

Brown-Forman delivers double-digit net sales FH fiscal 2023

Brown-Forman Corporation has reported financial results for its second quarter and the first half of fiscal 2023. For the second quarter, reported net sales increased 10% to \$1.1 billion (+16% on an organic basis) compared to the same prior-year period. Reported operating income decreased 2% to \$313 million (+8% on an organic basis) in the quarter, and diluted earnings per share decreased 4% to \$0.47.

For the first six months of the fiscal year, reported net sales increased 11% to \$2.1 billion (+17% on an organic basis) compared to the same prior-year period. Reported net sales growth was negatively impacted by six percentage points of foreign currency exchange. In the first half, reported operating income increased 8% to \$656 million (+19% on an organic basis) and diluted earnings per share increased 11% to \$0.99.

“Brown-Forman has once again displayed tremendous resolve, delivering double-digit revenue growth for the first half of fiscal 2023. Consumer demand for our brands remains strong, and we have set the organization on a path for continued growth with our sustained brand investments, recently announced acquisitions, product innovation, and strategic relationships.

“Despite foreign exchange and inflationary headwinds, Brown-Forman is on track to deliver another solid year of growth in fiscal 2023. The Board’s recent approval of a 9% increase in the regular quarterly cash dividend reinforces our shared confidence in the long-term health of our business,” says Lawson Whiting, Brown-Forman’s President & CEO.

As released by Brown-Forman, see below for an in-depth look at its performance during the first half of its fiscal 2023.

First half of fiscal 2023 highlights

- Delivered broad-based reported net sales growth across all geographic clusters and the travel retail channel driven by consumer demand and the continued rebuilding of distributor inventories
- Portfolio growth was led by:
 - Jack Daniel’s Tennessee Whiskey with reported net sales growth of 9% (+18% organic)
 - Sustained double-digit growth of Woodford Reserve with reported net sales of 39% (+40% organic)
 - Ready-to-Drinks (RTDs) with double-digit reported net sales growth of 14% (+20% organic) propelled by Jack Daniel’s RTDs and New Mix
- Reported gross margin contracted 130 basis points driven by inflation, supply chain disruption costs and foreign exchange
- Reported advertising expense increased 19% (+25% organic)
- Diluted earnings per share increased 11%

First half of fiscal 2023 brand results

- The Jack Daniel's family of brands' reported net sales growth of 9% (+17% organic) was led by Jack Daniel's Tennessee Whiskey. Higher pricing and an estimated net increase in distributor inventories positively impacted reported net sales, partially offset by the negative effect of foreign exchange. Plus, continued consumer desire for convenience and flavor drove gains in Jack Daniel's RTDs, Jack Daniel's Tennessee Honey and Jack Daniel's Tennessee Fire.
- Premium bourbons, propelled by Woodford Reserve and Old Forester, delivered 39% reported net sales growth (+40% organic) driven by higher volumes in the United States
- Ready-to-Drinks delivered double-digit reported net sales growth driven by consumer preference for convenience and flavor. Jack Daniel's RTDs/Ready-to-Pours (RTPs) grew reported net sales 9% (+15% organic) led by Australia and Germany, partially offset by the negative effect of foreign exchange. New Mix delivered 48% reported net sales growth (+46% organic) fueled by Mexico with market share gains in the RTD category.
- Reported net sales for the tequila portfolio increased 10% (+11% organic) was led by el Jimador and Herradura. el Jimador grew reported net sales 16% (+18% organic) and Herradura increased reported net sales 9% (+9% organic) driven by volumetric growth in the United States. Herradura's reported net sales were positively impacted by an estimated net increase in distributor inventories as supply constraints eased.

First half of fiscal 2023 market results

- Reported net sales grew across all geographic clusters and the travel retail channel driven by continued consumer demand, brand strength, and the rebuilding of distributor inventories with some easing of supply chain constraints compared to the first half of fiscal 2022. This broad-based growth was partially offset by foreign exchange headwinds.
- Reported net sales in the United States grew 11% (+11% organic) with volumetric gains, favorable mix, and higher pricing across the portfolio. Growth was led by higher volume and pricing from Woodford Reserve and Jack Daniel's Tennessee Whiskey. Korbel California Champagne partially offset the growth due to the combination of higher pricing and lower volumes.
- Developed International markets experienced strong consumer demand as reported net sales increased 3% (+14% organic) due to volumetric growth from Jack Daniel's Tennessee Whiskey and Jack Daniel's RTDs. Reported net sales growth in developed international markets was led by Spain, Korea and Canada.
- Emerging markets' reported net sales increased 14% (+27% organic) led by the growth of Jack Daniel's Tennessee Whiskey in Brazil and Sub-Saharan Africa, as well as sustained double-digit growth in Mexico fueled by New Mix.
- The channel continued to deliver strong growth with a reported net sales increase of 60% (+67% organic) driven by higher volumes across much of the portfolio as travel continued to rebound.

Fiscal 2023 outlook

The company anticipates stronger growth in fiscal 2023 despite global macroeconomic and geopolitical uncertainties. Accordingly, Brown-Forman updates its guidance for fiscal 2023 as follows:

- Reflecting the strength of its brand portfolio, stronger consumer demand, and the easing of supply chain constraints, it expects organic net sales growth in the high-single digit range

- The reported gross margin decline during the first half of fiscal 2023 was driven by higher inflation, supply chain disruption costs, and the negative effect of foreign exchange. For the full year, it expects reported gross margin to be consistent with the first half of fiscal 2023.
- Based on the above expectations, Brown-Forman anticipates high-single digit organic operating income growth
- The company expects its fiscal 2023 effective tax rate to be in the range of approximately 22% to 23%.
- Capital expenditures are planned to be in the range of \$190 to \$210 million

On November 17, 2022, the Brown-Forman Board of Directors approved a 9% increase in the regular quarterly cash dividend to \$0.2055 per share on its Class A and Class B common stock. The dividend is payable on January 3, 2023, to stockholders of record on December 2, 2022.

Brown-Forman will host a conference call to discuss these results on December 7 (today) at 10:00 am (ET). A live audio broadcast of the call, and the accompanying presentation slides, will be available via Brown-Forman's [website](#) via a link to "Investors/Events & Presentations." A digital audio recording of the call and the presentation slides will also be posted on the website and will be available for at least 30 days following the call.