

Brown-Forman delivers strong Q1 2022 results

Brown-Forman Corporation reported financial results for its first quarter of fiscal 2022 with net sales of \$906 million (USD) increasing 20% (+18% on an underlying basis) compared to the same prior-year period. In the quarter, operating income decreased from 25% to \$289 million (+15% on an underlying basis) and diluted earnings per share declined 41% to \$0.40 due to the gain from the sale of the Canadian Mist, Early Times and Collingwood brands in the prior year.

“Brown-Forman delivered a strong start to fiscal 2022. These results were driven by the strength of our portfolio, which benefited from the re-opening of the on-premise, sustained at-home consumption and continued premiumization trends.

“While we are optimistic the operating environment will continue to improve, we are closely monitoring the potential volatility associated with the evolving pandemic and continued supply chain disruptions. Backed by the strength of our brands and our people, we are confident in our ability to manage our business for the long term,” says Lawson Whiting, President & CEO, Brown-Forman.

Q1 Fiscal 2022 highlights:

- Net sales increased 20% (+18% underlying)
 - Brown-Forman experienced strong growth across all geographic clusters and travel retail
 - Jack Daniel’s family of brands net sales increased 20% (+16% underlying)
 - Premium bourbons net sales increased 34% (+36% underlying)
 - Tequila portfolio net sales increased 32% (+23% underlying)
- Strong net sales growth in the United States was primarily driven by double-digit growth from Jack Daniel’s Tennessee Whiskey, premium bourbons and tequilas
- Developed international markets maintained double-digit net sales growth driven by broad-based growth led by Germany, France, Korea and Spain.
- Emerging markets returned to double-digit net sales growth propelled by volume gains across most markets, partially offset by declines throughout most countries in Southeast Asia
- Net sales in travel retail increased primarily due to a favorable comparison to the same prior-year period, which was impacted by significant disruption due to COVID-19 travel bans and restrictions
- As the company supported brand momentum, advertising increased 46% (+44% underlying)
- Brown-Forman generated strong free cash flow of \$171 million (USD)

Q1 Fiscal 2022 brand reported results:

- Jack Daniel’s family of brands net sales growth was propelled by Jack Daniel’s Tennessee Whiskey, which benefited from higher volumes globally and favorable channel mix in the United States related to on-premise re-opening
- Jack Daniel’s Tennessee Apple’s net sales growth was fueled by its ongoing international launch
- Led by Woodford Reserve and Old Forester, premium bourbons maintained double-digit net sales growth driven by strong volumetric gains in the United States
- Brown-Forman’s tequila portfolio was led by double-digit net sales growth of Herradura and el Jimador; particularly, Herradura benefited from the resurgence of demand in Mexico following disruption in the prior-year period

Q1 Fiscal 2022 market reported results:

- Strong net sales growth in the United States was primarily driven by double-digit growth from Jack Daniel's Tennessee Whiskey, premium bourbons and tequilas
- Developed international markets maintained double-digit net sales growth driven by broad-based growth led by Germany, France, Korea and Spain.
- Emerging markets returned to double-digit net sales growth propelled by volume gains across most markets, partially offset by declines throughout most countries in Southeast Asia
- Net sales in travel retail increased primarily due to a favorable comparison to the same prior-year period, which was impacted by significant disruption due to COVID-19 travel bans and restrictions

Fiscal 2022 outlook:

- Due to the volatility and uncertainty that continues to exist in the operating environment including recent COVID-19 trends and global supply chain disruptions, Brown-Forman has revised some of its expectations
- The company is managing the impact of global supply chain disruptions such as glass supply and addressing various constraints via number of risk mitigation strategies; while Brown-Forman expects these disruptions to persist throughout the fiscal 2022 year, it's believed the impact will become significantly less in the second half of the year
- As a result of supply chain issues and higher input costs related to transportation costs and commodity prices, Brown-Forman expects a more significant unfavorable impact – especially in terms of its gross margin
- Despite these challenges, the company still anticipates mid-single digit growth among underlying net sales, underlying operating expenses and underlying operating income for fiscal 2022
- As a result of these factors, coupled with unusual comparisons to last year, Brown-Forman expects the seasonality of its results to be volatile throughout the year