Brown-Forman Corporation, Q4 2020, Earnings Call 2020-06-09

Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Brown-Forman Fiscal Year 2020 Earnings Conference Call. — ***Operator Instructions*** — Please be advised that today's conference is being recorded. — ***Operator Instructions*** —

I would now like to hand the conference over to your speaker today, Leanne Cunningham, Senior Vice President, Shareholder Relations Officer. Thank you. You may begin.

Leanne Cunningham

Thank you, Dorothy, and good morning, everyone. I would like to thank each of you for joining us for Brown-Forman's year-end earnings call for fiscal 2020. Joining me today are Lawson Whiting, President and Chief Executive Officer; and Jane Morreau, Executive Vice President and Chief Financial 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 fiscal 2020, in addition to posting presentation materials that Lawson and Jane will walk through momentarily. Both the release and the presentation can be found on our website under section titled Investors, Events and Presentations. In the press release, we have listed a number of risk factors that you should consider in conjunction with our forward-looking statements. Other significant risk factors are described in our Form 10-K and Form 10-Q reports filed with the Securities and Exchange Commission.

During this call, we will be describing certain non-GAAP financial measures. These measures, a reconciliation to the most directly comparable GAAP financial 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 investor presentation.

As a reminder, before I turn the call over to Lawson and Jane, in the interest of time and fairness, we ask that you limit your questions to 1 per analyst. You are welcome to rejoin the queue, and we'll take your follow-up questions as time permits.

With that, I would like to turn the call over to Lawson.

Lawson Whiting

Thank you, Leanne, and good morning, everyone. Our last investor call when we discussed third quarter earnings was on March 4, just before the world went into lockdown. Since that call, so much has changed around the world. So today, while we will cover our full year financial results, we're really going to focus more of our time updating you on the impact of the pandemic on our business and share how we have and will continue to strategically navigate the volatility and uncertainty that we are facing. But before we do that, let me say, the events happening across America have highlighted yet again the disturbing and systemic racism that persists in the United States. I'm proud of the work Brown-Forman and our employees have been doing in diversity inclusion for nearly 2 decades, which only accelerated when Ralph de Chabert, our Chief Diversity and Inclusion Officer, joined the company in 2007. While we've been diligent in our diversity inclusion work, we all know that there's so much more to be done.

These current events have sparked numerous conversations across the company about how we live our value of respect, about how we identify and eliminate bias within ourselves and how we continue to foster in an environment and relationships where we can bring our best selves to work. At Brown-Forman, we're continually challenging ourselves to be better and to do better as individuals, as leaders and as teams.

I do want to highlight a few initiatives that our company that not only promote diversity and inclusion within the company, but also address racial inequality in Louisville, Kentucky, where we have our corporate headquarters. Last fall, we published our 2030 diversity and inclusion strategy, where we set quantitative ambitions, specifically for people of color and women. We've tied a portion of our executive compensation to make sure we can achieve these ambitions. We're also leading the new Racism and Business Council sponsored by Greater Louisville Inc. This council will focus on racism and inequality and will lead efforts to cultivate minority businesses and new talent.

Another effort is with our largest and most influential brand, jack Daniel's, which is committed to uplifting the important story of its first Master Distiller Nearest Green. To help the life and legacy of Nearest, we're forming a partnership with Nearest Green, Inc. that will create developmental opportunities for African-American talent for senior distilling roles and support African-American entrepreneurs in distilling start-ups. More information about this partnership will be shared in the coming weeks.

In the California neighborhood, home to our Louisville corporate campus, we're committed to being better neighbors. And over the past 3 years, we've made local community investments of more than $6 million, including supporting the nearby YMCA and Simmons College. In the coming months, we'll commit to providing additional resources for the Invest California initiative. This initiative will focus on improving education, economic development and wealth building for our closest neighbors, the majority of whom are black.

In conclusion, I want to make it clear that we are committed as individuals and as an organization to continue to take action in order to address the racial and ethnic divides and inequalities in our local communities and our industry around the globe.

All right. Now turning to the global COVID-19 pandemic. While a business challenge, above it all, we know it's a human tragedy. At Brown-Forman, as we always do, we took a people-first approach to this crisis, which means the health and safety of our employees is our #1 priority. In support of our colleagues, friends and partners facing hardship and loss, we've produced our own hand sanitizer to protect our workforce and community frontline workers. We've supplied and are continuing to supply high-proof alcohol to manufacturers of hand sanitizer, which now is producing over 20,000 gallons per day. We've also donated in communities where we work and live around the world from supporting bartender communities, restaurants, relief funds and community foundations to providing over 70,000 meals to soup kitchens and homeless shelters in Louisville as well as countless hours of volunteerism. I really would like to thank all of our 4,800 employees around the world for their exceptional agility and creativity and quickly shifting and adapting to the recent challenges. From our quick and nearly seamless transition to working from home where it's possible, adjusting on how we work in our production facilities to ensure the health and safety of our employees, which resulted in almost no impact to our supply chain.

With that, I'm going to turn the call over to Jane, who'll walk us through how our business has been impacted by COVID-19, the adjustments we have made to the business and the strength of our balance sheet. Afterwards, I'll share our strategic priorities that will continue to guide us through the near-term, and which I believe will position our brands and our business to be even stronger in the long term. Jane?

Jane Morreau

Thank you, Lawson, and good morning, everyone. Before I get into the results, I would like to build on some of Lawson's comments and acknowledge that the last several weeks have required our entire organization to pivot quickly to the changing business environment. Brought on first by the global pandemic to now tremendously trying times, especially for our black colleagues. As recent events highlight the continued work still to do in the United States to close the racial inequality's gap. I, too, would like to thank our entire employee population for our resilience and extra efforts during these trying times as we continue to work to grow our business. In these efforts, we understand that our diverse and inclusive culture is key to our continued success. And in these times, we are refocusing our efforts on deepening our understanding and acceptance of all of our differences. It was difficult to make a transition from these significant issues. Let's turn to our full year results.

Fiscal '20 really was a year like no other. We began the year with a business environment in which our margins continue to be weighed down by tariffs, largely European tariffs and higher agave costs to end the year with a global pandemic and its resulting effect on the global economy that we are still facing today. Despite these challenges, we still achieved many significant accomplishments and milestones in fiscal 2020 that I'd like to take a moment and highlight. We saw Woodford Reserve exceed 1 million cases. We continue to innovate, developing and launching Jack Daniel's Tennessee Apple and depleting over 250,000 cases in just 8 months. Our Jack Daniel's flavor portfolio surpassed 2.5 million cases. And to put that in perspective, none of our Jack Daniel's flavors existed a short 9 years ago, illustrating the importance that innovation has provided, including being a significant source of growth and bringing in numerous new consumers to the Jack Daniel's franchise.

Jack Daniel's RTDs reached 1.5 million cases in Germany. Old Forester, our founding brand, grew underlying net sales double digits and is now over 300,000 cases. Our business in the U.S. accelerated its top line compared to fiscal 2019 and outpaced TDS for the first time since the summer of 2018. We transitioned our U.K. and Thailand business to own distribution, route-to-consumer models, both launching on May 1, 2020. We welcomed Fords Gin to our family of brands, and we closed another chapter in our 150-year history of enduring and thriving.

I'm not going to spend a lot of time going through the financial performance for fiscal 2020 as we typically do, but instead focus more on the last couple of months of the fiscal year, where our results were significantly impacted by the global health pandemic. First, as a reminder, we completed our third quarter of the fiscal year on January 31, 2020, with year-to-date underlying net sales growth of 3%. This trend held up for us through February. We began to experience the effect of the pandemic on our results beginning in mid-March, and it continued throughout April as many of our major markets went into countries-wide lockdowns, implemented significant stay-at-home restrictions and shutdown are severely limited the on-premise business, which represents approximately 20% of our business globally. In addition, travel bans and other restrictions were implemented and these significantly impacted the Travel Retail channel. As a result, we estimate that the pandemic negatively affected our underlying net sales approximately 15% for the March-April period with a greater negative effect occurring in April, following some benefit we believe we experienced from pantry loading in March.

As we look broadly across our geographic clusters, all were affected during this period, some more than others. I want to call your attention to this on Slide 7 of our presentation we uploaded to our Investor Relations website this morning. As you can see, the most notable decline occurred in our Travel Retail business where international travel and cruise channels essentially halted overnight. Additionally, our emerging markets were down significantly. Some markets, such as Mexico, went into the crisis with weak economic conditions. Further, history would suggest that it is coming for emerging market consumers to reduce spending on our category and focus on essential needs during challenging economic times.

Our developed international markets experienced underlying net sales decline similar to the company for the March-April period and worse in the U.S. While we saw strong off-premise consumer takeaway trends across many of these markets, these increases were not sufficient to offset the on-premise closures. And finally, while our business in the U.S. experienced a slowdown in performance over this 2-month period, it held up well and continued to grow.

Since the pandemic began to affect the U.S., the off-premise takeaway trends for beverage alcohol significantly accelerated and have remained robust over the past 13 weeks with spirits growing the fastest. While we expect there were some early on pantry loading in mid- to late March, overall consumption has clearly shifted from the on-premise to new at-home occasions. Our blended takeaway trends over the period have outperformed TDS. And importantly, the strong growth in the off-premise channel has offset the significant hit to the on-premise business.

In many of our major markets around the world, consumer purchase patterns changed quickly as bars and restaurants essentially shut down. We saw impressive growth of our brands in the e-premise channel and significant acceleration in large off-premise accounts. We observe consumers moving towards trusted brands and seeking opportunities to indulge everyday luxuries. We noted the consumers are seeking convenience such as RTDs and flavored whiskeys and increased home-consumption occasions, including virtual cocktail parties. And we ascertain the consumers were and are still making larger, less frequent shopping trips.

We quickly made adjustments to our focus and resources based on these trends and applied on a market-by-market basis. For example, we reprioritized our portfolio and we shifted our focus to channels where the consumer was and continues to shop. We shifted advertising investments and teams to align with these reprioritized areas of focus, such as digital as well as prioritize off-premise accounts such as classic versus convenience, large-format versus independent. We reduced discretionary spending, such as T&E. We stopped spending behind on-premise activities and various events and sponsorships that were canceled. And we accelerated and fueled our activities in the e-premise channel in several key markets globally.

As the COVID-19 pandemic and its effect on the global economy continues to evolve, we are closely monitoring key indicators in each market, such as the stage of restrictions in a given market or country, consumer trends and behavioral insights and macroeconomic conditions. We believe this will aid us in our evaluation of the pace of recovery and appropriately identify opportunities.

Now given the high degree of uncertainty that we all face in these times, I'd like to take a few minutes to comment on our financial position and specifically to address the topic of liquidity. First of all, a few relevant facts. On April 30, the end of our fiscal year 2020, we had $675 million in cash equivalents on hand. Our commercial paper balance was roughly $330 million with an average of over 70 days to maturity for paper outstanding, and we had approximately $2.3 billion of long-term debt outstanding. Importantly, in a long-term debt picture, we have no maturity scheduled until our fiscal 2023. Our $800 million credit facility was and remains undrawn.

So we believe our financial position remains strong and our continuing capacity to generate solid operating cash flows is sound. We believe our strengths will allow us to navigate this crisis as circumstances evolve. That said, we have taken and will continue to take additional steps to secure our strong financial position, managing both our uses and sources of cash. For example, while we continue to manage our uses of cash thoughtfully as we always have, we have turned up our focus in a few areas. Naturally, we are managing our operating expenses closely and have significantly curtailed discretionary spending, such as freezes for hiring and travel.

On the CapEx front, we will continue to invest behind the business with an eye toward the future and not forego important maintenance spending. However, we are reprioritizing and deferring certain spending where prudent. We are more actively managing our working capital, including monitoring credit closely while working constructively with our customers most affected by the crisis.

In parallel to our management of our cash usage, we have bolstered our cash balances and position Brown-Forman to access additional liquidity, if needed. First, just a few comments on the short-term debt markets and our recent experience. Rewinding to March, despite extremely volatile conditions in the short-term debt market then, which have improved markedly since then, we sustained our access to short-term funding in the commercial paper market. Leading up to our fiscal year-end, we added to our cash position by issuing commercial paper, more of it and with longer durations than usual, enabling us to fortify our cash position. Looking ahead, we expect to meet our short-term liquidity needs through cash generated from operations and borrowings under our commercial paper program. However, as you know well, these are dynamic times. So we are closely monitoring both our own liquidity outlook based on various scenarios and conditions in the debt capital markets. If our appraisals suggest a worsening situation, we won't hesitate to increase our margin of safety on the liquidity front.

Considering our history of strong operating cash flows, our excellent credit ratings and the resilience of our industry in our business in these turbulent times, we expect that, if needed, we could access additional debt capital readily and with favorable terms.

And finally, to our fiscal '21 outlook. As we indicated in our earnings release this morning, we face substantial uncertainty related to the evolving COVID-19 global pandemic and its effect on the global economy. As a result of this uncertainty, we are not able to provide quantitative guidance for fiscal 2021 at this time. We hope to have a better picture of how the recovery, including this economic effect on consumers, may unfold and affect our full year financial results when we report our Q1 performance later this summer.

With that being said, based on our early read of our performance in May, we believe that our top line results will show some improvements to that we experienced in March, April, but still down relative to last year. Separately, given our strong balance sheet, solid cash flows and ample liquidity, we expect to fully fund ongoing investment in our business and continue to pay regular dividends.

In summary, while fiscal 2020 was a year like no other in our 150-year history and we expect to continue to face headwinds given the current environment, our view of the ultimate global opportunity for our brands is undiminished. We believe our talented, resilient and agile employees, our commitment to diversity and inclusion, our attractive portfolio of brands and growing categories, our resilient global supply chain and our strong balance sheet will allow us to emerge an even stronger company with healthier brands that will drive our growth for the next generation.

And with that, let me turn the call back over to Lawson to conclude our prepared remarks this morning.

Lawson Whiting

Thank you, Jane. As we all know, there is substantial amount of uncertainty in the world and in the days ahead, but we do have 150 years of experience of successfully navigating many challenges. These include world wars, a prior pandemic, prohibition, a depression and recessions. Although this global pandemic and economic challenge is certainly different, I do believe we'll endure and we will reemerge even stronger.

I'm optimistic about our future and confident we have the right strategy to guide us now and as we look ahead. We're well positioned in some of the best categories in the spirits industry, and we remain focused on developing a premium portfolio that we can develop around the world. In this current environment, we know that consumers are looking for both trusted brands and for an opportunity to indulge in everyday luxuries.

I want to argue that Jack Daniel's is actually the most trusted brand in the spirits industry. We continue to strive to deliver balanced geographic growth with competitive routes to consumer. Near term, we will be reallocating more towards the developed markets, including the United States, where spirits consumption has been relatively stronger. We'll also be allocating more resources towards channels like e-commerce to ensure we're utilizing the most competitive routes to consumer.

A hallmark of Brown-Forman, we intend to maintain our historically disciplined approach to capital deployment, including our commitment to return cash to shareholders in a prudent, yet opportunistic, manner. Additionally, we aspire to deliver top-tier total shareholder returns over the long term.

And finally, we will continue to leverage our talent and agile workforce. Over the last few months, I've seen truly exceptional examples of adaptability and resilience in our people. People will continue to be our most important asset. As discussed and shared with you on many occasions in the past, we think about our future in generations. This crisis provides us with the opportunity to reimagine the next generation of growth for our brands, our geographies, our people and our investments. At the end of the day, our goal is to ensure the long-term health of our iconic brands.

And finally, we'll continue to be guided by our values while working to preserve the resources of our planet, educating consumers on responsible consumption of our brands and ensuring the communities in which we live and work will provide social equities for all.

With that, Dorothy, you may open up the call for questions.

Question and Answer

Operator

— ***Operator Instructions*** — Our first question comes from the line of Dara Mohsenian from Morgan Stanley.

Dara Mohsenian

My question was on premiumization. Obviously, you've had a great track record of success in premiumizing your portfolio over time. A, just wanted to get a sense for your thoughts on the potential for continued consumer trade up longer-term in this new environment as you look out over the next few years? And b, can you discuss how you might tweak your premiumization strategy a bit going forward in this new environment, managing product affordability, et cetera, and how those strategies may change?

Lawson Whiting

Sure. Let me take a shot at it. I mean one thing, the premiumization, as you know, over the last 12 months, really over the last decade has been one of the biggest macro factors in our industry. And even over the last 12 months, if you look at the difference between value and volume, you continue to see very strong premiumization trends in the industry.

Now if you look over what's happened over the last couple of months, those trends have continued. You haven't seen the trade down that, honestly some of us were worried about. Ultra-premium is still growing the fastest in super and then and work your way down the chain. So even in this environment and this particular set of circumstances that we're in, the premiumization trends continue. So I think we feel good about that, and our portfolio does skew to that and we continue to – we want to continue to make that happen. So as far as looking out ahead over the next couple of years, I don't see us changing our portfolio strategy other than to focus on more super-premium and above brands. I mean that's where the – not only where the growth has been, but I think it's where our company performs the best. It's one of the reasons we created that emerging brands group for the U.S. It's been 2 years now has driven those very super-premium brands that needed to focus, and they have had an outstanding run now for 2 years, last 2 months accepted. But I really like that part of our portfolio, and I like that part of our strategy and I think we're going to continue forward with it.

Dara Mohsenian

Okay. And are you expecting premiumization, that sort of trend we've seen in the last couple of months to continue here? Just any thoughts on why we've seen such strong trends still on the higher end pieces of the portfolio? And if that sort of continues as you look out over the next few quarters here?

Lawson Whiting

I mean, yes, I do think it will continue. Unless that – we're really talking mostly about the U.S., but we don't know where the economy is going. And so if you do see a pretty – a dip in the fall, in the winter, then that may change the equation a little bit. But for now, the U.S. consumer has been extremely resilient. And even though it's moved from on to off, consumers are still loving their cocktails. And so that part of the business has really remained strong. I think – and I just don't see that really changing.

Jane Morreau

Just – Dara, just to build on what Lawson was saying. And when we look back in time over periods where there have been recessions. We can go back to the financial crisis that happened in 2008, 2009, and we did see trading down. We did see some slowdown in premiumization, but they still – it still grew. And then it lasted for, say, a 12-, 18-month period, and it came back with a vision, it grew double digits. And so if the past is any indication of the future, and nobody knows in this environment – well, this is totally different than anything before, but we have that optimism and those trends we've been looking at as well.

Operator

Your next question comes from the line of Peter Grom, JPMorgan.

Peter Grom

Jane, I appreciate the commentary on trends improving in May versus March and April. But could you maybe provide more color on what you are seeing in the U.S. internationally, Global Travel Retail quarter-to-date and maybe where you're seeing the biggest improvement? I would be curious to understand the channel dynamics across these markets, particularly with countries and states beginning to reopen while others appear to be getting worse?

Jane Morreau

Sure. Again, there's a lot of dynamics going on here. And as you said, set it up perfectly, countries are at different stages of the pandemic, countries are at different stages of coming out of the pandemic, different stages of opening, different states, different – all kinds of different things that are effecting us. And so the answer is not a simple answer as you can imagine. What we saw some improvement on in the month of May, what we're looking at current trends are places like the U.S. and certain channel or certain portfolio, I guess, I should say. So our Jack Daniel's Tennessee Honey, our RTDs are doing quite well. Our Global Travel Retail remains down still. So what we saw in the month of March, April, which was down around 65%, that's still holding the same. Some of our emerging markets have improved. So China, we see that early look, looks like it's back to levels it was a year ago, May. Other parts of Southeast Asia have rebounded. But then you still have other parts of Latin America that are just – other parts of emerging markets such as Latin America that are just going into the pandemic. So there's not a one size fits all answer here, I hate to say. But I would like to build on some of the things that we are seeing. If this might help you think about the on-premise and the business, primarily in the developed markets.

So if we think about Europe, it's a bit further behind than the U.S. For instance, our second largest market is the U.K. The loosening of the restrictions there for bars and restaurants is not going to be till July 4, you probably know this. France just opened last week. Germany has been opened since the middle of May, and we've seen nice trends in Germany since this reopened. In the U.S., the trends are – for the – what we've been following it, those trends for the early openings of those that opened prior to May 15, where we saw the off-premise was down, say, in the 90% range. By the end of May, they had improved to down 70%. So we're seeing a nice improvement, but slow improvement. Of course, this is all going to be dependent upon the consumer, the fillings of safety and when they feel like they can come back. So I wish there was an easier answer for you, but that's why it's so hard to also give any kind of forecast right now because there are so many scenarios and so many things at play that are impacting each and every market. And one size does not fit all, now it's hard to generalize anything in this environment.

Lawson Whiting

And let me add on a little bit to it, too, regarding the emerging markets because that's where we've seen the delta – just the biggest delta within our portfolio. And that's where I have the most concern about what the next year may look like. Our emerging markets, which over the last few years has been a very dynamic, sort of double-digit growth area for many of the years, was already slowing a bit on this fiscal year. We're still growing but it was slowing. A lot of that was led by Mexico, which is our largest emerging market, and Mexico has had its own economic problems going back over the last 12 to 18 months. And so we saw some weakness there earlier on, and that was a big portion of the change in our sales. But if you look out at the rest of the emerging markets world, I'm talking about South America, Africa, particularly South Africa. If you look across parts of Asia and India, a lot of those countries have gone into either a complete shutdown or something close to a complete shutdown. And those markets don't have this social safety methods you're seeing in the U.S. and most of Western Europe. And so those markets, when they go into shutdown, people don't have money for luxuries at all. And they're really going to the basic goods and trying just being able to try to survive. And so I do think you're going to see a deeper problem in those markets and it's going to be tougher to come out of there. So yes. I would argue that emerging markets are the place that we were trying to figure out how that's going to go, but it does have a fair amount of concern.

Jane Morreau

And just as a reminder, the percentage of our business in emerging markets about 18% now. And so some of the emerging markets are doing okay. Like I said, the China is already recovering. Poland is doing very nicely, which goes into our emerging markets too. So just as a reminder of some of the nice markets that are in there. But as Lawson said, that's also one reason he mentioned in the script, that we're doing some reallocation of spending this year as well towards more of the developed markets.

Operator

Your next question comes from the line of Vivien Azer with Cowen.

Vivien Azer

I wanted to double back on the premiumization question, Lawson, and then a quick follow-up. What you said makes a ton of sense given the outsized growth in Woodford. I just wanted to check in and see whether you guys were experiencing any supply constraints given the growth that you've seen in March and April for U.S. net-net, I would think not. But can you just confirm that you're in a position to reallocate like inventory deployment, I know Woodford had an international priority, perhaps that's deemphasized to make sure that you don't suffer at stocks in the U.S.?

Lawson Whiting

Yes. No. That really is not a concern. I mean for Woodford, in particular, we've been planning for these very high-growth rates now for really well as long as 5 or 6 years. So and it continues to roll forward. It did not see a substantial – I mean 1 month isn't going to disrupt the long-term supply chain for it. So – and the international opportunity is still very significant. And it is one that – prepandemic conversations, it was one of the biggest things that we were talking about at the company. And it's something structurally, I want to see some changes in some of the big markets in Europe, so that they can copy even if in a smaller way, some of the emerging brands trends that we've learned and put together in the U.S. We're sort of taking that model and exporting it into a lot of those markets. And so that's still going to be a priority going forward. Jack Daniel's also is – I mean it is – it's not really – well, it's not supply-constrained at least for now. It's having a slowdown now. So really, it's not a situation where we're worried about supply.

Jane Morreau

Yes. And just per slowdown that he's referring to. Actually, it's kind of fastening. I was studying the trends in the U.S. marketplace as it relates to all the syndicated data, and you really have to pull it apart to understand what he's really telling me, I'm sure you know this. But the slowdown he's referring to is really the on-premise. A business going way in Jack Daniel's and Brown-Forman have a large percentage of our business that is premium. And so when you have – and you think about TDS, where it's got value, it's got all kinds of things. So a lot of the value brands are not in on-premise locations and probably aren't down – like are being pulled down because of that loss of business. So it's just something as you get into the results to start understanding that. And as it comes back – I should have said this earlier, too, as it comes back in the space that we've seen that opened early in May, where we've seen the drop from the on-premise declines of 90% down the 70%, we've actually seen the trends hold up quite well in the off-premise over that period of time in the mid-single digits. So that's very – excuse me, in the mid-30% growth range, which is still – is very encouraging.

Vivien Azer

That's very helpful and encouraging. And a quick follow-up on I really applaud your corporate leadership in your home market of Louisville, which obviously has been front and center in terms of some of the specific concerns of your local population. You do have a cooperage there and then downtown. I believe you have the Old Forester – visitor center. Can you just confirm whether there was any disruption or has been recently, given what's been going on in Louisville?

Lawson Whiting

No, we didn't – I mean we – related to the COVID crisis, we did have some issues at the cooperage very early on, but it was minor and we only closed for a couple of days. And as far as what's going on over the last few weeks in Louisville, it has not had an impact on – I mean, we're closed, but there hasn't been any impact – physical impact on our facilities.

Jane Morreau

No, closed mean our home places have been closed.

Lawson Whiting

Yes. Yes. Right.

Jane Morreau

And we do curb and pick-up and delivery now, but actually been keeping it closed following along with the state and the governor's guidance, and we will slowly open as that comes about.

Operator

Your next question comes from the line of Kevin Grundy with Jefferies.

Kevin Grundy

I had a question on the U.S. bourbon category. As we look at the syndicated data, and there's been some discussion, it just – it's hard to ascertain how much – there's the obvious channel shift, it's hard to ascertain how much pantry loading is going on? If you could comment on that. I'm not sure if there is a number that you guys track or how closely you look at it. But what I'm really looking for is the overall category growth rate in terms of what you're seeing more recently in May and June for the bourbon category. And then if you'd indulge me, just a housekeeping question for Jane. Collection risk or bad debt risk in the on-premise channel, given that some of these bars restaurants will not come out of this. Does that entirely reside with distributors? Or is there any risk-sharing that's going to take place with Brown-Forman?

Jane Morreau

Yes. So Kevin, I think you're asking about the trend, the bourbon trends in the U.S. business, and I can NABCA data. And like I said to Vivien a few moments ago, really do have to start pulling it apart and understand what's going on there. And the actual overall bourbon trends in the off-premise have remained very strong. They're up about 36%. Now what you've got to do is you've got to pull out Pennsylvania, which shut down, and you got to pull out the on-premise business. Once you've done that, again, we show growth of around 36%.

Brown-Forman is growing faster than that. Our bourbon and Tennessee Whiskey are growing around 38%. This is for the most recent data through April. We did see a small – I guess a slowdown, if you will, that you're referring to in May, maybe from the Nielsens and the categories, but still up very strong. It's still up in the 30 percentage range from an off-premise takeaway trend perspective. So we feel good about that. What you saw, though, in those trends is an acceleration in a couple of categories, a few categories. It was cordials, liquors and tequilas. And of course, our portfolio has some in it. We have wonderful tequilas. We have liquors to think of Honey and Fire and Apple, but that's the extent of our portfolio in those categories.

So I feel optimistic still that we're still seeing very strong trends from the syndicated data as it relates to bourbon and Tennessee Whiskey.

And then your question about our bad debt. I thought it might be helpful just to talk about what we've done on that just for a moment and then I can get specifically to your question. But since this pandemic started, we've really been working actively with the customers around the globe and looking for ways to partner with them on credit issues in a really productive way. So not surprisingly in March and April, customers catering to the on-premise and Travel Retail channels requested additional credit due to the fall offs in their business, and that's not surprising. And those comments are more outside the U.S. I think you were referring to in the U.S. but what…

Kevin Grundy

Yes, I would – go ahead, Jane. I'm sorry.

Jane Morreau

Yes, no problem. But as we looked at all these things, we went through each request on a case-by-case basis. We did grant some additional credit where warrantied. And the good news that we've seen already where we did do some of that, some of that relief that we provided in March, April, we've already started to see some collections on that. So you're not seeing any degradation in our credit picture, by the way. No change in our bad debt. So that's outside the U.S. As it relates to anything going on in the U.S., we sell to our distributors and distributors sell on to the retailers. We have not had anybody. So that's really their – I guess their risk at that point in time. Of course, I think with the openings as the on-premise is starting to happen. Hopefully, some of those, we'll get moving there. But to your point, there may be some bad debt – or excuse me, uncollectibility on their part that what they end up doing is probably just shifting and around and using in other parts of their distributor houses. That could then affect, of course, our shipments in the short term, but not long term.

Operator

Our next question comes from the line of Bryan Spillane with Bank of America.

Bryan Spillane

So I guess I wanted to ask a question more about just the approach as we're kind of thinking about how to model with a really complicated situation. Is it – does it make sense to assume in the U.S. and international developed markets per capita consumption stays the same. We have to make some assessment about channels and brands and price. But perhaps don't really change, it just where people will consume. And then developing markets, especially if we're – we go into a recession, per capita consumption maybe goes down a bit. And then Travel Retail is obviously just sort of dependent on being open or not. Is that – just like a basic framework, is that a reasonable way to approach it?

Lawson Whiting

I mean, one, we don't know. But I think it's – your approach is pretty reasonable. I do think one of the things that's happened over the last few months compared to what had been happening in the prior years before it is whatever trends were happening seem to be an exaggerated. So if you look at the U.S., spirits has been very healthy in the U.S. for 10 years or more – well, 20 years or more. The trend of spirits taking share from beer and wine has continued and has accelerated over the last few months. And so per capita, in the U.S., I would say, is probably ticking up a little bit. But you go to Europe and it's a bit of the opposite. It's not an extreme change, but beer has been healthier than spirits in Europe for the last few years. And even if you look at short-term trends now, you're seeing that same thing happen. So maybe there's a little bit of per capita going down. I don't think it's all that significant. And then emerging markets is kind of a unique bucket. I'm not sure how to even think about per capita there. But certainly, that, as I mentioned a few minutes ago, those markets are struggling.

Bryan Spillane

And if I could just sneak a follow-up. Is there anything we should be thinking about in terms of shipments versus depletions especially, I guess, in these channels that are shut down? Is there inventory back up there and potential that you'll ship less than what's depleted this year?

Jane Morreau

We did – as you saw in our financials, that's the table at the end, we did have an imbalance in our shipment versus depletions. Our shipments were a little bit higher than our depletions. And I think that was largely in the U.S. I don't see a big out of balance any place else around the world, but where we saw some building of inventories within the U.S. just because of the complete uncertainty around logistics and warehouse closures and production and all that. So what we have already seen in our May and I see in our June shipments that you can see that from a shipment perspective coming back in balance.

No, it wasn't large, and I don't believe that we were out of balance really in any place though.

Lawson Whiting

Our inventory piece that I found interesting is, is really a U.S. thing is the consumer themselves and their pantries, where we all looked at the March explosion in the Nielsen numbers and said, "Wow, there's pantry loading going on. Are we going to see a falloff in the off-premise in the upcoming months because of that?" And it didn't happen.

Jane Morreau

13 straight weeks.

Lawson Whiting

I mean you've had accelerating Nielsen trends for some period of time. So it was true pull-through where consumers were – I mean they were actually [making] it and then going back to the store. So I mean that was a piece of good news that I must admit we were a little bit cautious about, say, 1.5 months ago.

Bryan Spillane

Likely paper towels and Jack Daniel's, right, can't...

Lawson Whiting

There you go.

Operator

Your next question comes from the line of Bill Chappell with SunTrust.

Grant O'Brien

This is actually Grant on for Bill. Just had one on costs in the quarter and any kind of onetime costs related to COVID? I know you guys had kind of supported bartenders in the area. I don't know if there are any other production costs that were onetime in nature in the quarter or any costs that you see kind of carrying forward here in the new normal environment?

Jane Morreau

Yes, there definitely was some onetime donations and charitable contributions and so forth that will quote up into SG&A. And we did – a couple of million bucks. And we did have some costs also flowing through our cost of goods for our early employees as it related to making them safe, whether with acquiring supplies like PPE equipment and things like that, which would have been another $1 million or so. But that's about it. Nothing huge and material.

Operator

Our next question comes from the line of Lauren Lieberman with Barclays.

Lauren Lieberman

I was curious if you could talk a little bit about brand-building. So in your industry, brands are built in on-premise has always been the discussion. In particular, as you've been developing those premium – super premium brands in your portfolio and all the resources you've been allocating to on-premise. So as you think forward, of course, not knowing how COVID unfolds, but just the notion of there being lower capacity at restaurants and bars and kind of the consumer mobility and flow of people changes for the foreseeable future. How do you think about kind of building brands and what might be a sort of new world for quite a period of time?

Lawson Whiting

Yes. I mean I do think – I think it's going to change over the next 12 months. How – beyond the next 12 months, I think, is a bit of a different answer. But as the on-premise, the on-premise is going to be down. I mean there's almost no question about that over the next 12 months. And that has been an important brand-building channel throughout – literally throughout the decades, I guess. So what is the result of that? I do think it pushes towards the tried and true trusted brands that we talked about a little bit earlier.

I mean the bars themselves, one, you're not going to be running a lot of promotions in restaurants that are only 1/3 full. I mean that just doesn't make a lot of sense. And so we're reallocating dollars away from that channel, away from events and stadiums and things like that and more into what we would call broad-based media. So that is a brand-building change happening there. But I also do think that it makes new brands. It's going to be more challenging for new tiny brands to dent into the big brands that are out there now, and that's a bit of a different trend compared to what has been happening. Craft brands have not really made a meaningful impact on market share over the last few years. They sort of topped out around 3% or 4%. We're still growing, but it's nothing like beer. I think those brands are going to have a hard time because restaurants that are struggling that are only half full, have to be careful with their inventories and have to rationalize the SKUs. And so you're going to see them gravitate towards brands that turn and so that's a benefit for Jack Daniel's. At the same time, it may make some of our other brands take a Fords Gin as an example, which is much smaller, it makes it that much harder. And so I also think there's a dynamic where consumers are not – you're not able to go up to a bar, look at 200 brands behind in the bar and make a choice on a different – something you want to try. You're sitting at a table, you have to be able to order something that you know. And so experimentation goes down a little bit. And we'll just have to see how that plays out over time, but I do think there is – there will be a bias in the on-premise world for the big tried and trusted brands. And we'll just have to see how that plays out.

Jane Morreau

Lauren, just to build on what Lawson said. It's really an excellent question. And as you can imagine, we don't know how the future is going to look. And so we are, here at Brown-Forman, looking at what's the future going to look like? Again, what – reimagine what it might be. It's not so much about predicting exactly what's going to happen, but what might happen. And so because this has been a large shock, if you will. So some things will continue somewhat, perhaps leveraging technology to the digital, I can talk to consumers. Those things may become more important than we've done in the past. And so I think even with our e-premise – e-commerce and e-premise premise space, the contactless economy, but the digital everything is coming about. And so that's going to be areas that we look at, too. We're not sitting and saying, "Okay, we're planning on it come – we do expect it to come back, but what if it doesn't, what are those other ways that consumers have changed and will permanently change to this?" So just want you to know that we're looking at reimagining what things might be in the future.

Operator

And your final question comes from the line of Chris Pitcher with Redburn.

Chris Pitcher

A couple of questions, please. Could you give us a bit more color on how the rollout of Apple has progressed in the COVID environment? You had some accelerating growth in the other Jack Daniel's brands, which I assume was Apple. I just wanted to get a feel whether you think it's played to Apple's hand or it's hindered perhaps the rollout of that? And then secondly, in the U.K. The investment you've put down in terms of sales and distribution over here. Again, has the COVID environment meant that, that rollout has slowed? Or do you expect as the on-trade opens up here that, that organization is a position to start fully delivering on the plans that you had in place?

Lawson Whiting

All right. I'll take the Apple one. I mean, in the U.S., it got to 250,000 cases in 8 months in the U.S. So that's a very solid intro, and we're happy.

Jane Morreau

210,000 in the U.S. Globally, it was…

Lawson Whiting

Okay. 210,000 in the U.S., which is essentially on plan, if you will. Now the last couple of months, I'm actually not even sure what happened in the last couple of months of the year with Apple itself. But I mean, I think in general, the brand is on plan. It is being very well received. It has a great taste to it. And these flavors have done well in this COVID environment where consumers are staying home. The flavors are largely off-premise play anyway. And so they've benefited from that.

Now the international expansion on Apple has been hindered by this. We still – it did launch in the U.K. and in Germany and France and a few others, but we've sort of pulled back a little bit, particularly in markets that have a high on-premise percentage of business, so the Italy and Spain and places like that. We just said, let's not even launch right now, it just doesn't make any sense in that environment. So that has slowed the international rollout out, but that's a matter of timing. I expect that we will begin to bring that into the new markets as conditions open up in some of those places that have really locked down.

Jane Morreau

Yes. And to answer your question, Chris, as it relates to the U.K. It definitely has been trying times. We did not project the COVID environment bringing on the 100 new employees or so that we have there. So – but I will say that it's shown a lot of agility by a lot of people around the world. We've set up our systems and processes. We train sales guys, all remotely during this time. And I'm proud of everything that has happened with that team. The transition is going very well. We've got people in place. We're able to ship. Our supply chain logistics are running. We've met with the off trade. Now what's different is the on trade. As I said earlier, the on trade is not projected to come back on until July 4 with significant restrictions. So that's a big percentage of our customer base. But in terms of the transition and shipping and selling and so forth with our off-premise trade, all is going well. And we're having direct conversations with our key trade stakeholders and getting the better understanding that we didn't have before when we didn't have the full insights into what was going into marketplace. So all is doing well in that front.

Operator

I'll turn it back over to our speakers for closing remarks.

Leanne Cunningham

We'd just like to say thank you, Dorothy, and thank you to Lawson and Jane and to all of you for joining our call today for Brown-Forman's year-end fiscal 2020. And if you have any additional questions, please feel free to contact us.

With that, we wish you a safe and healthy summer. Thank you.

Operator

Thank you, ladies and gentlemen. That does conclude today's conference call. You may now disconnect.