Brown-Forman Corporation, 2023 Barclays Global Consumer Staples Conference
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Presentation

Lauren Lieberman

Okay. We are going to get started. So next up, we've got Brown-Forman, and we are very lucky and grateful to have Lawson Whiting, the company's President and CEO; and Leanne Cunningham as Senior Vice President and CFO with us again this year. So thank you both so much for being here.

Lawson Whiting

Great to be back.

Question and Answer

Leanne Cunningham

Okay. So Lawson, I'm going to start with you with kind of a bigger picture question. What are you seeing in terms of — ***indiscernible*** — macro trends between beer, wine, spirits, so it's kind of a great get your perspective on the broader industry trends? And then also, how do post-pandemic consumer trends kind of compare to what we were seeing pre-COVID and even during the pandemic?

Lawson Whiting

Yes. So. Look, that's always one of my favorite questions because it's a pretty good answer. I mean, spirits, pretty widely known, has been taking share from beer and wine for classic 20 years. I think it's probably been going on I think it's probably been going on for that long now. Now like a lot of trends that we used to say this, whatever was happening before the pandemic accelerated during the pandemic. And then, I think a lot of that is returning to more of a normal state. We've been saying a lot of that too. So you've got – the U.S. spirits market is sort of back in that mid-single-digit range.

But as far as trends and where – what has happened, I mean, one of the most important trends and once again, this is something over 20 years not necessarily, recently has been on the premiumization trends. And that is one of the major drivers of our portfolio re-shaping efforts of the last decade or really couple of decades where we have changed out our portfolio significantly to capture that premiumization trend. So it's interesting. Our portfolio for those – that maybe has followed us for a long time.

When I started in the late '90s, the only brands that we owned back then that we own today are the 2 brands we created, Old Forester and Woodford Reserve; and then, of course, Jack. Every other single brand we owned back then, we sold and we've brought in a whole new portfolio of brands into the fold and most recently with Diplomatico and Gin Mare over the – about 12 months ago. In fact, what did we say it was this day 12 months ago that we announced the Gin Mare acquisition, which I had forgotten that, that was what we did here.

So premiumization is certainly very, very important, and RTDs are extremely important, too. And that's been true for a long time, but that is one that has accelerated greatly in the last year as the spirit-based RTDs have really taken a lot of share, I think, from malt-based RTDs maybe and a little bit more from the beer industry. So yes, there is a lot of favorable macro things happening right now.

Lauren Lieberman

Okay. Great. And then as you said, you've remained really active over the last year in terms of reshaping the portfolio. Gin Mare, Diplomatico and — ***indiscernible*** — as well. So there's continued shift towards premiumizing the portfolio. How do you think about the portfolio as it stands today? Are there other kind of white space opportunities or non-core brands that you see as opportunities to make further adjustments?

Lawson Whiting

Yes. I mean, look, in terms of reshaping the portfolio, there isn't really anything left in our portfolio that isn't growing and isn't premium or above. So there's very little, if nothing to do, on that side of it. But we'll continue to look at acquisitions. I mean, the big obvious one would be vodka being just the scale of that category. But I think probably many of you know, vodka is not a very profitable category. You've got the U.S. business dominated by, one, the huge brand that has taken share from virtually every other vodka brand in the country. And then European vodka is not very profitable. So a very, very competitive price point. So we're not particularly interested in that.

But we really – we will focus on brands as opposed to categories. If there are brands like a Diplomatico, for instance, where I just think it's a fantastic brand name and it brings a lot of strategic benefits to us too, but we'll see if other brands show up on the market. But I'm really not seeing a lot of white space where I think we're going to be really aggressive in the acquisition world.

Lauren Lieberman

Okay. So let me move to the core. So Leanne, so much work has been done on Jack Daniel's in recent years. I guess what kind of setup does that give you in terms of the right to price in the U.S.?

Leanne Cunningham

Well, I'll first build up what Lawson was saying with the evolution of our portfolio, the focus of our organization really is on value growth. And from a value growth's perspective, we are always focused on pricing and then all the opportunities we have available to us through revenue growth management. And with that, we continue to invest in our capabilities and find across all of our levers, opportunities to continue to generate revenue, specifically for the Jack Daniel's family of brands.

And for Jack Daniel specifically, we've also invested a lot behind that brand. You'll hear us almost every quarter, talk about the incremental investment that we've made behind Jack Daniel's. And from – we've even created partnerships that will help us, like Formula One was a global platform that we have invested in to help connect Jack Daniel's to new consumers and expand their loyalty with us; our partnership with Jack and Coca-Cola to be able to create a halo effect and be able to expand the awareness of our brand. We feel like our brand is healthy. Our brand is strong. We feel like it gives us the opportunity to take that price as well as effective growth management – revenue growth management and all the elements of it.

Lauren Lieberman

Okay. And just to press a bit more on the U.S. market little more broadly. I mean, how do you feel about the current environment here and underlying spirits demand domestically?

Leanne Cunningham

So I would say, the U.S. market, it's competitive. And for all my years in this industry, I don't think I've ever said in a room where we have not said the U.S. market is competitive. So I think it's always been competitive. I think it's going to continue to be competitive. I think what we're talking about right now and what's built into our full year guidance is it's normalizing. And yes, for Jack Daniel's and some of our other brands in Q1, we are having to lap the rebuilding of the inventory that we did last year when we got – when we had some supply chain disruption. As we lapped that, we feel like that the market's going to continue to settle in kind of where it has been before, in that mid-single-digit growth range which was much more aligned to overall term growth algorithm.

Lawson Whiting

The conversation that came up this morning in our meeting rooms, I think, in pretty much every meeting was, is the consumer down trading and what is happening within those dynamics. And I do think it was interesting that during COVID, tequila took off and the luxury tequila took off. And $100 price points for bottles is not – it's a very small business, but it, I don't know, probably doubled or tripled over that time frame. I'm not sure that's going to stick around for – I'm not sure there's enough there. So you're seeing the luxury end of things cool off a bit.

But if you look at the different price points, which you can obviously do with either Nielsen or NABCA data, you've still got ultra-premium growing faster than super, which is growing faster than regular premium. And so the delta might not be quite what it was over the last couple of years, it's shrinking a little bit, but you're still getting premiumization, you're still getting up-trading in the spirits market. And you still – I will go down in my career, saying, you want to be in super-premium and ultra-premium price points for lots of reasons, not the least of which is consumer demand.

Leanne Cunningham

And the only other thing I'll to that is when we think – when we look at TDS and we look at the fastest-growing categories and then you compare it to our portfolio, the fastest-growing categories are American whiskey, tequila and RTDs. And we think our portfolio is really well-aligned with what we're seeing as the fastest growth categories in the U.S.

Lauren Lieberman

Okay. So how are you thinking about the role of Craft whiskey? It felt like Craft was all the rage a few years ago and the pandemic kind of brought this shift back to big brands across CPG, right, not even just in spirits and then you had all the work you've done with Jack Daniel's, that kind of stem from that momentum. So do you think we'll have smaller challenger brands to reemerge in the conversation?

Lawson Whiting

I mean, I think we're always going to have smaller challenger brands in the conversation. I actually don't really like the term "craft" because I think you can talk about craft distilleries, which just kind of means small. There's also craft brands out there that we and all the other major spirits suppliers are involved in too. So I mean, I would – we'd argue, Woodford Reserve 20 years, you would have called it Craft. And now it's a big, big, powerful brand.

And so – but as far as the small players in it, it's hard. I mean, it's hard enough developing new brands. It's really hard when you are spread out all over the United States. They very often went down the path of providence in place as their sort of hook, which works fine in your area code, but it doesn't travel very well. And so, so many of those brands went under during COVID as they had to shut their taprooms or their little distilleries down.

So I do think there is – I think, someone estimates right now that using the old term Craft is about 3% of the market. That's pretty small. And I'm not – I don't know what the number was 10 years ago, but it hasn't been a real – it hasn't – the growth has not come like I think a lot of people would have said 5 or 10 years ago. The brands that have done well, the newly developed brands that have done well, some from **— *indiscernible* —** the big competitors who have put in new brands and done very, very well.

So it's – you asked about where is capacity, who's got the capacity, it's still the big brand, the big companies that own it. If you're taking Bourbon, basically, everybody owns a distillery now in Kentucky. So that level of competition has certainly increased, but I do – I'm not trying to put down the Craft suppliers, but it's a tough world they live in and there hasn't been a lot of share gains that they've made.

Lauren Lieberman

Okay. So let's talk about Jack & Coke.

So 11 markets so far. I guess, what can you tell us about reorder rates, kind of anything other specific comments you can make on recruitment of new consumers, like how the RTD is helping support or evidence of like a hero effect as you've kind of talked about with the joint advertising at Coca-Cola?

Lawson Whiting

So the – well, look, yes – no, this is a big brand idea. It's very hard – it's only been in the market for 3 or 4 months in the United States and even less when you leave the U.S. So there is not a lot of turnover data that we can glimpse so far. But we do know that – I mean, one of the main reasons to do this besides the underlying profitability in and of itself is the chance for the Jack Daniel's full strength brand to continue to grow around the world in places that we previously really couldn't get to.

So what I mean by that is, we are doing the sales in the United States, Germany and Australia and the Coca-Cola Company and their bottlers are doing it everywhere else, which for us is – obviously, the size and scale of their distribution platform is many times bigger than us. And so I use Africa as an example. While we would be down in South Africa, we're really not even available in the rest of the country. We don't have – we have some volume, but it's not small.

The Coca-Cola Company is huge there, and they're able to put this into their distribution system and bring it basically everywhere. And so a product – full strength Jack Daniel's, it's not very affordable to so many of the emerging markets part of the world, but the Jack & Coke in a single can is. And so, we're going to – we're on the back. We're on their backs of their bottlers and they're bringing it to the world.

So I think it's a pretty exciting proposition and something where even the ability that we call can in hand, so if you see that can, it's fully Jack Daniel's, it obviously says Coca-Cola on it too, but I mean, you can't mistake that can for anything other than a Jack Daniel's product. And that's like it's own form of advertising.

But also, part of this still is in – besides these 3 markets I talked about where Brown-Forman is selling in the Coca-Cola company, the advertising expenses and things are on their books, not on ours. And so it's one more level or one more tier of advertising that we're getting on our core brand to say we're not paying for it isn't really technically correct, but it's not going to show up on our P&L. And so there's a lot of excitement.

Lauren Lieberman

Okay. What would you say in markets like Germany, U.K. and U.S., how is the role of the back – the halo effect in an opportunity for recruitment is very clear in the markets you went through. So what do you see the evolution of the product being – let's just stick with the U.S.?

Lawson Whiting

Yes. Let me do the Germany, Australia real quick just because it's been there for 30 years. Both full strength and RTDs grow in tandem with each other and they sort of work off each other a little bit. So it's been a great brand-building model for a long, long time, very little cannibalization. I think that's important. The occasion is so different that you just don't really – we've never really had that as a big deal. And so, in the U.S. it's a little bit different. Spirit-based RTDs are almost a new thing. I mean, until a couple of years ago, it was a very tiny category, mostly because spirits are taxed so much higher than beer. Just the relative price points became challenging.

And so – but I think consumers have figured out how good these things taste. Spirit-based RTD has a very different profile than a malt-based one, and I would argue that it tastes better. I'm sure others would probably make the opposite argument there. But it tastes really good. And so I think that brings a big advantage and something where we can continue to take share and grow our U.S. business.

Lauren Lieberman

Okay. So I guess, you've talked in the past about sort of your view on RTDs overall in the portfolio and just given sort of macro concerns on the consumer and now seeing that you're launching Jack & Coke at the same time, you've got Diplomatico and Gin Mare, so you've got the – playing both ends of the spectrum on pricing. I mean, is this a time to be revisiting the broader perspective on RTDs or other brands that – you could share us the reasons to keep pushing on that and does the pricing **— *indiscernible* —**?

Lawson Whiting

Well, I think – look, RTD is – big business. And we've gotten tens of millions of cases now spread out around the world. So it's gotten quite big. I don't – we didn't create Jack & Coke to be a time when the economy slows down and consumers have a little bit less spending money maybe and we would pick it up that way. That really was never written down anywhere that I can remember. It is more about satisfying the consumer demand that is out there in a product and in a format that people were making on their own anyway, and so you just give it to them when you can.

So I think that really is the – now the fact that if – we haven't seen a lot of consumer trade down or anything like that as we talked about a second ago. But if we pick up some volume because of that, I'll take it, but I don't – I'm not as interested in that part of it. I really want it to be more about building of a business that's different than the core spirits business that we have and making it big and making it profitable and all the other things that we talked about around the world, so.

Lauren Lieberman

Okay. You mentioned it earlier, right, in how it's scaled, but it continues to be one of the biggest drivers of organic sales growth for you, volumes, I think, double-digit CAGR since it first came to market 25 years ago. So can you talk about the longer-term runway you think there still is for this brand?

Lawson Whiting

Yes. I'll start with the strategic side of things. Yes, so Woodford, as I said, was created in 1997, and it's had double-digit growth every year. It's now 1.7 million cases. And most of that's in the U.S. So it's one of the most successful brands that we've ever created. And it does very, very well. But there's another side of it that, I think is interesting and is little bit longer story, but we – when we leave the United States, Brown-Forman is largely a Jack Daniel's company. We're trying different things, and Gin Mare and Diplomatico are changing that dynamic a little bit, but we've been trying to grow Woodford Reserve outside of the U.S. for a while. I've only had mediocre success. It's getting there in a handful of markets.

But what we did with Gin Mare and Diplomatico, besides them being great brands in and of themselves, they're a very European-centric, they hardly even sell in the United States. So now we've got some scale on a non-Jack Daniel's brand outside of the United States that we can separate. I use France as an example, Jack is very big there. I don't – we had – and so we were trying to do Woodford alongside Jack. And it really – you get your sales people all mixed up because they're all about – they have their goals. It's a lot easier to deliver a goal through selling Jack Daniel's than it is trying to build a brand from scratch with Woodford. And for decades, we used Bacardi as our distributor in Europe and they would only do Jack Daniel's, they wouldn't do the rest of the portfolio.

So we didn't really have a good setup to be able to do anything else. And what I want to see happen and that's – I think we call it a bull case this morning is if we can use Gin Mare and Diplomatico to create a platform that you can then take our single-malt scotches, you can take Woodford, you can take – different countries will probably have a different blend of brands that we put in there, but these are dedicated teams now that are not distracted by something like Jack Daniel's. It's a very different proposition to bring that – to continue to grow that versus developing a Woodford from scratch. And so we're going to put that – we call it the emerging brands portfolio. We're going to put that system in place in basically developed – world of developed markets, it's not so much emerging markets which is still moving heavily into the Jack Daniel's family, but I'm optimistic that we've now got a – we're setting ourselves up for success where before we really weren't.

Leanne Cunningham

Yes. And I would just stay along onto what Lawson is saying is, we've made so much investment in our route to consumer over the last 10-plus years. So we have so much strength in that space now to have our brands in our hands. And then, Gin Mare and Diplomatico should allow brands like Herradura and Woodford to grow at a faster pace and globalize them at a faster pace than what they may have done on their own, and we also believe that the strength of Woodford Reserve and Herradura will help Diplomatico and Gin Mare grow in markets where Herradura and Woodford have more strength. So we think the portfolio now is really complementary and that there is energy when you combine these super premium plus brands together.

Lauren Lieberman

Let's actually switch to – you mentioned Herradura.

The expansion of the facility would seem to be a pretty strong sign of conviction at the growth, there's still lots of growth for the category. So in what cases are the kind of latest consumer preferences that you're seeing? Same question on trade obviously down, but this — ***indiscernible*** — trends in tequila that you're seeing?

Lawson Whiting

Well, the one – for Herradura, it's a little bit different between — ***indiscernible*** — and Herradura — ***indiscernible*** — happen. The consumer has learned to love a really high-end tequila with soda and squeeze of lime. It's a great drink. It's great summertime drink. You want to have a good tequila if you're going to do that. And – I mean, my friend said, at least it's been a boom in the last couple of years as a way to consume — ***indiscernible*** — because that was what tequila was still not known for, for so many years. And so by opening it up with a drink at a higher price point, the brands that are well known out there, that are in that, I'll say, $45 to $55 price point has an enormous sense of value right there. There's millions of cases in that space now.

So it's been a boon for the – really for a lot of spirit suppliers. Now Herradura is a little bit different that plays – it's still 100% agave product, but it plays at a lower price point. That does feed a little bit more into the Margarita occasion. — ***indiscernible*** — is a big brand for us and an important brand.

And we've spent a lot of time since – I mean, we acquired these brands 15 years ago, it took a while. We have driven the volume way down in Mexico because it just simply wasn't very profitable, not even burning its return on capital. And that's one thing Brown-Forman will do. We will – we literally took hundreds of thousands cases out of the system by just driving the price up year after year after year to get it toward now, it is a reasonable business. In the United States, it's closing in on many cases, so Herradura had a heck of a run.

Lauren Lieberman

Okay. And just, I guess, on the Herradura facility, also just are there efficiencies to be had from that expansion? Is there kind of any sort of productivity work?

Leanne Cunningham

Absolutely. So as we've seen such strong tequila category growth and the growth of our brands, we've been pushing our facilities to find efficiencies before we even got into this business. So we have been seeing some efficiencies there. We go into the expansion definitely looking for an additional capacity through the infrastructure, but then also from our processes. So when we think about Herradura and the facility, it – very similarly, the Brown-Forman was one in 1870, 53 years ago, how you make tequila really hasn't changed much over that period of time. And so we're going to continue to make – we've made it, but we're going to utilize the technology because technology has advanced along the way.

So we're investing in technology that's going to help as we modernize the ovens in which you make the — ***indiscernible*** — and get the juice out of it. So we do believe there will be efficiencies in that. And then we're also expanding it in a really modular way so that as the brand grows, we can grow the infrastructure that supports it without just having to have a significant step change. So that way, our capital can grow in line with the brand.

Lawson Whiting

It will be interesting to see how the category develops outside of the United – North America really. U.K. has a decent tequila business. Australia has a decent tequila business. — ***indiscernible*** — actually the #1 brand in both of those countries with 100% agave products. So we're moving in the right direction, there is really strong consumer demand with a lot of consumer products categories, something that starts in the U.S. very often and spread out around the rest of the world on that. I mean, the category begins becomes to internationalize, then that's a big opportunity not only for us, but for the industry to really continue to grow the category.

Lauren Lieberman

Okay. And — ***indiscernible*** — shorter term. So Leanne with earnings last week, you reiterated the guidance for organic sales 5% to 7% growth and operating income 6% to 8% growth. That is just a pretty significant acceleration for the balance of the year. I think it would be helpful to just talk a bit about the macro assumptions that underlie that reiterated guidance?

Leanne Cunningham

Absolutely. So it does imply acceleration from where we are. And some of the biggest drivers for that is – and we've talked about that, and we're looking really towards to next year, maybe not having to talk about this, but as we got into supply chain disruption, this time last year, we had gotten back end — ***indiscernible*** — supply, and we had the ability to ship the orders that we had in-house.

So last year, this time in first quarter, we were – had very strong shipments of Woodford Reserve, Gentleman Jack, Jack Daniel's flavors, all to rebuild all of the supply chain from retailer to distributor inventory. And so in the Q1 of this year, we needed to close that. And so as we move through this fiscal year, we will get to the point in the back half of last year, we got to more normalized distributor inventory levels. So our shipments will normalize.

So the #1 driver there is just to say we're going to be lapping – we're going to get through the lapping of that inventory rebuild. That will be one. The second is price increases and revenue growth management initiatives that we have in place for this year will continue to deliver growth. And then as we talked about, Gin Mare and Diplomatico right now are in our reported results only. When we get to the second half of the year, they'll move into our organic results. So they will contribute to that acceleration.

And again, for the reported – for the first quarter, I mean, they drove 2 points of those. So these are exciting brands that have the scale and the material impact. And then just as we go down, we also know that last year we got into costs associated with supply chain disruption because we didn't want to interrupt the momentum of our brands, especially during the important holiday selling season. So there were logistics constraints around the world, and everybody was living through those. So we did things like air freight as you would expect that we would. We were outside of our normal shipping lanes to make – at a higher cost to make sure our product got there on time.

And just on the nature of the world normalizing from a supply chain logistics perspective, we're going to be more normalized and we'll have the absence of that this year, which is helpful. And then as you think about our operating expenses, what we've been sharing with you is expect brand expense to largely be in line with our top line growth. And our SG&A will be a bit elevated this year from what our historic average is because we're investing in our route to consumer, specifically in our Japan model. But we expect all of that in total to deliver that operating income. So we do expect that acceleration, and that's kind of what we see as the drivers of those.

Lauren Lieberman

Great. And just a quick layer-on question on the promotional environment. Just kind of key developed markets and a risk of promotional activity stepping up?

Lawson Whiting

Yes, people have been asking, particularly with tequila because you've had such a rapid decline in agave prices what it's going to help — ***indiscernible*** — move to the pricing environment itself, I don't know. I can tell you up to this point and really through this past summer, there has not been an increase in promotional activity, we've not been dealing back the price increases that we've taken over the last few years.

And so I'm obviously hoping that it's going to stay that way, no one wants to see that real aggressive promotional environment come back again. The brands that are doing very, very well, that higher price point brands that are in that $40 and $50 price range, are not brands that go on high promotion anyway. And so all I can say is we haven't seen it yet. I asked our European country managers because I was getting ready for this and wanting to see if they had seen anything, and they had said the same thing that there really has not been any increase in promotions yet. Just where it goes, we will have to see, but it isn't there yet.

Lauren Lieberman

Okay. Great. And then just – sorry, I forgot to ask Leanne. Just specific visibility you have into key inputs like would agave go out. Can you talk about some of the lapping dynamics in the guidance space and the input cost side?

Leanne Cunningham

Yes. So from a gross margin perspective, we did just report our first quarter and one of the things that we said and that was we had 90 basis points expansion, and that was really driven by our price increases that we had across our portfolio and it more than offset – it more than offset our cost. So when we look out for this year for it as it relates to our cost, we've talked a little bit about agave from the perspective of – we have been waiting for that supply to come into normalize against the demand – elevated demand that we've seen.

We've been talking about this since December of '21, I believe, and we're finally here that it's now taken its first big down from kind of that MXN 28 to MXN 30 to that MXN 15 to MXN 18 per kilo. And for us – when you think about our portfolio, that's a significant impact. But how we will see that impact over time is, as you would expect, we have finished this inventory that we have to work through and kind by SKU it's different for everyone – I would say, 3 to 4 months of inventory that we need to work through.

And then for our age expression, such as an — ***indiscernible*** — Reposado which is about half of our tequila portfolio. We'll have to let that finish aging for the liquid that's in there now and then that will be bottled and have to be sold through. But our Blanco expression or the non-aged expressions, we'll get to those more quickly, and we think that's going to come kind of in the back half of FY '24, our fiscal year that we're in now. And we're also going to see this benefit because we got the penalty over a number of years. We're going to get the benefit over a number of years as that comes back as we work through our inventory. So we know we'll be seeing a benefit from that in FY '25.

From a Wood perspective to make the barrels that we have, the cost to the commodity continues to be high, but we've made a lot of strategic changes in our supply chain for that specifically. And we're starting to see benefits of that. So it's definitely less of a headwind for us than it has been over a number of years. And then just to go through a couple more of glass, what we're seeing is it will be slightly up this year on a year-over-year basis because of inflation, but much less so this year because the natural gas prices have come down, diesel prices has come down. So that's helping on that input for our products.

— ***indiscernible*** —, that is below its peak, and we think that's going to be kind of steady where we are right now. And again, for us, the one thing we talked about is — ***indiscernible*** — which is our – we're in right now is definitely the absence of those supply chain disruption costs. So all in all to say, we believe our cost trends after a number of years of agave and Wood challenges that are really starting to trend in the right direction.

Lawson Whiting

Yes. It's been a strange 5 years in a lot of ways. But one thing, the demand for the products was elevated. I mean, we've had a 5- or 6-year CAGR, 7% to 8%, somewhere in that range. So top line growth, solid, but we had gross margin declining throughout that window, that's painful. Going did – we peaked to 60, which was sort of, I don't want to say it's officially high, but — ***indiscernible*** — a little bit to get it up that much. It came back down to more like 59 at the end of last year, now it's starting to move in the right direction again.

Life is a whole lot better with an expanding gross margin and a decline in gross margin in terms of your ability to reinvest to get that cycle of strong demand, decent profit growth, you reinvest and you try to continue to get that compounding annual cash flow. Well then, it was challenged by that gross margin decline, and we have put a lot of effort into finding ways to turn that around. And this past quarter, we finally – it started to show through in the numbers. And hopefully, we look forward to more of that going forward.

Lauren Lieberman

Just few minutes left, and so I wanted to end on the topic of owned distribution. So how's the transition in Japan and I guess, Slovakia, for that matter going? At the '21 Investor Day, you shared that there was a slide that showed that your owned distribution was lagging the industry average around 80%, 82%. So what's the long-term goal for that?

Leanne Cunningham

I can start with – that would still remain the — ***indiscernible*** — that we have the opportunity available to us to continue to integrate and take more of our distribution into our own hands. I think this thing as we talked about on our call — ***indiscernible*** — we just completed this year. And then on April 1st, we'll be going live in Japan, we continue to have a strategy. I want to capture the value that we believe that – in doing it in a strategic pace or order and one that's available to us for optimizing the investments that we've already made.

Lawson Whiting

Japan is an interesting market, and a lot of people have looked at us funny going what – nobody is investing in Japan anymore. It is a big whiskey market. It's a huge RTD market. And we think Jack Daniel's has a real chance to be big there. And then we can also bring in Woodford. We've got our single-malt scotches. Our portfolio lines up very well for that market, and it's a very premium market also. I mean, they obviously have a very big super premium and ultra-premium price points. And so for a lot of reasons, it is a very attractive market, one that we're willing to make the investment for. And it's an expensive market.

So it’s an expensive organization to build up, but I think we feel pretty good that it will be – in the long run, it will be a very attractive investment.

Lauren Lieberman

Okay. Great. We are exactly at time. So thank you very much for joining us again this year. It’s really a pleasure to have you with us.

Lawson Whiting

Thank you.

Leanne Cunningham

Thank you.