1H18 Results

December 6, 2017

BROWN-FORMAN

Forward-Looking Statements

This presentation contains statements, estimates, and projections that are "forward-looking statements" as defined under U.S. federal securities laws. Words such as "aim," "anticipate," "aspire," "believe," "continue," "could," "envision," "estimate," "expect," "expectation," "intend," "may," "plan," "potential," "project," "pursue," "see," "seek," "should," "will," and similar words identify forward-looking statements, which speak only as of the date we make them. Except as required by law, we do not intend to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. By their nature, forward-looking statements involve risks, uncertainties and other factors (many beyond our control) that could cause our actual results to differ materially from our historical experience or from our current expectations or projections. These risks and uncertainties include, but are not limited to:

- Unfavorable global or regional economic conditions, and related low consumer confidence, high unemployment, weak credit or capital markets, budget deficits, burdensome government debt, austerity measures, higher interest rates, higher taxes, political instability, higher inflation, deflation, lower returns on pension assets, or lower discount rates for pension obligations
- Risks associated with being a U.S.-based company with global operations, including commercial, political and financial risks; local labor policies and conditions; protectionist trade policies or economic or trade sanctions; compliance with local trade practices and other regulations, including anti-corruption laws; terrorism; and health pandemics
- Fluctuations in foreign currency exchange rates, particularly a stronger U.S. dollar
- Changes in laws, regulations, or policies - especially those that affect the production, importation, marketing, labeling, pricing, distribution, sale, or consumption of our beverage alcohol products
- Tax rate changes (including excise, sales, VAT, tariffs, duties, corporate, individual income, dividends, capital gains) or changes in related reserves, changes in tax rules (for example, LIFO, foreign income deferral, U.S. manufacturing and other deductions) or accounting standards, and the unpredictability and suddenness with which they can occur
- Dependence upon the continued growth of the Jack Daniel's family of brands
- Changes in consumer preferences, consumption or purchase patterns - particularly away from larger producers in favor of smaller distilleries or local producers, or away from brown spirits, our premium products, or spirits generally, and our ability to anticipate or react to them; bar, restaurant, travel or other on-premise declines; shifts in demographic trends; unfavorable consumer reaction to new products, line extensions, package changes, product reformulations, or other product innovation
- Decline in the social acceptability of beverage alcohol products in significant markets
- Production facility, aging warehouse or supply chain disruption
- Imprecision in supply/demand forecasting
- Higher costs, lower quality or unavailability of energy, water, raw materials, product ingredients, labor or finished goods
- Route-to-consumer changes that affect the timing of our sales, temporarily disrupt the marketing or sale of our products, or result in higher implementation-related or fixed costs
- Inventory fluctuations in our products by distributors, wholesalers, or retailers
- Competitors' consolidation or other competitive activities, such as pricing actions (including price reductions, promotions, discounting, couponing or free goods), marketing, category expansion, product introductions, or entry or expansion in our geographic markets or distribution networks
- Risks associated with acquisitions, dispositions, business partnerships or investments - such as acquisition integration, termination difficulties or costs, or impairment in recorded value
- Inadequate protection of our intellectual property rights
- Product recalls or other product liability claims; product counterfeiting, tampering, contamination, or product quality issues
- Significant legal disputes and proceedings; government investigations (particularly of industry or company business, trade or marketing practices)
- Failure or breach of key information technology systems
- Negative publicity related to our company, brands, marketing, personnel, operations, business performance or prospects
- Failure to attract or retain key executive or employee talent
- Our status as a family "controlled company" under New York Stock Exchange rules

For further information on these & other risks, please refer to the "Risk Factors" section of our annual report on Form 10-K and quarterly reports on Form 10-Q filed with the SEC.

1H18 Highlights

Reported Results

Reported net sales +10%, operating income +17% and EPS +24%; Results driven by strong underlying sales growth and helped by YOY change in trade inventories as well as a lower tax rate

Underlying Net Sales[1]

Underlying net sales growth of 7% (+8% in the second quarter), a continued acceleration as execution of strategic priorities takes hold

Operating Leverage

Delivered strong operating expense leverage, helped by phasing of certain investments in the fiscal year

Fiscal 2018 Outlook

Increased outlook for underlying net sales growth to 6-7%, underlying operating income growth to 8-9% and EPS range to $1.90 - $1.98 (implied growth of 11-16%)

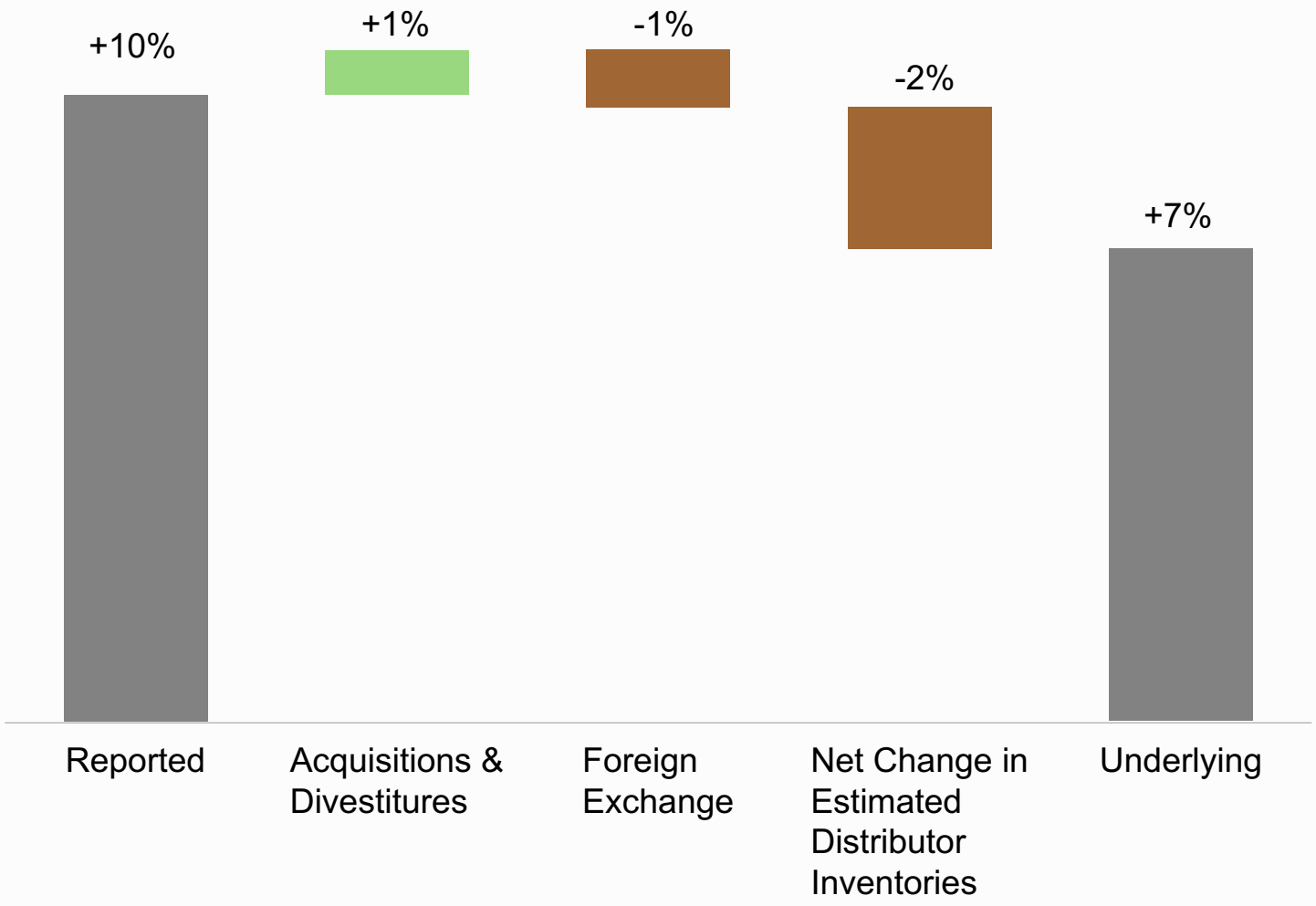
[1]Use of Non-GAAP Financial Information: This presentation includes measures not derived in accordance with U.S. generally accepted accounting principles ("GAAP"), including underlying net sales, underlying cost of sales, underlying gross profit, underlying advertising expense, underlying SG&A, and underlying operating income. These measures should not be considered in isolation or as a substitute for any measure derived in accordance with GAAP, and also may be inconsistent with similar measures presented by other companies. Reconciliations of these measures to the most closely comparable GAAP measures, and reasons for the company's use of these measures, are presented in the appendix attached hereto.

1H18 - Strong Reported and Underlying Rates of Growth

	Reported Change (%)	Acquisitions & Divestitures (+/-)	Foreign Exchange Impact (+/-)	Net Change In Estimated Distributor Inventories (+/-)	Underlying Change (%)
Net Sales	10%	1%	-1%	-2%	7%
Gross Profit	10%	—%	—%	-3%	7%
Advertising	5%	—%	-1%	—%	5%
SG&A	-1%	—%	-1%	—%	-1%
Operating Income	17%	-1%	3%	-5%	14%

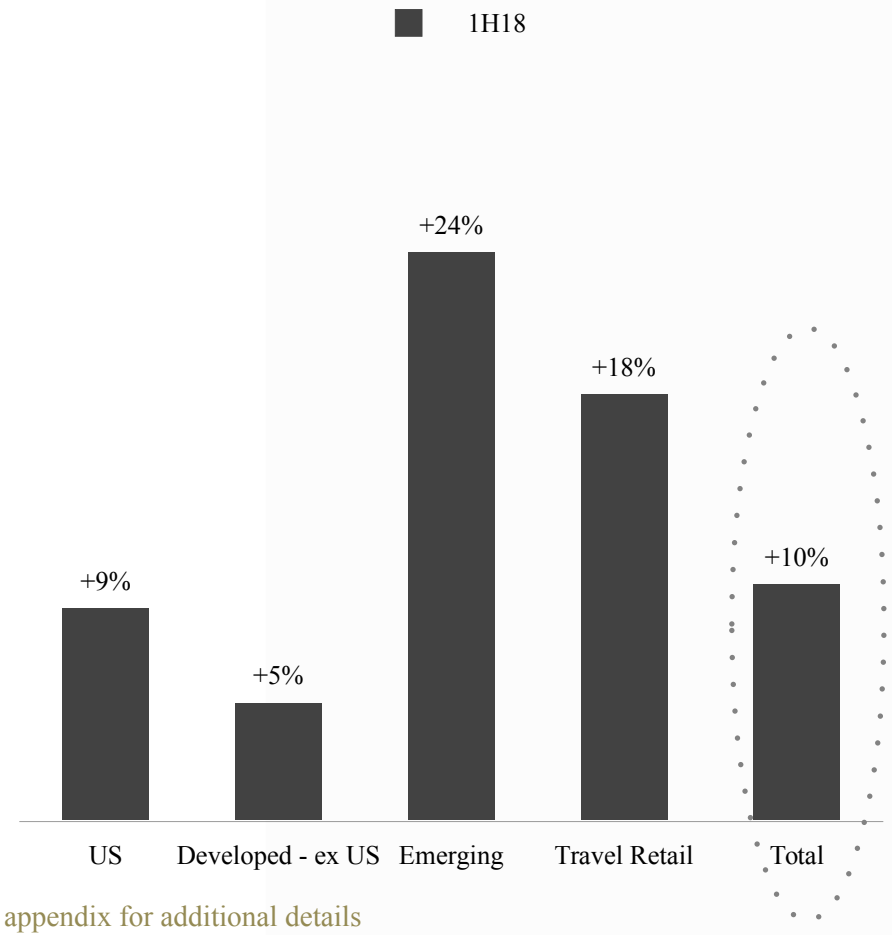
Note: Totals may differ due to rounding

1H18 Reported Growth of 10% Fueled by 7% Underlying Net Sales Growth

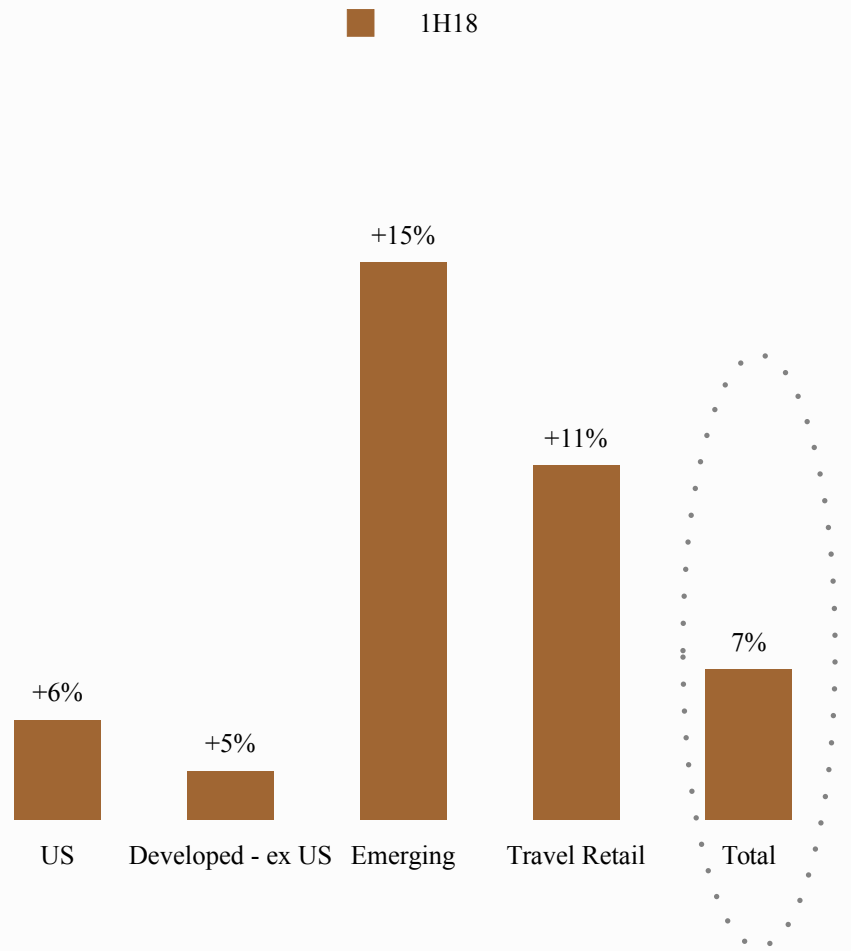


Broad-based Delivery of Net Sales Growth

Reported



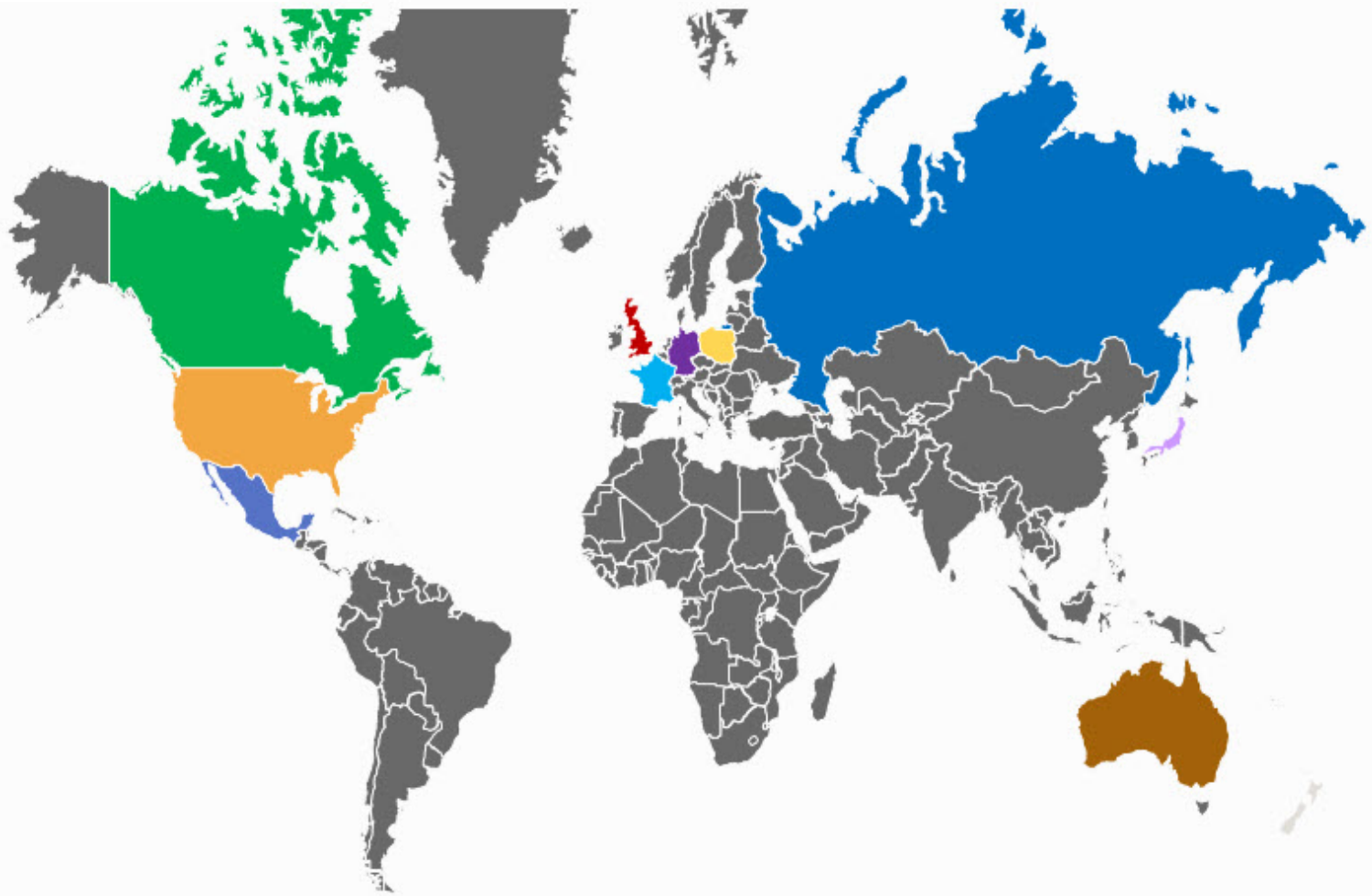
Underlying



* See appendix for additional details

Widespread Growth Across Our Top Markets

1H18 Net Sales Growth - Reported/Underlying



United States
+9%/+6%
Volume-driven growth

United Kingdom
+15%/+7%
Driven by JDTW and innovation

Australia
+7%/+10%
Driven by JDFOB

Mexico
+9%/+9%
Led by tequilas and JD FOB

Germany
+13%/+11%
Volume-driven growth

Travel Retail
+18%/+11%
Led by American whiskeys

France
+8%/+6%
Growth led JDTW and Honey

Poland
+24%/+12%
Led by JDTW

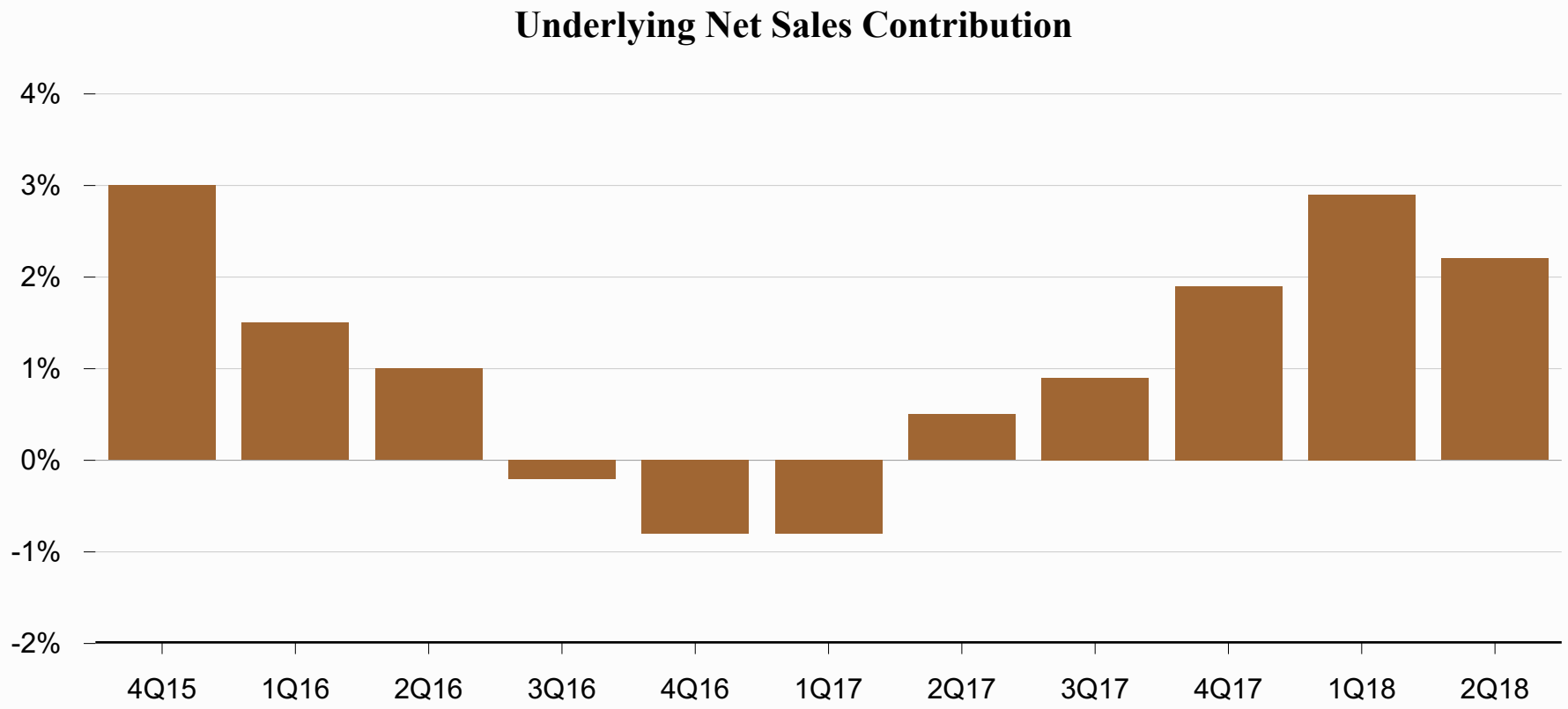
Japan
-18%/-15%
Volume driven declines due to prior year buy-in in advance of price increase

Canada
-3%/0%
Flat demand

Russia
NM/+43%
Growth led by Finlandia

* See appendix for additional details

Emerging Markets' Trends Have Rebounded; Tougher Comparison in the Second Half



Balanced Portfolio Contribution in 1H18
(Underlying Net Sales Change)



+7%



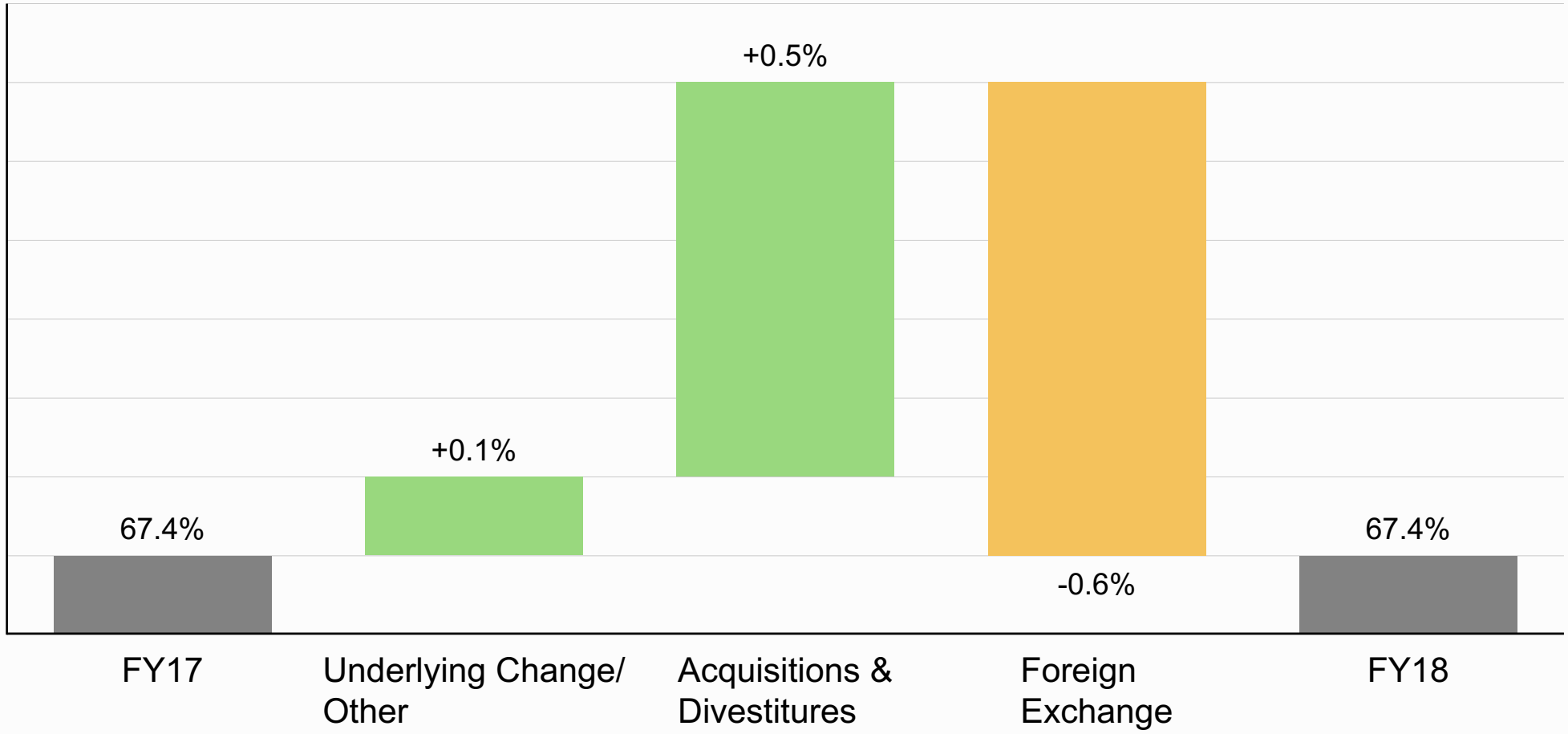
+22%



+13%

* See appendix for additional details

Steady Gross Margins



1H18 Operating Performance Enhanced by Phasing of Operating Expenses

	Three Months Ended October 31, 2017		Six Months Ended October 31, 2017	
	Reported Change (%)	Underlying Change (%)	Reported Change (%)	Underlying Change (%)
Net Sales	10%	8%	10%	7%
Gross Profit	11%	8%	10%	7%
Advertising	4%	3%	5%	5%
SG&A	—%	-1%	-1%	-1%
Operating Income	19%	16%	17%	14%
Gross margin	0.3% points		—% points	
Operating margin	2.8% points		2.2% points	
Effective tax rate	-0.7% points		-2.9% points	
Share count	-1%		-2%	
Diluted earnings per share	23%		24%	

* See appendix for additional details

Revised Fiscal 2018 Outlook

Underlying Net Sales	Underlying Operating Income	Diluted EPS
6 - 7% (prior range of 4-5%)	8 - 9% (prior range of 6-8%)	$1.90 - $1.98 Implied growth of 11 - 16% (prior range of $1.85 - $1.95)

Appendix

Non-GAAP Reconciliation

We use certain financial measures in this presentation that are not measures of financial performance under U.S. generally accepted accounting principles (GAAP). These non-GAAP measures, defined below, should be viewed as supplements to (not substitutes for) our results of operations and other measures reported under GAAP. The non-GAAP measures we use in this presentation may not be defined and calculated by other companies in the same manner. Reconciliations of these non-GAAP measures to the most closely comparable GAAP measures are presented on the following slides of this presentation.

"Underlying change" in income statement measures. We present changes in certain income statement measures, or line items, that are adjusted to an "underlying" basis. We use "underlying change" for the following income statement measures: (a) underlying net sales, (b) underlying cost of sales, (c) underlying gross profit, (d) underlying advertising expenses, (e) underlying selling, general, and administrative (SG&A) expenses, (f) underlying other expense (income), (g) underlying operating expenses and (h) underlying operating income. To calculate these measures, we adjust, as applicable, for (a) acquisitions and divestitures, (b) foreign exchange and (c) estimated net changes in distributor inventories. We explain these adjustments below.

- *"Acquisitions and divestitures."* This adjustment removes (a) any non-recurring effects related to our acquisitions and divestitures (e.g., transaction gains or losses, transaction costs, and integration costs), and (b) the effects of operating activity related to acquired and divested brands for periods that are not comparable on a year-over-year basis (non-comparable periods). By excluding non-comparable periods, we therefore include the effects of acquired and divested brands only to the extent that results are comparable on a year-over-year basis.

  In fiscal 2016, we sold our Southern Comfort and Tuaca brands and related assets to Sazerac Company, Inc. and entered into a related transition services agreement (TSA). During fiscal 2017, we completed our obligations under the TSA. This adjustment removes the net sales and operating expenses recognized in fiscal 2017 pursuant to the TSA related to (a) contract bottling services and (b) distribution services in certain markets. On June 1, 2016, we acquired The BenRiach Distillery Company Limited (BenRiach). This adjustment removes (a) transaction and integration costs related to the acquisition and (b) operating activity for the acquisition for the non-comparable period. For both fiscal 2017 and 2018, the non-comparable period is the month of May.

- *"Foreign exchange."* We calculate the percentage change in our income statement line items in accordance with GAAP and adjust to exclude the cost or benefit of currency fluctuations. Adjusting for foreign exchange allows us to understand our business on a constant-dollar basis, as fluctuations in exchange rates can distort the underlying trend both positively and negatively. (In this report, "dollar" always means the U.S. dollar unless stated otherwise.) To eliminate the effect of foreign exchange fluctuations when comparing across periods, we translate current year results at prior-year rates.

- *"Estimated net change in distributor inventories."* This adjustment refers to the estimated net effect of changes in distributor inventories on changes in our income statement line items. For each period compared, we use depletion information provided by our distributors to estimate the effect of distributor inventory changes on our income statement line items.

We use the non-GAAP measures "underlying change" for the following reasons: (a) to understand our performance from period to period on a consistent basis; (b) to compare our performance to that of our competitors; (c) in connection with management incentive compensation calculations; (d) in our planning and forecasting processes and (e) in communications concerning our financial performance with the board of directors, stockholders, and investment analysts. We have consistently applied the adjustments within our reconciliations in arriving at each non-GAAP measure.

Definitions

Geographic Aggregations.

- *"Developed"* markets are "advanced economies" as defined by the International Monetary Fund, with the largest for Brown-Forman being the United States, the United Kingdom, and Australia. Developed international markets are developed markets excluding the United States.
- *"Emerging"* markets are "emerging and developing economies" as defined by the International Monetary Fund, with the largest for Brown-Forman being Mexico and Poland.
- *"Travel Retail"* represents our sales to global duty free customers, travel retail customers, and the U.S. military.

Brand Aggregations.

- *"Jack Daniel's family of brands"* includes Jack Daniel's Tennessee Whiskey (JDTW), Jack Daniel's Tennessee Honey (JDTH), Jack Daniel's RTD and RTP products (JD RTDs/RTP), Gentleman Jack, Jack Daniel's Tennessee Fire (JDTF), Jack Daniel's Single Barrel Collection, Jack Daniel's Tennessee Rye Whiskey, Jack Daniel's Sinatra Select, Jack Daniel's No. 27 Gold Tennessee Whiskey and Jack Daniel's 1907 Tennessee Whiskey.
- *"Jack Daniel's RTD and RTP"* products include all RTD line extensions of Jack Daniel's, such as Jack Daniel's & Cola, Jack Daniel's & Diet Cola, Jack & Ginger, Jack Daniel's Country Cocktails, Gentleman Jack & Cola, Jack Daniel's Double Jack, Jack Daniel's American Serve, Jack Daniel's Tennessee Honey RTD, Jack Daniel's Cider, Jack Daniel's Lynchburg Lemonade and the seasonal Jack Daniel's Winter Jack RTP.
- *"Premium- and super-premium bourbon"* products include Woodford Reserve and Old Forester.
- *"American whiskey"* products include the Jack Daniel's family of brands, premium bourbons and Early Times.
- *"Tequila"* products include el Jimador, Herradura and New Mix.

Definitions

Other Metrics.

- *"Depletions."* When discussing volume, unless otherwise specified, we refer to "depletions," a term commonly used in the beverage alcohol industry. Depending on the context, "depletions" means either (a) our shipments directly to retailers or wholesalers, or (b) shipments from our distributor customers to retailers and wholesalers. We generally record revenues when we ship our products to our customers, so our reported sales for a period do not necessarily reflect actual consumer purchases during that period. We believe that our depletions measure volume in a way that more closely reflects consumer demand than our shipments to distributor customers do.
- *"Drinks-equivalent."* Volume is discussed on a nine-liter equivalent unit basis (nine-liter cases) unless otherwise specified. At times, we use a "drinks-equivalent" measure for volume when comparing single-serve ready-to-drink (RTD) or ready-to-pour (RTP) brands to a parent spirits brand. "Drinks-equivalent" depletions are RTD and RTP nine-liter cases converted to nine-liter cases of a parent brand on the basis of the number of drinks in one nine-liter case of the parent brand. To convert RTD volumes from a nine-liter case basis to a drinks-equivalent nine-liter case basis, RTD nine-liter case volumes are divided by 10, while RTP nine-liter case volumes are divided by 5.

Reconciliation
1H18 Net Sales Growth by Geography

Three Months Ending October 31, 2017					
Geographic area	Reported (%)	Acquisitions & Divestitures (+/-)	Foreign Exchange (+/-)	Net Change in Estimated Distributor Inventories (+/-)	Underlying (%)
US	9%	—%	—%	-3%	6%
Developed – ex US	5%	—%	-2%	2%	5%
Emerging	24%	—%	-2%	-6%	15%
Travel Retail	18%	—%	2%	-9%	11%

Reconciliation

1H18 Net Sales Growth by Top Markets

Geographic area	Reported %	Acquisitions & Divestitures +/-	Foreign Exchange +/-	Net Change in Estimated Distributor Inventories +/-	Underlying %
United States	9%	—%	—%	-3%	6%
United Kingdom	15%	—%	-8%	—%	7%
Germany	13%	-1%	-2%	—%	11%
France	8%	—%	-2%	—%	6%
Poland	24%	—%	-12%	—%	12%
Russia	NM	—%	-18%	NM	43%
Australia	7%	2%	—%	—%	10%
Mexico	9%	—%	-1%	1%	9%
Japan	-18%	—%	3%	1%	-15%
Canada	-3%	—%	2%	1%	—%
Travel Retail	18%	—%	2%	-9%	11%

Reconciliation
1H18 Net Sales Growth for Aggregated Brands

Aggregated Brands	Reported %	Foreign Exchange +/-	Net Change in Estimated Distributor Inventories +/-	Underlying %
Jack Daniel's Family	10%	-1%	-2%	7%
Old Forester & Woodford Reserve	26%	—%	-4%	22%
el Jimador, Herradura, & New Mix	13%	-1%	—%	13%