Brown-Forman Corporation, Q4 2015, Earnings Call 2015-06-03

Presentation

Operator

Good morning. My name is Lavereal, and I will be your conference operator today. At this time, I would like to welcome everyone to the Fourth Quarter Fiscal 2015 Year-End Earnings Conference Call. — ***Operator Instructions*** — Thank you. I would now like to turn today's conference over to Jay Koval. Please go ahead.

Jason Koval

Thanks, Lavereal, and good morning, everyone. I appreciate your patience. We were trying to accommodate an unusually large group dialing in at the last moment for Brown-Forman's year-end 2015 earnings call. Joining me today are Paul Varga, our President and Chief Executive Officer; Jane Morreau, Executive Vice President and Chief Financial Officer; and Brian Fitzgerald, Chief Accounting Officer.

This morning's conference call contains forward-looking statements based on our current expectations. Numerous risks and uncertainties may cause actual results to differ materially from those anticipated or projected in these statements. Many of the factors that will determine future results are beyond the company's ability to control or predict. You should not place undue reliance on any forward-looking statements, and the company undertakes no obligation to update any of these statements whether due to new information, future events or otherwise.

This morning, we issued a press release containing our results for the fourth quarter of fiscal 2015. The release can be found on our website under the section titled Investor Relations. In the press release, we have listed a number of the risk factors that you should consider in conjunction with our forward-looking statements. Other significant risk factors are described in our Form 10-K, 8-K and Form 10-Q reports filed with the Securities and Exchange Commission.

During this call, we will be discussing certain non-GAAP financial measures. These measures and the reasons, management believes they provide useful information to investors regarding the company's financial conditions and results of operations are contained in the press release.

And with that, I'll turn the call over to Jane for her prepared remarks.

Jane Morreau

Thanks, Jay, and good morning, everyone. Thanks for joining us for our year-end earnings call. I'll cover 3 topics today, which should leave plenty of time for questions after our prepared remarks. First, I'll review our fiscal 2015 results, including recent trends from the fourth quarter. Second, I'll discuss our earnings outlook for fiscal 2016. And finally, I'll update you on our capital investment plans. So with that, let me start by reviewing our fourth quarter.

As expected, we delivered strong results in the quarter with underlying net sales up 10%. This top line growth flowed nicely to the bottom line and resulted in 22% underlying operating income growth. As a reminder, the fourth quarter benefited from soft sales comparisons and unusually high SG&A in the prior year period. These fourth quarter underlying trends lifted our full year growth rates back into the ranges that we have shared with you since the start of the fiscal year.

Underlying net sales grew approximately 6.5% in fiscal 2015 with price/mix and volume contributing just under 3 and 4 points, respectively. Price/mix helped us deliver gross margin expansion of 60 basis points in the year and underlying operating income grew over 9% through operating expense leverage. We believe these are terrific growth rates against our public competitors who we estimate are only growing organic operating income a low single digit.

Looking at our business by geography. Results in the U.S. accelerated nicely through fiscal 2015, resulting in 8% underlying net sales growth for the year. Fiscal 2015 marked the fourth consecutive year of volume share gains for Brown-Forman's portfolio in the United States.

Looking at the most recent blended 3-month data for Nielsen and NABCA, Brown-Forman is growing value share at 8.2% versus TDS growth of 6.9%. We believe we are well positioned to keep driving value share gains over the coming years given the momentum in bourbon and American whiskey.

In fiscal 2015, our U.S. team worked closely with our partners to highlight the heritage and authenticity of our leading portfolio of American whiskey brands. We ended the year with depletions of just under 5 million cases for Jack Daniel's Tennessee Whiskey in the United States, an underlying net sales growth of 5%. The U.S. also drove Woodford Reserve's leadership of the superpremium bourbon category with 30% underlying net sales growth, roughly 10 points ahead of the categories growth, as well as accelerated Old Forester, we saw a 34% jump in underlying net sales.

On the innovation front, we continue to focus on creating long-term value through a disciplined approach, and we couldn't be more pleased with the enduring success of Jack Daniel's Tennessee Honey brand, growing underlying net sales at 10% as it begins its fifth year in the U.S. market. The brand has helped reinvigorate the entire trademark, bringing in new consumers and allowing Jack Daniel's to participate in new drinking occasions.

We expect our latest innovation, Jack Daniel's Tennessee Fire, to be equally adept at expanding our consumer base. After several quarters of testing, we began the nationwide rollout of Tennessee Fire in the U.S. during the fourth quarter and the trade and consumer reaction has been even better than what we experienced with Tennessee Honey. Preliminary takeaway data suggests that the brand is tracking above Honey's results at similar points in the brand's evolution.

Despite its national rollout occurring late in the fiscal year, Tennessee Fire contributed almost 2 of the 8 points of growth in full year underlying net sales in the United States. Premiumization of the Jack Daniel's portfolio has been highly complementary to our flavor innovation, and between the 2, they are increasingly important contributors to our growth.

For example, in fiscal 2015, we've surpassed the 2 million case milestones globally for Tennessee Honey, Gentleman Jack and Single Barrel combined. These brand extensions of Jack Daniel's enjoyed favorable economics, in addition to fast rates of growth, and are meaningful drivers to the company.

Moving now to non-U.S. markets. Developed markets outside the U.S. grew underlying net sales 4% in fiscal 2015. France, the United Kingdom and Canada continued to grow at a healthy clip. As a reminder, France's reported and underlying results benefited from comparisons with last year's route-to-market changes as we are no longer paying an agent to distribute our products there.

Excluding this change, underlying net sales in France grew 17%. Total growth in developed markets outside of the U.S. was pulled down by 2% decline in Germany, driven by reduced trade promotional activity. Results were also sluggish in Australia, where weak consumer confidence and high spirits taxation is negatively impacting sales growth as well as Japan where a competitor is aggressively discounting its low-priced bourbon brand to drive volume growth.

Our emerging market business grew 9% with great results in Turkey, Brazil, Ukraine, Indonesia and sub-Sahara Africa. Mexico grew underlying net sales 3%, but Poland declined 7%, largely due to the prior year tax increase and subsequent trade loading. Emerging markets, excluding Poland, grew underlying net sales by 14%, fueled by the Jack Daniel's family of brands that grew 19%.

Let's now move to a reconciliation of reported to underlying results. An appreciating U.S. dollar weighed heavily on our reported results throughout fiscal 2015, so while our top line grew over 6% on an underlying basis for the year, foreign exchange negatively impacted our reported net sales by 3 percentage points. An increase in net trade inventories helped reported results by 1 part – point, due in part to the pipeline fill associated with the U.S. launch of Jack Daniel's Tennessee Fire.

Net of FX and inventory changes, reported net sales grew 4%. Underlying SG&A and A&P spend increased 4% in the year with lower rates of reported growth due to a stronger dollar. Our full year growth rate and underlying SG&A is more in line with the levels we are targeting in fiscal 2016 as we continue to focus on leveraging the investments we have been making over the last few years, including the recent route-to-market change in France.

So putting this all together, we delivered almost 9.5% growth in underlying operating income for the full year and earnings per share of $3.21, up 5%. Foreign exchange was a 7-point drag on reported EPS, including 3 points of transactional impact, 3 points of translational impact and 1 point driven by the higher-than-expected tax rate.

Moving now to my second topic, our outlook for fiscal 2016. We are encouraged to see that the favorable trends that have been fueling our business over the last 4 years appear to be well entrenched and positioned to continue for the foreseeable future. These include strong global demand for authentic American whiskey, consumer interest in flavored whiskey and continued premiumization globally.

In fiscal 2016, we expect net sales growth of 6% to 7%. This range is consistent with the 6% rate we delivered in both fiscal 2014 and fiscal 2015. While fiscal 2016 won't have the 0.5 point top line benefit from the France route-to-market change and we expect Jack Daniel's Tennessee Honey to grow at a slower rate than this past year's 28% growth, 2016 does incorporate the anticipated incremental benefit from selling Tennessee Fire in the United States for a full year. And we also anticipate to begin testing the brand in a few markets outside the U.S. this year.

Looking at our outlook by geography. We expect solid momentum in the United States, improving trends in Europe, soft results in Australia and a solid contribution from our rapidly growing emerging markets. In fiscal 2016, we anticipate driving both volume growth and improved price/mix. We have delivered 260 basis points of organic expansion over the past 3 years, but our gross margin should expand more modestly than this past year's 60 point – basis point improvement, given expectations for higher contribution from volume in fiscal 2016. Gross profit growth should help drive underlying operating income growth of 8% to 10% as we expect operating expenses to grow at a slower rate themselves.

Moving on to foreign exchange. The stronger dollar is forecast to negatively impact reported sales by approximately 3 to 4 points. But assuming current spot rates, we do not expect this dramatic $30 million foreign exchange loss in our other income and expense line that occurred in fiscal 2015 due to the revaluation of non-U.S. net current assets. The absence of this translational loss is expected to result in positive year-over-year variance that offset some of the negative transactional impacts that we are currently forecasting in fiscal 2016. We also anticipate that a reduction in inventory levels will negatively impact reported sales by another point as we comp against fiscal 2015's pipeline fill associated with Tennessee Fire's U.S. launch in the fourth quarter. This inventory reduction should be offset by a lower tax rate of 30% to 31%, and share repurchase should be accretive to the full year EPS based on past repurchases.

In total, we are anticipating diluted earnings per share of $3.40 to $3.60. For sensitivity on FX, a 10% move in the dollar in either direction would impact full year EPS by approximately $0.13. Just one quick comment on the phasing of fiscal 2016. The launch of Jack Daniel's Tennessee Fire in the fourth quarter of 2015 will create a challenging top line comparison in the fourth quarter of 2016.

Let me now move on to the third and final topic, an update on our capital investment plan. Fiscal 2015 CapEx of approximately $120 million was a bit lighter than we expected, largely due to some delayed timing into fiscal 2016, but we continue to evaluate our long-term growth assumptions and the resulting opportunities to invest in meeting our future anticipated demand. This includes plans to invest roughly $200 million in CapEx during fiscal 2016.

For example, late yesterday, we announced our entry into the Irish whiskey category modeled off our success at Woodford Reserve. Irish whiskey is a small but fast-growing segment, and we believe the business shares many similarities to American whiskey. A total anticipated spend for the project over the next few years is $50 million, and this includes building a new distillery, constructing warehouses and creating a home place for Slane Castle Irish Whiskey at the historic Slane Castle site.

Additionally, our stepped-up capital spending includes the Old Forester urban distillery as well as plans for a major bottling expansion at Jack Daniel's and the purchase of a new stave mill in Indiana.

To share some perspective on the reasons to invest in our business, let's look at some of the anticipated 5-year growth rates from fiscal 2012 to fiscal 2016. Over this period, we expect to deliver underlying net sales growth of roughly 40% and underlying volume growth of around 30%. This type of growth, combined with low market shares in the majority of the market around the world, reinforces our view that these investments in our organic growth are some of the highest return opportunities we possess to create value for our shareholders, and we should be aggressively investing behind them. We are halfway through this stepped-up investment to increase our total capacity, but still delivered an impressive return on invested capital of 22% in fiscal 2015. We expect capital spending to return to a more historic rate as we move past fiscal 2017.

So in summary, fiscal 2015 was another great year for Brown-Forman as we drove market-leading growth while simultaneously investing in our brands, our people and our assets. We are fortunate that our business model lends itself to visible and sustainable long-term growth. We generate tremendous free cash flow, which allows us to invest in our future and return $718 million of cash to our shareholders in fiscal 2015 through ongoing dividends and buyback programs.

Over the last decade, we returned $4.3 billion to shareholders with nearly half of that occurring over the last 3 years. Other companies are capable of returning these levels of capital, but few do it at the same time that they are rapidly growing their top and bottom lines and investing in future growth at stepped-up rates. We believe that this balancing act featuring reinvesting in the business and returning capital to shareholders is one of the reasons we have generated a market-leading TSR over the last 10 years, well ahead of others in the industry and almost double the S&P 500.

As we look ahead, we remain focused on delivering top-tier returns for all of our stake-holders by continuing to execute on the strategy necessary to achieve our long-term growth ambitions, enabled by our family control and their commitment to thrive and endure for future generations.

And so with that, let me turn the call over to Paul for his comments.

Paul Varga

Thank you, Jane, and good morning, everyone. Jane, I appreciate you taking the time to recap FY '15 and give a good detailed understanding of our forecast for FY '16. Yesterday, in preparation for this morning's call, I glanced back at my comments from the last several fiscal years and I noticed something interesting. Although I've emphasized various points in certain years or said things a bit differently each year, what was interesting was that the themes from each of these last many years were largely the same. As I read through them, some of the words and phrases that I found common were strong organic growth, high margins, led by the Jack Daniel's trademark, focused portfolio of premium spirit brands, successful and impactful innovation, balanced and diversified geographic results, consistent investment behind our brands and people, long-term view. I was really struck by how consistently I was using these same phrases over and over again. There were a few more worth mentioning as well: excellent capital deployment, favorable balance of risk and reward, industry-leading returns on invested capital, strong track record of financial performance and financial responsibility, top-tier total shareholder returns, outperformance relative to the competition, Brown family commitment, engagement and support, and of course, very importantly, diverse group of talented employees that make it all happen.

So when you put them all together, I think it makes for a very nice list of ingredients in Brown-Forman's recipe for success. It has been such a privilege to be able to discuss our company and its progress using phrases such as these. Know that all of us feel really fortunate. As you can tell from our release this morning and Jane's comments just a moment ago, these same many descriptors can be applied to our FY '15 performance. The largest exception in the last 12 months would be the impact of foreign exchange on our reported results and the drag we believe that has had on our shorter-term TSR.

While it is beyond our capacity to precisely forecast future currency rates, when we study the U.S. dollar's historical value against an index of currencies, we observe that its current strength is notably beyond its historical trading range. Now foreign exchange fluctuations aside, it is also our plan for these descriptors to be the relevant themes for FY '16 and of course, we hope they remain relevant for many years to come. I want you to know, however, that we do not take any of them for granted. Inevitably, there are years that present more challenges than others and we have had brands or countries which have struggled. We try to pay close attention to competitive forces and trends that might limit our ability to describe Brown-Forman in this way. I sometimes refer to this as the company's healthy paranoia in evaluating risks and threats.

As a result, in the face of economic or competitive pressures, we strive to adjust, to innovate, to be adaptive without overreacting, to be balanced, to persist so that these enviable descriptors I've shared with you this morning will still apply when we discuss Brown-Forman's progress in the future.

Now before we take your questions, I thought I would touch just briefly on the news we announced yesterday about our intent to enter the premium Irish whiskey category through a blend of acquisition, innovation, partnership and investment. We believe that the premium-plus Irish whiskey segment has many of the attractive characteristics we've long admired and benefited from in premium American whiskeys and bourbons. These characteristics include: excellent category and segment momentum, high gross margins with the ability to further premiumize, attractive returns on capital once sufficient scale has been achieved, shorter aging horizons relative to some categories, strong heritage and history but with a contemporary flair, the ability to innovate within the same trademark, great usage versatility ranging from straight to mixed, and very importantly, still at very early stages of global development.

Something we find attractive about the category that is in contrast to the American and Scotch whiskey categories is that there are simply fewer competitors in Irish whiskey today. While I expect this to change over time, this is a uniquely attractive attribute of Irish whiskey at the present time. Given the very limited number of Irish brands and distilleries in existence, along with the fact that few have any interest in selling, we've chosen to take this unique approach to acquire our company's long-term view and over time, try to build something similar to what we've done with Woodford Reserve over the last 20 years or so. Needless to say, it's a very exciting opportunity for Brown-Forman.

When you consider this alongside our significant capital investments behind our production operations and consider the enthusiasm we have for Jack Daniel's Tennessee Fire and Tennessee Honey and consider that we believe the prevailing descriptors of Brown-Forman will remain relevant and further consider that we've stepped up our share repurchase program recently, it brings into focus our belief that the best investment Brown-Forman can make at this time is in Brown-Forman. We will, of course, keep you updated on our progress as it unfolds.

That concludes our remarks for the morning, and thank you for listing. So we're now happy to take any of your questions.

Question and Answer

Operator

— ***Operator Instructions*** — And your first question comes from Vivien Azer with Cowen and Company.

Vivien Azer

My first question has to do with the outlook, please, for price/mix and if you could unpack that a little bit, price versus mix and how that might vary, U.S. versus international.

Jane Morreau

Okay, I can take that. So we talked about the top line. We forecasted the growth in the 6% to 7% range, and we're forecasting that this next year, we have a bit more volume than we had this past year. So volume will be a bigger contributor to our top line growth than it has been this year. But we do continue to expect price to deliver and mix to deliver in the low single digits, a couple percentage points. But I will say what we're doing as it relates to pricing, we'll take a nominal pricing, if you will, in the U.S. and many markets around the world. But in some markets, we are being very focused on pricing. So for instance, I'll focus on el Jimador, which is our largest full-strength tequila. In the Mexico market itself, in our second year of pretty major pricing activity, so in the second year, we're repositioning the brand to be more premium and really kind of improve that brand business, if you will. And we think over the long term, it'll improve the equity of the brand, the growth of the brand, and most importantly, the returns on that brand. And so that's a place where we're focusing heavily on taking pricing. The markets where the FX hurt the results and where we see competitors also taking pricing such as Brazil and Russia, we're also taking pricing in those markets. And so we're obviously very – looking around and being very aware of what's going on in the marketplace and where the economics support pricing and will take further if things happen to improve in certain markets. But that's kind of the way we're looking at volume and price/mix this next year. I hope that helps.

Paul Varga

Yes, I might add one thing on this. I think it's helpful if you think about the pricing over a multiyear. I mean, if you go back a few years, we have been a little more aggressive, and I would say this year, we're leaning a little bit more on volume than pricing and the total mix and some of that is because we look ahead as well. If you think about the consumer trends and their volumetric interest, particularly for the premium brands where we're already very well positioned, this is a great year for us to get volume, I think. And in future years, because of the capital investments we've been making over these last many years, we'll start to see some of the costs associated with those commemorative [ph]. I think there'll be more responsibility on our part to try to cover some of that with pricing. So if you think about it over like I – which we try to do over 3- or 5- or 7-year period, the balance of pricing and mix, this is a particularly good year, we think. And I think our people feel that way, too, when we did our planning, that this is a good volumetric year and so we lean a little bit more toward that. And we still get a lot of benefit from the mix, we think.

Jane Morreau

Yes, that's a good point, Paul. Just building on Paul's point on mix. You heard us talk about some of our brands – Jack Daniel brands exceeding 2 million cases this year, our premium end, the Gentleman Jack, the Single Barrel and actually, the Honey brands, and those are our higher-priced brands, if you will. Those, coupled with if you get Woodford Reserve growing over 30%, those are higher priced and that mix alone, as they continue to grow, will help offset the mix.

Paul Varga

Yes, they may become effective price increases on the whiskey.

Vivien Azer

Absolutely, that's terrific. My second question has to do with your outlook for advertising spending please.

Jane Morreau

Yes. So I don't have specific – I think what we've said, what we're looking to do next year is get, from our operating expenses, some leverage between operating expenses. Most likely it'll come in the form of SG&A. SG&A is the biggest of our 2 components, so we're going to continue to invest behind our people and we will continue to invest behind our brands. I think what you – what I'd like to do is look, somewhat to what Paul said about pricing, is to look at what we've invested over the last 5 years, particularly as it relates to SG&A. And I think our stepped-up investment, whether it was in route-to-consumers in France or Turkey and Brazil and other places, we've invested quite a bit and we want you to think this is a good year ahead to start leveraging that. As it relates to A&P, we'll continue to invest behind our brands and the markets where we think that the consumers are willing to listen and where we can listen. I think one other point to – important point to make here is on dark markets. More and more markets are becoming dark and so I think that we need – we all need to be aware that people are the ones building the brands in those markets, so in those markets, you may see SG&A increase. So we kind of look at the things coming together. You got to have people to grow the brands and they've got to be there to support the A&P spends too.

Paul Varga

I think within the mix too, Vivian, you would – as you would imagine, there's quite a bit of – not quite a bit, but reallocation has been going on within our mix of A&P investment. So like for example in the first half of this year, you would expect us to be spending more money on Jack Daniel's Tennessee Fire as it launches and we go out and support its initial reception in the marketplace. Our American whiskeys increasingly have been receiving more A&P because the trends are so favorable to them, and it might be coming like I note, like for example, last year, it came a little bit of the expenses and media budget for Southern Comfort, which had not been traveling as well its trend. So there's been some reallocations within the mix as well. But we think, because of the past investments and the level we're going to have of investing behind it now, I think we're pretty comfortable that we should still get nice leverage.

Operator

And your next question comes from John Faucher with JPMorgan.

John Faucher

Wanted to follow up a little bit on some of the comments about the SG&A leverage on investment. And I guess, what I'm trying to figure out is, you improved the profitability per case by sort of bringing this stuff in-house, but there also was, I guess, a level of investment in terms of building that capability. So as we look at you cycling those, is it 2 benefits as we look out to fiscal year '16 in terms of the additional profit plus the lower spending? Or is it just sort of one benefit from that standpoint?

Paul Varga

You might – can I just ask you to clarify that? Which benefits are you talking about? I maybe missed the first part. Are you talking about the absence or presence of the French investment? I was trying to read into your...

John Faucher

Yes. Well, I guess, what I would say is, right, my understanding is the investments in France create a business that is structurally a higher profit per case business. And then along with that, you have additional – were there additional investments? So as we look at the leverage, are there 2 things driving the SG&A leverage as opposed to just 1, if that makes sense?

Jane Morreau

Let me – I'll take the first part of your question. The benefit from France happened in F '15 in terms of our net sales benefit that we're approaching. You're not going to have another benefit in F '16 as it relates to that. So if that happens – but just to step back for a moment when we change these route-to-consumers is really what happened is someone else was representing us in the market and we were paying them a margin, so our sales were lower at the time. Now we brought it in-house, our sales are higher, and we brought the capabilities in-house and so that SG&A, which started when we geared up this route-to-consumer about a year ago, January, so we had 9 months of it in this fiscal year roughly that won't repeat itself again next year. So you will get a benefit from that next year, but we won't have that year-over-year increase, if you will.

Paul Varga

Yes. So the – it's now in the base and there will be less benefit to the sales line of incorporating it and less hurt to the SG&A line, of hurting it in F '16.

Jane Morreau

Yes. There's no more hurt coming through, it's in the base.

Paul Varga

It's just in the base.

Jane Morreau

Yes.

Operator

Your next question comes from Judy Hong with Goldman Sachs.

Paul Varga

We somehow lost her.

Operator

Your next question comes from Robert Ottenstein with Evercore ISI.

Eric Serotta

It's Eric Serotta in for Robert. Couple of questions with respect to flavors. First, on previous calls, you talked about Fire indexing at about 130% to 140% relative to Honey at similar stage of its development. I know you mentioned in this call it's also tracking favorably. Wondering if you could put some quantification around that. And second, hoping you could – you, Paul, could talk a bit about flavors more broadly. Diageo is having a lot of success recently with Crown Royal Regal Apple. Wondering how you're thinking about whether a year-round apple variant for Jack is needed or next. Any context will be greatly appreciated.

Jane Morreau

Let me take the first part and you take the second part?

Paul Varga

Sure, it's fine.

Jane Morreau

Okay. So yes, as we talked about, Jack Daniel's Tennessee Fire just got launched in our fourth quarter nationally. And we know there continues to be an enormous amount of interest in flavor, as you noted, in the U.S., and firstly, it was Honey just completing its fourth year and having the type of growth it had this year in the U.S. of 10%. So as we look at our read on Fire, what we had communicated last quarter, we have really just focused on our 3 test markets and we've now since had 5 other markets that we had expanded to in October. So we got a little bit more read and we feel very good about what we're seeing. It still is in the 130% range as it relates to how it's relating to the same period of time for the Jack Daniel's Tennessee Honey launch. And so we know cinnamon is a hot category and we have – we're very cautiously optimistic about the Tennessee Fire and what it could do for us the next fiscal year. And I'll turn it over to Paul to talk about flavors in general.

Paul Varga

Yes. I mean, just building on what Jane said there, I think that, as a general comment, I think we're going to continue to pace ourselves correctly even with Tennessee Fire, which, in my view, sort of had a 3-stage introduction to the U.S. market. We even there want to continue to evaluate its performance in the marketplace. As you can imagine, with any Jack Daniel's product line extension in these cases, there's always an initial interest in it. I mean, it's just such a big and powerful brand and people give it the benefit of trial oftentimes. And so in the test markets for Tennessee Fire, we wanted to make sure that, that was repeatable, that people actually would get through any barriers that might have been perceived. The biggest one oftentimes for products that are labeled flavored is whether the product in the bottle is working in. Every indication we've had so far on Tennessee Fire is that it, in fact, is. So when you move beyond that for us, I mean, it's always to consider Jack Daniel's tends to enter very premium price points and that's again the case here in the cinnamon world. So you're trying to test what level of consumer interest and affordability shakes out, so that's something we continue to watch. And with the national scale launch now, as the months unfold, we'll have more and more data to look at to see how that particular aspect plays out. As it relates to the increasing competition and even you referenced one of them, there are no plans on our part right now other than really implementing the Jack Daniel's Tennessee Fire and Jack Daniel's Tennessee Honey plans that we have in place for FY '16. In general, you should expect us to continue to be cautious. The Jack Daniel's Tennessee Honey sort of global rollout took 4 years, and I think with Tennessee Fire, beyond the things I've already mentioned related to what we'll evaluate there, Jane did mention these limited tests in a few of the international markets. We're going to want to look at those and read those. There's a lot of work still to be done and to be interpreted and evaluated before we consider anything beyond what we've done just now. But we will of course try to study the competitive landscape related to any flavor that's out there, so we can understand how it may impact the flavor entries we've got. So that's how we feel about it right now.

Eric Serotta

Great. And just one housekeeping question, Jane. I think you gave specific guidance in terms of FX impact on net sales for fiscal '16. I know you said that the EPS impact or the earnings impact wouldn't have that headwind of the $30 million in translation, balance sheet translation. Did you give specific EPS guidance as to what the year-on-year headwind would be for FX?

Jane Morreau

I did not, but you can expect it to be several cents.

Operator

And your next question comes from Tim Ramey with Pivotal Research.

Timothy Ramey

Paul, with respect to the list of superlatives that you rattled off, and I mean this truly is probably the best company I've ever followed in 30 years of doing research, I did note 2 things that we frequently talked about on calls that were not talked about today, SoCo and RTD. And I just wondered if you'd offer up any thoughts about sort of reigniting – or stabilizing, reigniting growth, whatever it might be in those 2.

Paul Varga

Yes. I mean, well, thank you for the comment, number one, and welcome to the call. I'm going to have you read it next time. No, honestly, the Southern Comfort one, we have talked about with regularity about the challenges in part of – this is a very interesting dilemma for Brown-Forman, if you go back 5 or 6 years ago, that Southern Comfort was one of the key targets of all this competitive flavor success that other companies were having. And to be quite honest, our entry into flavored whiskey was a bit defensive. It was to protect Jack Daniel's and Southern Comfort and our company in some ways, and Honey emerged mostly to be, I mean, really to be fair, out of that. And then – but I think our company and the people who launched it did a superb job of making it work in the marketplace in the way that it has. So Southern Comfort along the way, we've been – we have been actually – I feel like shoring it up. I really do feel like it would've been competitively deteriorating more had we not been taking some of the steps we've taken. And as I look at that growth rates going back 7 years ago, 5 years ago, 3 years ago, some of them have moderated. And some of that's come through what I'll call innovation underneath the Southern Comfort umbrella, and some of it has just been that there really is a core Southern Comfort user who likes the product in the bottle and is not going to be distracted by some of the flavor entries. And so we feel like we've done some of the best work we can do there with, particularly with advertising and communications. We felt like we've put forward a good step there. It's just competitively under assault. So I will say that from a corporate portfolio standpoint, when you add up the Southern Comfort volumes with the Jack Daniel's Tennessee Honey volumes and what we hope will be a successful Tennessee Fire volumes, in the aggregate, they add up to nice growth for Brown-Forman's flavored portfolio, as you can imagine. On the RTDs, you make a point. I don't know if we mentioned it. We certainly mentioned it throughout the course of the year, but a lot of that is related to the difficulties of the Australia market and how competitive it's become, the difficulty really at the macroeconomic level for Australia right now, but also very much the competitive nature of RTDs down there. There's been some impact from competition. Southern [ph] has done very well down there, so it's taken some of the steam out of what has been a very nice progress over more than a decade for Brown-Forman largely under the Jack Daniel's name of RTDs. And we're not done with innovation there. We think there's still a lot of opportunity there, particularly when you consider that against the denominator of all single-serve beverage alcohol, which brings in the category of beer. So we don't quite have news to share on that today, but just trust that there will be a lot of work going on to make sure our RTD business remains healthy.

Timothy Ramey

Great. And just one follow-up for Jane, if I could. The discussion of the fourth quarter tax rate, obviously, the quarter would have been much better if you'd had a more normal rate. And also, Old Forester, up 30-some percent or...

Paul Varga

Yes, there you go.

Timothy Ramey

Can you elaborate on – I mean, it sounded like you made comments, I think, in the release that suggest that it was getting more on-premise feature, is that correct?

Paul Varga

Yes, I'll comment on Old Forester, let Jane tackle the tax one. But yes, the Old Forester, there's this irony since you've known us for so long. The brand, in some ways, became so small that it became cool and relevant again because that was our founding brand and it had been sort of chugging along at the 100,000 case mark for a bunch of years. And of course, everybody at Brown-Forman is very passionate about it because of what it represents to the corporation and to the family. But it has met its time is the way I'd say it. It is an exceptional value in the marketplace for the quality of bourbon that's in the bottle and the price the consumer pays. And I think that recognition has come about. There's certainly some retro appeal to it. And I would give a lot of credit to the teams that have worked on Old Forester because the expressions of Old Forester Birthday Bourbon that has been out there now for many, many years have reminded people of the quality. And I was struck just within a very short amount of time this spring, we – I observed – somebody sent me a copy of people standing in line to get the latest release of Old Forester Birthday Bourbon, right around the time that we announced that Old Forester would be flavored and be the mint julep of the Kentucky Derby. So there it was, working both dimensions of the appeal of American whiskey both premiumizing, but also adding flavor. And so I'd say Old Forester is at the sweet spot of opportunity for American whiskey at Brown-Forman and that's why we're investing in the way we are down the historic whiskey road behind the new distillery.

Jane Morreau

Okay. And Tim, just to follow up on your question as it relates to the tax rate. It did come in a couple of points higher than what we had anticipated too. And the point of it was due really to a higher mix of our U.S. business, if you will, which, unfortunately, is taxed at a higher rate than we had anticipated if we had, had more earnings outside the U.S. So said another way, our earnings outside the U.S. were a little bit smaller than we had expected. That's about a point. The second point is what I would call more discrete in nature, more onetime in nature and it relates to foreign exchange transactions. And again, we wouldn't expect that to continue next year, assuming the rates stay where they are. So just as a reminder, I gave the forecast of a 30%, 31% for '16 is what we're assuming right now.

Operator

And your next question comes from Bill Chappell with SunTrust.

William Chappell

Just a couple quick questions. One, can you give a little more color on el Jimador and kind of what was alluded to in kind of the change of the pricing in Mexico and how that's expecting to kind of play out over the next few months or few quarters, I guess?

Paul Varga

Yes. We can maybe – I'll start it and Jane, you can add to it. Yes, I mean, I think part of it, Bill, we – our company is not largely in the, what I'll call, the big local market categories. And the lone exceptions that actually we probably would have referenced over the last fiscal year would be the very sizable, at the popular price point, el Jimador business in Mexico. And then, the closest thing to that might be the Finlandia business, even though it's premium in that market, to the – in the Polish market. And worldwide, a lot of those segments are – have been under pressure for a while. And so we're not exposed to them too much and I think it's actually one of the reasons we have such nice competitive outperformance. But where we do have them, we try to improve them, is the way I'd say it. And our teams in Poland and Mexico have been busy working on corrective actions. In the case of el Jimador down in Mexico, I mean, it has our attention because we just think it's not that great a business for Brown-Forman at that price point. And so you get extra motivated to make sure the economics of the business improve, not only trying to get the thing to grow, but also the economics of it improve. And that one is unique because it's a, at that price point, it's a 100% agave product, which means it has a pretty significant amount of raw material commitment behind it for multi-years. And the way I see it, just sometimes the math doesn't work for that unless you go fix it. And so part of it is like the Herradura business, at a very super-premium price point, works pretty well the math for Brown-Forman. But lower price points doesn't work as well. Even the el Jimador business in the United States works reasonably well and because it's at a much more attractive price point than the Mexico price point. Now we go into that with our eyes wide open, knowing that the Mexico price segment that we're in right now is ultra-competitive. And so I think it's a pretty courageous thing by our company, and particularly by the Mexico team, to take on a very high-quality product in that segment and try to generate incremental value through pricing in a different blend of pricing and volume. So that's the whole idea there. And anywhere we see that in our company, we try to make sure that the businesses are attractive to us, and in that particular case, it needed some improvement.

William Chappell

And just so I understand it, there's new packaging marketing that comes with it or is this offsetting…

Paul Varga

Absolutely. No, no, yes, you try to work the whole mix. The product continues to be 100% agave. I mean, the el Jimador product is exceptional. I mean, really, it's across all 3 expressions. And so getting the value for it in the marketplace and, of course, we did repackage it here, I guess, within the last 12 months, so there's some packaging work and a lot of, what I'd say, trade relations and public relations that go with it. The sales force gets retrained on how to sell it, then you try to give it the support it needs so that it can actually justify it. So in some of these instances, you're actually willing to accept lower volumes going into it. I mean, you sort of expect that there's a customer who won't travel with you to the higher price point.

William Chappell

Got it. And then just on the Slane Castle acquisition, is there – are there any kind of dilutive cost to EPS this year? I understand the $50 million is largely CapEx, but didn't know if you had start-up costs or other financing costs or something like that, which would be net dilutive to your guidance this year?

Paul Varga

Very immaterial. I mean, we always are working – we're working on brand positions and some of the initial development work, and we're doing that kind of work all the time, but it's immaterial early on.

Operator

And your next question comes from Ian Shackleton with Nomura.

Ian Shackleton

And Paul, congratulations on getting there on the Irish deal. I had a couple of questions around it, if I may. Firstly, can you give us some idea of the size of the distillery? I know the family originally were looking to a much smaller investment a couple of years back and your $50 million is a lot more. Could you give us some idea of how large this could be? And secondly, just on the phasing of the spend there, if I understood Jane rightly, within the $200 million this year, there will be a reasonable amount to the $50 million, but not all the $50 million. Is that correct?

Paul Varga

Yes. I mean, Jane, you want to answer that last question and I'll talk about the…

Jane Morreau

Yes, Ian, we're planning on starting construction this summer and the amount of money that I've announced, the $50 million are mentioned, it's not only for a distillery, but it's for building a couple of warehouses, which won't all happen right away, as well as the homeplace. So of the $50 million, it's not a – not even half of it of what I anticipate being spent in this fiscal year.

Paul Varga

Yes, the initial investment there is around hospitality and enabling your distilling. Those are the 2 big ones. And Ian, if I think I've got this right, I mean, I think it would enable – I mean, if you're going to build it for success, it would enable us, from a total capacity with that initial investment, to do an excess of 0.5 million cases. So I think it's 9-liter cases. So I think we would plan for success. I mean, with – and just to give you a scale of it, Woodford Reserve is not that large now. So – and we've been at that for 20 years. So I mean, just a frame of reference. So we would be enabling a generation of development maybe is the way to think about it.

Ian Shackleton

That's very useful, Paul. And just one quick follow-up. Jane, I think you answered the question on FX and EPS and you broke up. Could you just repeat what you said?

Jane Morreau

Sure. What I had said was that it would be about – he had asked, we're going to hurt by transactionals. As I said, we're still going to be hurt as the rates fell throughout the year. So we're still expecting a transactional negative impact but the translational absence of the $30 million this year will offset some of it, but not all of it. So we're still expecting a several cent hurt to EPS for fiscal '16.

Operator

And your next question comes from Bill Marshall with Barclays.

William Marshall

I was just wondering if you could give us a little bit more color on what you're seeing on the on-premise versus off-premise. I was hearing that maybe we've seen a little bit of a slowdown in May. I don't know if you guys have seen that. And just generally, what you're anticipating going forward.

Paul Varga

I mean, I haven't looked closely at the main numbers. I'm assuming you're talking about the United States?

William Marshall

Yes, yes.

Paul Varga

Yes, I mean, it's been ebbing and flowing a bit. Sometimes I try not to get too fixated on it because of the weather and some of these other things. But I – our assumption right now is that in the U.S. market, the off-premise will continue to be the driver. With the on-premise, at least the numbers I saw last time looked more flatfish as it's related to traffic. So – but I would continue to remind you that I just think the study of that is so interesting in the world of social media today because of the way, at least in this country, it appears to us that the consumption formats and locations have changed because – and have been enabled by what I call the crowd-sourcing ability of social media. And we've traditionally, because it's convenient to do so and very important to do so, bucketed it between on- and off-premise this. But I continue to observe more anecdotally that the off-premise environment increasingly is becoming mini on-premise environments as people host others, and some of that is affordability. Some of it is just buying by the bottle versus by the drink is more affordable. And one thing that you heard us phrase is that people are warming up, so they'll assemble at each other's residences or whatever and have a drink or 2 before they go have dinner and go to a restaurant or go to a bar. And so it's almost like there's just changing patterns of consumption in the U.S. market that I think are influential to trends and brands that might be relevant. But they also will change and show up, I think, over time in these metrics call just on-premise and off-premise.

Jane Morreau

That's a good point. I would just build on to what Paul had said, and we haven't seen our own numbers and it just came out this morning as it relates to the on-premise. I agree with everything he said in terms of the change in what people are consuming and so forth. But for us, I will say through April, our results were actually trending quite well in the on-premise where we were flat over a year ago, and we've been trending – continuing to improve month after month in both Jack Daniel's and our overall company itself has been above in EPS. And I think one of the big things we talked about earlier is really Old Forester. Tim Ramey mentioned Old Forester, I think, growing 35%. And it actually is the fastest-growing brand we have in our portfolio in the on-premise and is doing quite well.

Paul Varga

Yes. And we would expect, I would tell you, compared to the early experience we had on Tennessee Honey, we would expect Jack Daniel's Tennessee Fire to have a little bit more of a skew to the on-premise versus the off-premise. I think it'll still be very off-premise successful too. But I think the early reception to – from what we've seen to Tennessee Fire is a little bit better development in the on-premise than what we experienced from Tennessee Honey.

William Marshall

Perfect. And then just one last question, I don't think I heard you give an update on the situation with the wood cost and the barrel making cost, and if you could just give us an update on that situation and then how that plays into your 2016 outlook and guidance.

Jane Morreau

Okay. So what we've done, as it relates to that, we've taken more things under our control. We mentioned that we were investing behind a new mill in Indiana this year. And so that, along with being able to be supplied with the logs around it, will help us in terms of the availability as well as costs. I think right now just the overall dynamics with the bourbon and whiskey just growing like it is and the demand out there for new barrels is putting pressure, obviously, on the cost of wood. And so with that, we're seeing some stabilization, but it's definitely higher than what it's ever been. But if you flip it around and look at the other side of it, we also benefit from selling our barrels when they become used, if you will. So there's a two-sided coin to this, if you will.

Paul Varga

We have those higher, the costs, because they were already occurring in FY '15 and we have those incorporated into our estimates for FY '16. So they would be incorporated in our guidance.

Jane Morreau

And yes, just the – I think maybe you were – we – if you're looking for what our cost increases for next year might be, I think will probably be still inflationary 2% to 3% range.

Operator

And your next question comes from Mark Swartzberg with Stifel Financial.

Mark Swartzberg

As good as the growth is, and I think we can all see it and it's very reasonable for you to have the optimism you have, I want to probe on a couple of areas of risk that are on my mind. One is the cinnamon whiskey category here in the U.S. You're off to a very good start. Of course, Fireball started the category. But when you look at the momentum for the category, never mind whether it's Fireball or you or another smaller brand, what are you seeing in terms of momentum in terms of consumption at the point – momentum at the points of consumption for that category? Is it picking up? Is it slowing down? Is it holding steady? So that's one question I have as I kind of think about the effect of your performance a year from now with Fire. And then the second is, on the subject of advertising, Paul, when we talked last quarter, I think you made a very compelling case that even if you yourselves grow mid-single digit in terms of advertising spend, which is lower-than-anticipated rates of revenue growth, that's superior to your competitors. Can you talk a little bit about what is the anticipated rate in the guide for fiscal '16 and whether there has been any change in your assumption and in planning for ad spend, given the anticipated rates of revenue growth?

Paul Varga

Okay. I'll try to tackle those and, Jane, chime in as you feel. On the slowing down, I think though you would expect that the – it will be interesting to see how Tennessee Fire adds to the, if you were to define the subsegment called cinnamon or if you were looking at it broadly as flavored. I would say that flavored generally, the leader in flavored whiskey has been decelerating, but off of very high levels. But then you would have the infusion of new entrants who continue to, like Tennessee Honey, being one that continues to grow nicely. But then our new entrant in cinnamon and then I think the aforementioned Crown

Royal entrant, all those will be adding to the mix if you define it as flavored. Cinnamon, I would expect, just because of the very large volume level of Fireball to slow down with the passage of time, and whether or not Jack Daniel's Tennessee Fire more than makes up at the category level, will have to be seen. But I would just – if you just added up the volumes associated with these leading brands, I mean, you start to get bigger than entire categories that have been in existence in the United States for decades. I mean, so – I mean, it really is a very interesting development phenomenon for the industry that you have to pay attention to, but be very responsible about. And I think there's – I'm sure a part of your question about it is this stuff, just a trend that is going to bust and go away. I mean, there's nothing we can do about the categories. Marketing as it relates to that or the way that the consumer experiences it, we can control that a little bit in the way we market our brands. And so one of the reasons we've been so focused on the particular 2 that we have out there right now is to try to make them enduring brands. And there are ways you can market these things that give you a better chance of that than others. And I think being at the premium end of the category helps in some levels. I think encouraging versatility and mixability in the products is another attribute. To the extent that they engage new consumers is another attribute that can make these things be more sustainable. So there are a lot of things that we'll continue to study. But I mean, I'm a bit probably like you. We're looking at it, observing it. In our case, we're trying to compete within it. But also, we really don't know, but I would say so far, it continues to be ultra-impressive as it relates to the just sheer volumetric scale, in this country particularly, related to flavored whiskey. On the A&P, I think it is just continuation of what we've been saying. I mean, the lone exception to this year is probably more immediate around the launch of Jack Daniel's Tennessee Fire, it's sort of our new item, so you would expect that within the mix of Brown-Forman's investments. But if we were growing the way – if I think back over time, if I was looking ahead, if we were growing at the rates we are, in the 6% to 8% range at the sales line, I mean, I just feel like – as focused as we are and with some of the influences like Jane mentioned of dark markets and the line extension benefits that you sometimes get, I think mid-single-digit levels of A&P for right now feel about okay. I mean, I don't feel like – I do think versus at least past practices that would gain share of voice. I don't know what our competitors will do in the coming years, but over the last couple of years out, I would still assess that we gained some share of voice.

Mark Swartzberg

That's very – okay, great. And if I could just kind of continue from a U.S. perspective, ask about a question that pertains to the gross margin evolution and we just got some color that was helpful on the wood cost. But on the last call, we also talked about – and in this call, you've talked about wanting to expand the consumer base, which brings a certain incentive not to raise prices and even to promote a bit more. As we think about the gross margin evolution here in the U.S. for the total portfolio or the Jack Daniel's family, can you just talk a little bit more about how you're thinking about that average selling price at retail and what you need to do with the family, given what's going on within the larger bourbon segment, but of course, with also what's going on in the vodka segment?

Paul Varga

Yes. I mean, probably that's – you just basically referenced the most artistic exercise that goes on in brand management. I mean, it really is. And I think on balance, so as you think about that challenge within the Jack Daniel's framework and let's use your example of the United States, simultaneously, what we're trying to do is to continue to – and by the way, the brand Jack Daniel's Black Label finished in the United States in fiscal '15 at its all-time volumetric high level. I mean, it just is a wonderful attribute of a brand that next year will celebrate its 150th year in the United States. So I mean, it's sort of staggering to think about that and had some pricing. And also was the basis for the success of Jack Daniel's Tennessee Honey, Gentleman Jack, Jack Daniel's Single Barrel, Jack Daniel's Sinatra. And so the ability, the delicate balancing act is continuing to advance Jack Daniel's

Black Label's brand equity, its net sales, its volumetrics, while also advancing these other consumer opportunities that maybe Jack Daniel's Black Label can't so readily or easily accomplish through its own programs and they're more efficiently accomplished through line extensions in these cases. And you have to be very selective, you have to be very thoughtful. In our case, we sometimes are a little more patient than people would like, but it's worked very well for us. And the thing I would point to is the level of cannibalization that we experience is so minimal and it's because we will continue to support Jack Daniel's Black Label while we're introducing Jack Daniel's Tennessee Fire, for example. And when the line extension emphasis is on items that have higher gross margins, you effectively take the pressure off Jack Daniel's pricing and permit it to grow a little bit more volumetrically because what you would end up doing on the mix of Jack Daniel's whiskey is get a mix increase. You get an effective price increase because of the mix. And so elements of that are at play right now, and we like it. I mean, we actually like it. It's not that we're anti-price increase because we believe one of the elements of making Jack Daniel's continue to be exceptionally special, well valued is to keep its price premium. I would even refer to it today in most markets around the world as super-premium. So I hope that gives you a little more color on it. It is a really artistic exercise. I mean, as you can imagine, we – I mean, I wish we could write even a road map for ourselves, but you are always dealing with the influences of the competitive environment around you. And so far so good and I think it's in our results. But it's wild that we get paid to do what we do every day.

Operator

Your last question comes from the line of Brett Cooper with Consumer Edge Research.

Brett Cooper

A couple of questions. Can you just talk about the phasing of how we see Slane Castle come to market?

Paul Varga

Phasing, coming to market with the Irish whiskey project.

Jane Morreau

Yes. So the plan on the Irish whiskey project, if you will, is to purchase some new whiskey, if you will, that we can make our own products on.

Paul Varga

From the bulk market.

Jane Morreau

From the bulk market. So we plan on starting to do that in F ’16, hopefully, through our proprietary blending and so forth with it and go to market probably in F ’17, if you will. What we’re actually building now in terms of the capital and we won’t have that all completed probably till F ’17, early F ’18, so we won’t be distilling, making our own distillate, if you will, until about that time. So that actual whiskey that we’ll be producing with the $50 million investment that I referenced won’t be available until 2022. But in the meantime, we’ll continue to purchase on the bulk market.

Paul Varga

Yes. So we’ll have a product that we’re very proud of that we haven’t constructed yet that would be made and available for the 5 years while we’re aging the product that we can, in fact, distill after 2017. So yes, we did it. Some of this, when you – at least in my time, we’ve only done it once, which was Woodford Reserve. When we renovated the distillery and built out the distilling capacity, you wait a few years before the distillate comes in. And so I think the key thing is to make an excellent product. And that’s one of the things about – I mean, Irish whiskey, there’s very few competitors and the products themselves are, I mean, generally and very genuinely of very high quality. So you’re going to want to make sure you put something out there that works very, very well in the marketplace. So the standard, I think, for Irish whiskey is fairly high in my view.

Brett Cooper

And if I may on the pricing question. If you think about the mix that's going on in the U.S., specifically within U.S. whiskey, I mean, you're seeing average price per volume increases of 4% or more. I mean, how do you balance Black Label pricing with kind of the goal, I assume, of never having Black Label to be equivalent price to average price volume for the average U.S. whiskey?

Paul Varga

Well, I'd have to look at your data. But I mean, traditionally, number one, it's so big within American whiskey, it helps to set the price for American whiskey. I mean, it at least certainly makes a big contribution. But again, I go back to that, how do we do it? I mean, we look at literally each half year or so to make sure we're comfortable with the pricing. And I mean, there's a – if you think about this American whiskey market, I mean, most of the excitement right now is, if you just think about it on 2 dimensions, price up and down and flavor sort of going across or horizontally, there's so much interest in flavor. We talked about that early in the call and how large that segment's come. Well, Jack's participating in that and those brands, by the way, have excellent gross margins. We also are very much participating in the super-premium and ultra-premium expressions in the United States above us, and that's where a lot of the growth is too. There's been less buoyant growth in this category down at those very low price points. I mean, they're getting some halo effect from it, but it's really been the premium-plus, ultra-premium arena where we're playing, where a lot of competition is playing and then in the flavor, where we've also been successful. So I mean, I think all told, we will be advancing our sales dollars through the combination of and also because we also take price increases from time to time that we think are reasonable on Jack Daniel's, on Gentleman Jack, on Tennessee Honey. We take price increases on Woodford and its expressions. I mean, I can't tell you how impactful it is too when you look at an individual brand. The example of Woodford Reserve, which is growing very, very well, have been growing 30%, very premium priced, periodically takes price increases. But the impact of introducing Woodford Reserve Double Oaked at about double the price, what that does to the Woodford Reserve family overall, pricing is really exceptional. And so we're getting it through a combination of them. And I think what we're highlighting a little here today is in FY '16, we're just saying just expect a little bit less from pricing, more from mix, and in the sales composition, a little bit more from volume.

Jason Koval

Thank you, Paul and Jane, and thanks to all of you for joining us today for Brown-Forman's year-end earnings call. And for those of you who are planning on attending our Jack Daniel's distillery and cooperage tours at the end of June, we ask that you please RSVP by the end of this week, so we can make sure we have accurate counts. Thanks again for the time, and have a great week.

Paul Varga

Thank you, all.

Jane Morreau

Thanks.

Operator

Ladies and gentlemen, that does conclude the conference call for today. We thank you for your participation and ask that you would please disconnect all lines.