the culture in which they work as well, the environment you create so that people can be their best. And I think, more often than not, we do that. We actually try to create an environment where people can be themselves but be the best version of themselves. And then in working with each other, that – the combination of people actually produce consistently great results. I'm always struck, I mean, it happens because we've been expanding so much, I'm always struck when you talk to somebody who's new to Brown-Forman. I mean I'm 27 years. There's a lot of tenure in our executives of the company, so we forget what it's like to be new at Brown-Forman. And we have so many new people, and one of the common themes I've heard over the last many years is people, when Garvin referenced France, I heard this a lot in Paris back in the winter, was that the place is different. It feels different to them. These are people who would be joining us from wonderful companies throughout Europe. And you would ask, "Well, what's so different about it?" And to a person, they will say Brown-Forman seems to care about things a lot more than other places. They seem to just care about stuff, and so I kept hearing this sort of ethic of care, and it's hard to quantify. I mean, everybody cares about the work of their company, but how do you figure out whether or not you care more or more consistently and put it to great use on behalf of the company? And I started thinking about it, and I think where it comes from is this advantage of family ownership. I really do. I think the family's control of

the company and the fact that as owners, investors, shareholders, they care more deeply about this place and this investment than other similar owners of enterprises. And when you have that, it carries over into management, and so what you end up doing with this ethic of care is saying, "Well, where does it show up?" Well, it shows up in our results. It shows up in our commitment to corporate responsibility. It shows up in the care about everything from our history to the surroundings of our – that you're in today. Then you can get a chance, go see our new lobby, we care about the presentation of Brown-Forman in the modern era. But I think the most important aspect of it is that people who care about things actually have just a higher probability of being more thoughtful about stuff. And when you're more thoughtful about stuff, you're more apt to make great decisions and to convert those great decisions into actions and deeds and initiatives on behalf of the company that have a real impact.

And so what I wanted to do in closing is to thank all of you, and that includes everybody. It's our board, congratulations on being elected again; to thank our board; to thank all of our shareholders, both family and nonfamily shareholders; to thank this wonderful executive leadership team that's at the front of the room who carries out a lot of this work on behalf of the company; and of course, our 4,000 employees worldwide who do this each and every day. And what I want to thank you for is caring enough to produce the results that Brown-Forman has shared with you today. Thank you very much.

### **Paul Varga**

It's normal at this stage for us to entertain any questions that people might have, and so we'll see if anybody has any questions or – okay. Well, again, thank you for your attendance at this part of the meeting. A little more formal. Just so you'll know, as you leave, you'll be guided. We have what I always call sort of an open house and brand fair where you'll be exposed to some of the newer items at Brown-Forman. You can test and sample, which a lot of people love to do at 10:20 in the morning, some of our new products

and items. So we really want to welcome you and encourage you to come over and see what's going on with Brown-Forman here. I think it goes through our design center. So thank you very much for your attendance today.

**George Brown**

Thank you.

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