Brown-Forman Corporation
Supplemental Information – Historical Organic Trends

As of the third quarter ended January 31, 2022, we changed certain non-GAAP financial measures that we have historically used. We will no longer report “underlying changes” in certain measures of the statements of operations; instead, we will now report “organic change” in certain measures of the statements of operations. “Organic change” includes all of the non-GAAP adjustments that we have historically made in adjusting GAAP to “underlying change” results, except that “organic change” does not include an adjustment for “estimated net change in distributor inventories,” which reflected the estimated net effect of changes in distributor inventories on changes in certain line items of the statements of operations. This change to our non-GAAP financial measures is in response to comments from and discussions with the Staff of the Securities and Exchange Commission.

Although we will no longer provide non-GAAP financial measures that adjust for “estimated net change in distributor inventories,” we still believe that our results are affected by changes in distributor inventories, particularly in our largest market, the United States, where the spirits industry is subject to regulations that essentially mandate a so-called “three-tier system,” with a value chain that includes suppliers, distributors and retailers. Accordingly, we will continue to provide information concerning fluctuations in distributor inventories. We believe such information is useful in understanding our performance and trends as it provides relevant information regarding customers’ demand for our products

The enclosed schedules present the reconciliation of the new “organic change” non-GAAP measure to the relevant GAAP measure for periods from Fiscal 2019 through the third quarter of Fiscal 2022.

Brown-Forman Corporation

Supplemental Information – Historical Organic Trends

(Percentage change vs. same prior-year period)

Net Sales

Quarter results	Reported	A&D	Foreign Exchange	Impairment	Foundation	New Acct Standard	Organic
Fiscal 2022							
Three months ended January 31, 2022	14%	2%	6%	–%	–%	–%	22%
Three months ended October 31, 2021	1%	2%	(1%)	–%	–%	–%	2%
Three months ended July 31, 2021	20%	2%	–%	–%	–%	–%	22%
Fiscal 2021							
Three months ended April 30, 2021	14%	2%	(3%)	–%	–%	–%	13%
Three months ended January 31, 2021	1%	–%	(2%)	–%	–%	–%	(1%)
Three months ended October 31, 2020	–%	–%	1%	–%	–%	–%	–%
Three months ended July 31, 2020	(2%)	–%	–%	–%	–%	–%	(1%)

Year-to-date results	Reported	A&D	Foreign Exchange	Impairment	Foundation	New Acct Standard	Organic
Fiscal 2022							
Nine months ended January 31, 2022	11%	2%	2%	–%	–%	–%	14%
Six months ended October 31, 2021	9%	2%	(1%)	–%	–%	–%	10%
Three months ended July 31, 2021	20%	2%	–%	–%	–%	–%	22%
Fiscal 2021							
Twelve months ended April 30, 2021	3%	–%	(1%)	–%	–%	–%	2%
Nine months ended January 31, 2021	–%	–%	–%	–%	–%	–%	(1%)
Six months ended October 31, 2020	(1%)	–%	1%	–%	–%	–%	–%
Three months ended July 31, 2020	(2%)	–%	–%	–%	–%	–%	(1%)
Fiscal 2020							
Twelve months ended April 30, 2020	1%	–%	1%	–%	–%	–%	2%
Fiscal 2019							
Twelve months ended April 30, 2019	2%	–%	2%	–%	–%	1%	5%

Note: results may differ due to rounding

Brown-Forman Corporation

Supplemental Information – Historical Organic Trends

(Percentage change vs. same prior-year period)

Cost of Sales

Quarter results	Reported	A&D	Foreign Exchange	Impairment	Foundation	New Acct Standard	Organic
Fiscal 2022							
Three months ended January 31, 2022	15%	5%	3%	–%	–%	–%	23%
Three months ended October 31, 2021	–%	3%	–%	–%	–%	–%	3%
Three months ended July 31, 2021	23%	3%	(2%)	–%	–%	–%	24%
Fiscal 2021							
Three months ended April 30, 2021	22%	3%	(3%)	–%	–%	–%	22%
Three months ended January 31, 2021	5%	(2%)	(1%)	–%	–%	–%	3%
Three months ended October 31, 2020	10%	(1%)	(1%)	–%	–%	–%	8%
Three months ended July 31, 2020	7%	–%	1%	–%	–%	–%	9%

Year-to-date results	Reported	A&D	Foreign Exchange	Impairment	Foundation	New Acct Standard	Organic
Fiscal 2022							
Nine months ended January 31, 2022	11%	3%	1%	–%	–%	–%	16%
Six months ended October 31, 2021	9%	3%	–%	–%	–%	–%	12%
Three months ended July 31, 2021	23%	3%	(2%)	–%	–%	–%	24%
Fiscal 2021							
Twelve months ended April 30, 2021	11%	–%	(1%)	–%	–%	–%	10%
Nine months ended January 31, 2021	7%	(1%)	–%	–%	–%	–%	7%
Six months ended October 31, 2020	9%	–%	–%	–%	–%	–%	9%
Three months ended July 31, 2020	7%	–%	1%	–%	–%	–%	9%
Fiscal 2020							
Twelve months ended April 30, 2020	7%	–%	1%	–%	–%	–%	8%
Fiscal 2019							
Twelve months ended April 30, 2019	11%	–%	2%	–%	–%	–%	13%

Note: results may differ due to rounding

Brown-Forman Corporation

Supplemental Information – Historical Organic Trends

(Percentage change vs. same prior-year period)

Gross Profit

Quarter results	Reported	A&D	Foreign Exchange	Impairment	Foundation	New Acct Standard	Organic
Fiscal 2022							
Three months ended January 31, 2022	13%	1%	8%	–%	–%	–%	22%
Three months ended October 31, 2021	2%	1%	(1%)	–%	–%	–%	1%
Three months ended July 31, 2021	19%	1%	–%	–%	–%	–%	21%
Fiscal 2021							
Three months ended April 30, 2021	10%	2%	(3%)	–%	–%	–%	9%
Three months ended January 31, 2021	(1%)	1%	(2%)	–%	–%	–%	(3%)
Three months ended October 31, 2020	(6%)	–%	1%	–%	–%	–%	(4%)
Three months ended July 31, 2020	(7%)	–%	–%	–%	–%	–%	(7%)

Year-to-date results	Reported	A&D	Foreign Exchange	Impairment	Foundation	New Acct Standard	Organic
Fiscal 2022							
Nine months ended January 31, 2022	11%	1%	2%	–%	–%	–%	14%
Six months ended October 31, 2021	9%	1%	(1%)	–%	–%	–%	10%
Three months ended July 31, 2021	19%	1%	–%	–%	–%	–%	21%
Fiscal 2021							
Twelve months ended April 30, 2021	(2%)	1%	(1%)	–%	–%	–%	(2%)
Nine months ended January 31, 2021	(5%)	–%	–%	–%	–%	–%	(5%)
Six months ended October 31, 2020	(6%)	–%	1%	–%	–%	–%	(5%)
Three months ended July 31, 2020	(7%)	–%	–%	–%	–%	–%	(7%)
Fiscal 2020							
Twelve months ended April 30, 2020	(2%)	–%	–%	–%	–%	–%	(2%)
Fiscal 2019							
Twelve months ended April 30, 2019	(2%)	–%	2%	–%	–%	1%	2%

Note: results may differ due to rounding

Brown-Forman Corporation

Supplemental Information – Historical Organic Trends

(Percentage change vs. same prior-year period)

Operating Expenses

Quarter results	Reported	A&D	Foreign Exchange	Impairment	Foundation	New Acct Standard	Organic
Fiscal 2022							
Three months ended January 31, 2022	2%	–%	–%	–%	–%	–%	2%
Three months ended October 31, 2021	7%	–%	–%	(1%)	–%	–%	5%
Three months ended July 31, 2021	29%	–%	(6%)	(3%)	–%	–%	20%
Fiscal 2021							
Three months ended April 30, 2021	(10%)	12%	–%	1%	(2%)	–%	1%
Three months ended January 31, 2021	7%	–%	1%	–%	–%	–%	7%
Three months ended October 31, 2020	(6%)	–%	(1%)	–%	–%	–%	(7%)
Three months ended July 31, 2020	(18%)	(1%)	1%	–%	–%	–%	(17%)

Year-to-date results	Reported	A&D	Foreign Exchange	Impairment	Foundation	New Acct Standard	Organic
Fiscal 2022							
Nine months ended January 31, 2022	11%	–%	(2%)	(1%)	–%	–%	8%
Six months ended October 31, 2021	17%	–%	(3%)	(2%)	–%	–%	12%
Three months ended July 31, 2021	29%	–%	(6%)	(3%)	–%	–%	20%
Fiscal 2021							
Twelve months ended April 30, 2021	2%	–%	–%	1%	(2%)	–%	1%
Nine months ended January 31, 2021	(6%)	–%	–%	–%	–%	–%	(6%)
Six months ended October 31, 2020	(12%)	–%	–%	–%	–%	–%	(12%)
Three months ended July 31, 2020	(18%)	(1%)	1%	–%	–%	–%	(17%)
Fiscal 2020							
Twelve months ended April 30, 2020	1%	–%	–%	(1%)	–%	–%	–%
Fiscal 2019							
Twelve months ended April 30, 2019	(11%)	–%	2%	–%	6%	2%	(2%)

Note: results may differ due to rounding

Brown-Forman Corporation

Supplemental Information – Historical Organic Trends

(Percentage change vs. same prior-year period)

Operating Income

Quarter results	Reported	A&D	Foreign Exchange	Impairment	Foundation	New Acct Standard	Organic
Fiscal 2022							
Three months ended January 31, 2022	24%	2%	18%	–%	–%	–%	43%
Three months ended October 31, 2021	(2%)	1%	(2%)	1%	–%	–%	(2%)
Three months ended July 31, 2021	(25%)	39%	6%	2%	–%	–%	21%
Fiscal 2021							
Three months ended April 30, 2021	(10%)	4%	(8%)	(6%)	10%	–%	(9%)
Three months ended January 31, 2021	(8%)	1%	(5%)	–%	–%	–%	(12%)
Three months ended October 31, 2020	(6%)	1%	4%	–%	–%	–%	(2%)
Three months ended July 31, 2020	56%	(51%)	(1%)	–%	–%	–%	4%

Year-to-date results	Reported	A&D	Foreign Exchange	Impairment	Foundation	New Acct Standard	Organic
Fiscal 2022							
Nine months ended January 31, 2022	(4%)	16%	6%	1%	–%	–%	19%
Six months ended October 31, 2021	(15%)	20%	1%	1%	–%	–%	8%
Three months ended July 31, 2021	(25%)	39%	6%	2%	–%	–%	21%
Fiscal 2021							
Twelve months ended April 30, 2021	7%	(10%)	(2%)	(1%)	2%	–%	(5%)
Nine months ended January 31, 2021	10%	(13%)	(1%)	–%	–%	–%	(4%)
Six months ended October 31, 2020	19%	(20%)	2%	–%	–%	–%	1%
Three months ended July 31, 2020	56%	(51%)	(1%)	–%	–%	–%	4%
Fiscal 2020							
Twelve months ended April 30, 2020	(5%)	–%	–%	1%	–%	–%	(3%)
Fiscal 2019							
Twelve months ended April 30, 2019	9%	–%	3%	–%	(7%)	–%	6%

Note: results may differ due to rounding

Non-GAAP Financial Measures

We use some financial measures in this report 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. Other companies may not define or calculate these non-GAAP measures in the same way.

"Organic change" in measures of statements of operations. We present changes in certain measures, or line items, of the statements of operations that are adjusted to an "organic" basis. We use "organic change" for the following measures of the statements of operations: (a) organic net sales; (b) organic cost of sales; (c) organic gross profit; (d) organic advertising expenses; (e) organic selling, general, and administrative (SG&A) expenses; (f) organic other expense (income) net; (g) organic operating expenses[1]; and (h) organic operating income. To calculate these measures, we adjust, as applicable, for (1) acquisitions and divestitures, (2) foreign exchange, (3) impairment charges, (4) a new accounting standard, and (5) foundation. We explain these adjustments below.

- *"Acquisitions and divestitures."* This adjustment removes (a) the gain or loss recognized on sale of divested brands, (b) any non-recurring effects related to our acquisitions and divestitures (e.g., transaction, transition, and integration costs), and (c) the effects of operating activity related to acquired and divested brands for periods not comparable year over year (non-comparable periods). Excluding non-comparable periods allows us to include the effects of acquired and divested brands only to the extent that results are comparable year over year.

  On July 3, 2019, we acquired 100% of the voting interests in The 86 Company, which owns Fords Gin, for $22 million in cash. This adjustment removes (a) transaction and integration costs related to the acquisition and (b) operating activity for the acquired business for the non-comparable period, which is fiscal 2020 activity for The 86 Company.

  During fiscal 2021, we sold our Early Times, Canadian Mist, and Collingwood brands and related assets, which resulted in a pre-tax gain of $127 million, and entered into a related transition services agreement (TSA) for these brands. Also, during fiscal 2021, we acquired Part Time Rangers Limited, which owns Part Time Rangers RTDs. This adjustment removes (a) transaction and integration costs related to the acquisitions and divestitures, (b) the gain on the sale of the Early Times, Canadian Mist, and Collingwood brands and related assets, (c) operating activity for the non-comparable period for Early

---

[1] Operating expenses include advertising expense, SG&A expense, and other expense (income), net.

Times, Canadian Mist, and Collingwood, which is activity in the first quarter of fiscal 2021, (d) the net sales and operating expenses recognized pursuant to the TSA related to (i) contract bottling services and (ii) distribution services in certain markets, and (e) operating activity for Part Time Rangers Holdings Limited for the non-comparable period, which is primarily activity in the first two quarters of fiscal 2022. We believe that these adjustments allow for us to better understand our organic results on a comparable basis.

- *"Foreign exchange."* We calculate the percentage change in certain line items of the statements of operations 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 organic 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 and remove transactional and hedging foreign exchange gains and losses from current- and prior-year periods.

- *"Impairment charges."* This adjustment removes the impact of impairment charges from our results of operations. During the fourth quarter of fiscal 2020, we recognized a non-cash impairment charge of $13 million for our Chambord brand name. During the first three quarters of fiscal 2022, we recognized non-cash impairment charges of $9 million for certain fixed assets. We believe that this adjustment allows for us to better understand our organic results on a comparable basis..

- *"New accounting standard."* Under Accounting Standards Codification (ASC) 606, "Revenue from Contracts with Customers," we recognize the cost of certain customer incentives earlier than we did before adopting ASC 606. Although this change in timing did not have a significant impact on a full-year basis, there was some change in the timing of recognition across periods. Additionally, some payments to customers that we classified as expenses before adopting the new standard are classified as reductions of net sales under our new policy.

- *"Foundation."* In fiscal 2018, we established the Brown-Forman Foundation (the Foundation) with an initial $70 million contribution to support the Company's charitable giving program in the communities where our employees live and work. This adjustment removes the initial $70 million contribution to the Foundation from our organic SG&A expenses and organic operating income to present our organic results on a comparable basis. In fiscal 2021, we committed $20 million to the Brown-Forman Foundation (the Foundation) to support the communities where our employees live and work. This adjustment removes the $20 million commitment to the Foundation from our organic operating expenses and organic operating income to present our organic results on a comparable basis.

We use the non-GAAP measure “organic change”, along with other metrics, to: (a) understand our performance from period to period on a consistent basis; (b) compare our performance to that of our competitors; (c) calculate components of management incentive compensation; (d) plan and forecast; and (e) communicate our financial performance to the board of directors, stockholders, and investment community. We have consistently applied the adjustments within our reconciliations in arriving at each non-GAAP measure. We believe these non-GAAP measures are useful to readers and investors because they enhance the understanding of our historical financial performance and comparability between periods.

Definitions

Other Metrics.

- *“Shipments.”* We generally record revenues when we ship or deliver our products to our customers. In this document, unless otherwise specified, we refer to shipments when discussing volume.

- *“Depletions.”* This is a term commonly used in the beverage alcohol industry to describe volume. Depending on the context, depletions usually means either (a) our shipments directly to retail or wholesale customers for owned distribution markets or (b) shipments from our distributor customers to retailers and wholesalers in other markets. We believe that depletions measure volume in a way that more closely reflects consumer demand than our shipments to distributor customers do.

- *“Estimated net change in distributor inventories.”* We generally recognize revenue when our products are shipped or delivered to customers. In the United States and certain other markets, our customers are distributors that sell downstream to retailers and consumers. We believe that our distributors’ downstream sales more closely reflect actual consumer demand than do our shipments to distributors. Our shipments increase distributors’ inventories, while distributors’ depletions (as described above) reduce their inventories. Therefore, it is possible that our shipments do not coincide with distributors’ downstream depletions and merely reflect changes in distributors’ inventories. Because changes in distributors’ inventories could affect our trends, we believe it is useful for investors to understand those changes in the context of our operating results.

  We perform the following calculation to determine the “estimated net change in distributor inventories”:

  - For both the current-year period and the comparable prior-year period, we calculate a “depletion-based” amount by (a) dividing the organic dollar amount (e.g. organic net sales) by the corresponding shipment volumes to arrive at a shipment per case amount, and (b) multiplying the resulting shipment per case amount by the corresponding depletion volumes. We subtract the year-over-year percentage change of the “depletion-based” amount from the year-over-year percentage change

of the organic amount to calculate the “estimated net change in distributor inventories.”

- A positive difference is interpreted as a net increase in distributors’ inventories, which implies that organic trends could decrease as distributors’ reduce inventories; whereas, a negative difference is interpreted as a net decrease in distributors’ inventories, which implies that organic trends could increase as distributors rebuild inventories.