



THE EXPENDABLES



GENTLEMAN JACK
OLD TENNESSEE WHISKEY
MADE BY JACK DANIEL'S

JACK DANIEL'S
ORIGINAL RECIPE
Tennessee HONEY
PURE MASH POT STILL WHISKEY
BLENDED WITH JACK DANIEL'S TENNESSEE WHISKEY

JACK DANIEL'S
Old No. 7
Tennessee SOUR MASH WHISKEY
DISTILLED & BOTTLED BY JACK DANIEL DISTILLERY
LYNCHBURG, TENN. USA
40% ALC BY VOL. (80 PROOF)

JACK DANIEL'S
Tennessee FIRE
PURE MASH POT STILL WHISKEY
FINELY CRAFTED

JACK DANIEL'S
SINGLE BARREL
SELECT TENNESSEE WHISKEY

Overview

- Manufactures alcohol
- Only major spirits company to own/operate a new whisky barrel-making facility In the United States it sells to distributors or (in states that directly control alcohol sales) to state governments that then sell to retail customers and consumers
- In other countries it sells directly to retailers, to wholesalers, or, in Canada, to provincial governments

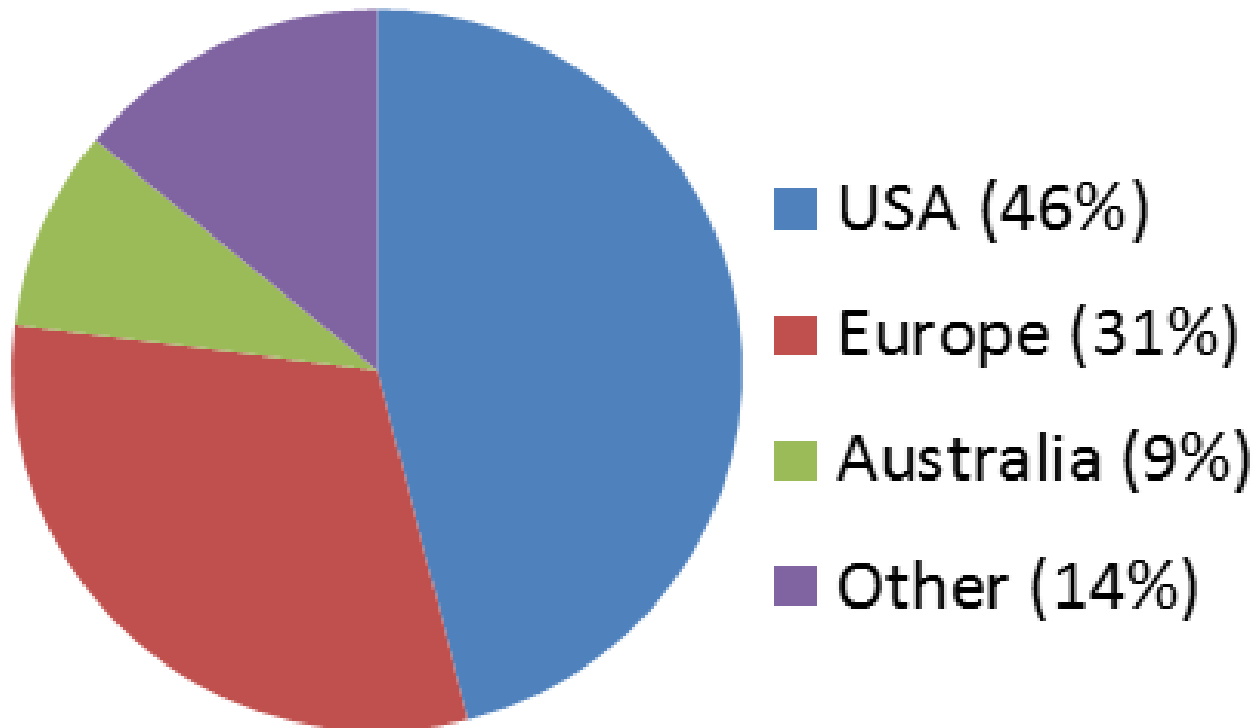
History

- Founded in 1870 by George Gavin Brown, incorporated in 1901
- Survived Prohibition by applying for and receiving a license to bottle whisky for medicinal purposes
- The Brown Family holds majority voting rights
- Five generations of Browns have managed the company as Presidents, CEOs and Board Members
- In 2016 - Celebrated 70 years of barrel-making excellence as well as its 70th consecutive year paying a regular quarterly cash dividend (increasing for 32 consecutive years)

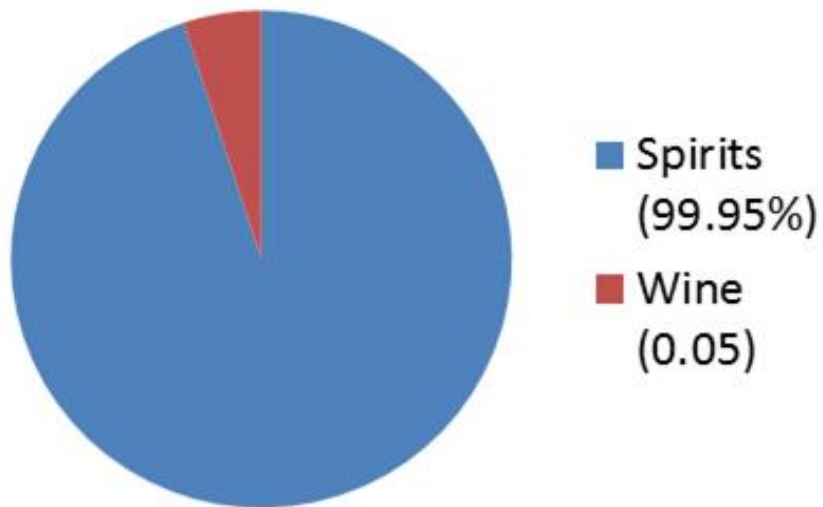
Current Brown Family Management

- Sandra Frazier
- Martin S. Brown
- Geo. Garvin Brown IV
- Stuart R. Brown
- Augusta Brown-Holland

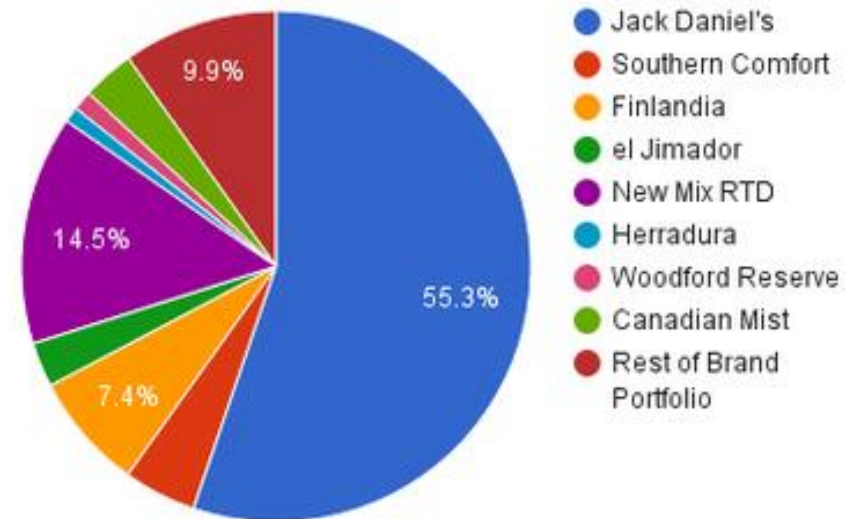
Percentage of Total Net Sales by Geographic Area



Percentage of Total Net Sales by Product Category



Brown-Forman Portfolio Depletions (9L Cases)





- Manufacturing locations on every continent except Antarctica
- Distribution companies in 13 markets: Australia, Brazil, Canada, China, the Czech Republic, France, Germany, Hong Kong, South Korea, Mexico, Poland, Thailand, and Turkey

COOPERS'
CRAFT

Little Black Dress.

VODKA



THE
BenRiach

**Don
Eduardo**



FINLANDIA



TEQUILA
el Jimador.



Kentucky Whisky



KORBEL



WOODFORD RESERVE

The
Glendronach Distillery
C^oLIMITED

SINCE **1826** SINCE

**PEPE
LOPEZ**

★ **TEQUILA** ★



CHAMBORD

SONOMA-CUTRER

VINEYARDS

Brand Distinctions

- Early Times is the #1 Bourbon in the U.S. and in the Top 4 worldwide.
- Has exclusive franchise rights to produce and sell Bols liqueurs.
- Has trademark and U.S. distribution rights for Fontana Candida Italian Wines (world's leading supplier of Frascati wines)
- Created a new drink category "blended freezer cocktails" with Tropical Freezers
- Has exclusive U.S. importer of Finlandia Vodkas
- Has exclusive distribution rights to Jägermeister
- Has partnership with Bacardi called the "Gemini Alliance"

Ethics

- 2012 – Gains coveted distinction “Best Places to Work for LGBT Equality”
- 2013 – Gets perfect score in 2014 Corporate Equality Index (CEI) national benchmarking survey and report administered by the Human Rights Campaign Foundation – for the 4th year in a row
- 2015 - Casa Herradura – Jalisco, Mexico receives 2015 Environmental Excellence Award from Mexico’s Federal Attorney for Environmental Protection
- 2016- Identified as a Global leader for its response to climate change and is on The Climate “A” List by CDP
- Has an anti-modern slavery policy built into its strategy

News

- Sold Southern Comfort and Tuaca brands to Sazerac Company, Inc. for \$543 mil
- Shedding the lower-margin brands will improve image and brand
- Bourbon and American Whiskey sales topped \$3 bil in 2016, 30% is attributed to Brown-Forman
- Purchased The BenRiach Distillery Company for \$307 mil
- Increased dividend by 7.4%
- Net sales expected to increase 5.6% each year over 2018-25

Risk

- Exchange rate fluctuations
- Changes in laws, regulatory measures, or governmental policies
- Tax increases and changes in tax rules
- Dependence on the success of the Jack Daniel's family of brands
- Product recalls or other product liability claims
- Substantial industry competition

Competitive Advantage

- Wide economic moat and free cash flow from Jack Daniel's brands
- Barriers to entry for Tennessee whiskey
- Only company in the spirits industry to own manufacturing facilities for new whiskey barrels
- Enables them to introduce unique characteristics into their products
- Introduced two new products, have growth potential

Qualitative Analysis

Qualitative Analysis	
Commodity or Sustained Competitive Advantage?	Sustained Competitive Advantage
Easily Explainable?	Yes
Heavily Unionized?	No*
Heavy Capital Infusion and R&D?	No
Obsolete Inventory?	No
Chronic One-Time Write Offs?	Yes
Make a Competitor with a Billion Dollars?	No

Interpretation of Financial Statements

Gross Profit Margin	68.44%	$\geq 20\%$	Yes
% SGA	71.00%	$\leq 80\%$	Yes
% RDA	0.00%	$\leq 10\%$	Yes
% Depreciation	4.00%	$\leq 10\%$	Yes
Interest % of OP	5.00%	$\leq 15\%$	Yes
Net Profit Margin	34.76%	$\geq 10\%$	Yes
Current Ratio	2.80	≥ 1	Yes
Obligation Ratio (no sell)	3.27	< 5 years	Yes
Obligation Ratio (W/sell)	2.12	< 5 years	Yes
Adj. Debt to Sh. Equity	1.76	< 0.8	No
Return on Equity	22.31%	$\geq 15\%$	Yes
Return on Capital	81.86	$\geq 15\%$	Yes
Dividend Payout Ratio	26.00%	$\leq 60\%$	Yes
Preferred Stock	None	None	Yes
Capital Expenditures	5.00%	$\leq 25\%$	Yes
Net Earnings Trend	Up	Up	Yes
Retained Earnings	Up	Up	Yes

DuPont (Historical)

Brown-Foreman	Total Asset Turnover (Total Revenue/ Total Assets)	Net Profit Margin (Net Profit/ Total Revenue)	Financial Leverage Multiplier (Total Assets/ Total Equity)	Return on Equity (TTM)
2014	0.73	22.03%	2.02	32.49%
2015	0.75	21.83%	2.20	36.02%
2016	0.74	34.54%	2.68	68.49%
TTM	0.64	34.76%	3.68	81.86%

DuPont Competitors (TTM)

Company Name	Total Asset Turnover	Net Profit Margin	Financial Leverage Multiplier	Return on Equity
Brown-Foreman	0.64	34.76%	3.68	81.86%
Diageo	0.40	21.40%	3.19	27.31%
Pernod Ricard	0.28	14.38%	2.29	9.22%
Constellation Brands	0.40	18.30%	2.61	19.11%

Industry Breakdown

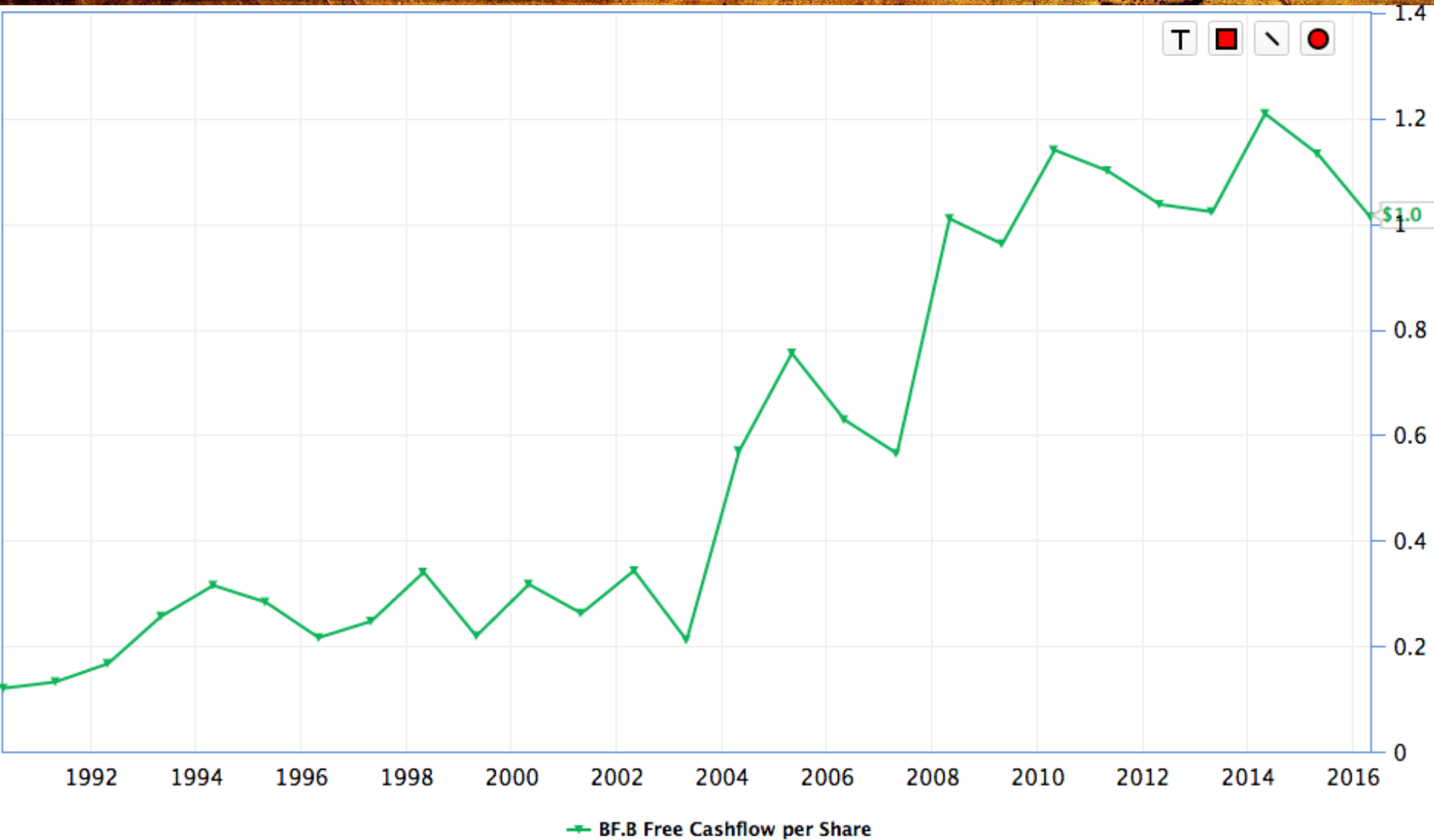
TTM	Brown-Foreman	Diageo	Pernod Ricard	Constellation Brands
Market Cap	18.28 Billion	71.85 Billion	28.63 Billion	31.08 Billion
Revenue (mil)	3,029	14,947	8,785	7,247
P/E	20.75	24.31	17.69	29.82
P/S	6.35	5.45	3.30	4.47
P/B	14.44	5.99	2.10	4.48
EV/EBIT	13.56	19.62	17.75	18.34
ROA	23.60%	7.81%	4.05%	7.64%
ROE (WO Sale)	33.48%			
ROE	81.86%	27.31%	9.22%	19.11%
Operating Margin	49.79%	28.92%	9.73%	29.10%
Net Margin	34.76%	21.40%	14.38%	18.30%

Statistical Array Analysis Graphs

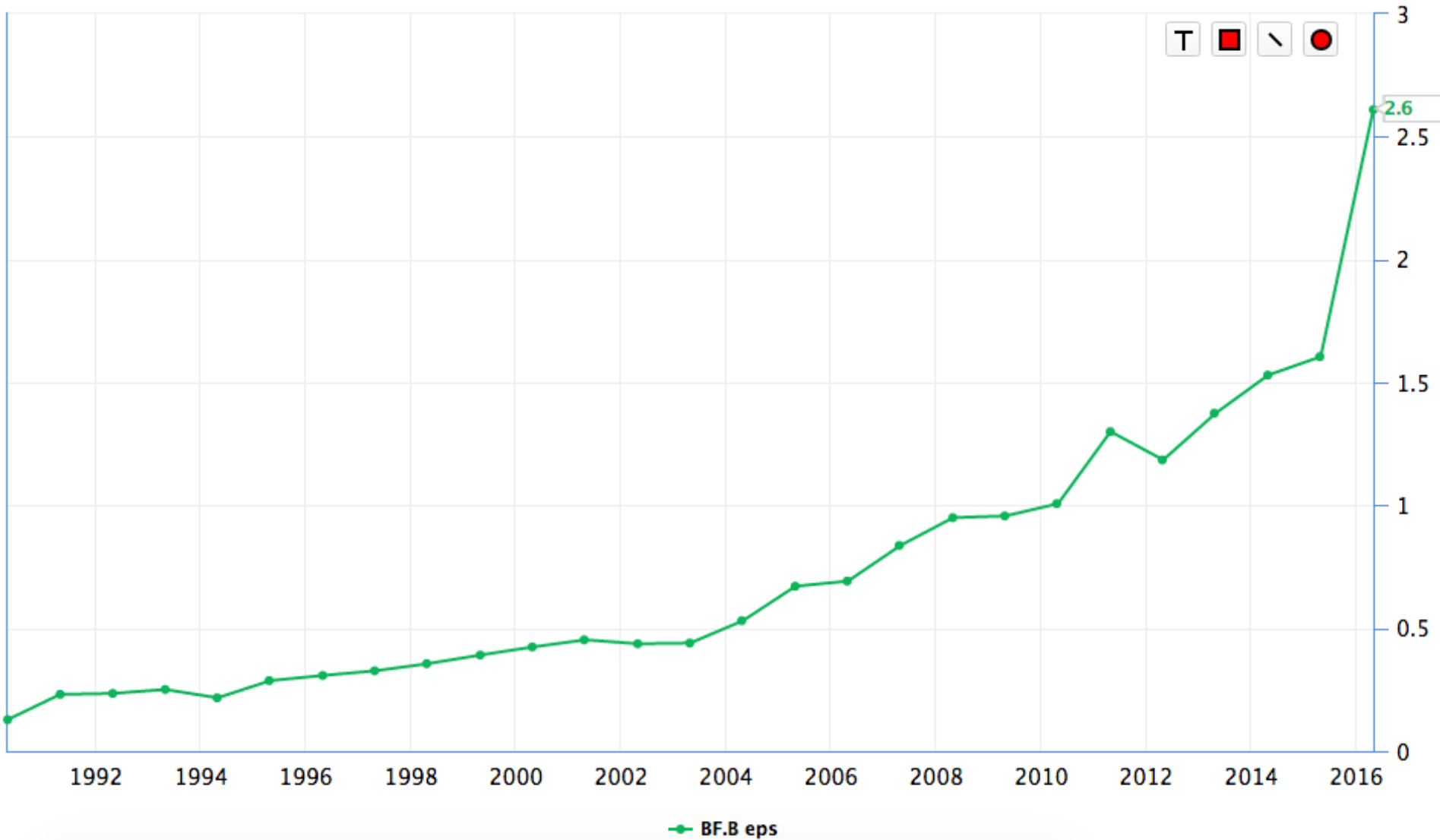
Sales per Share



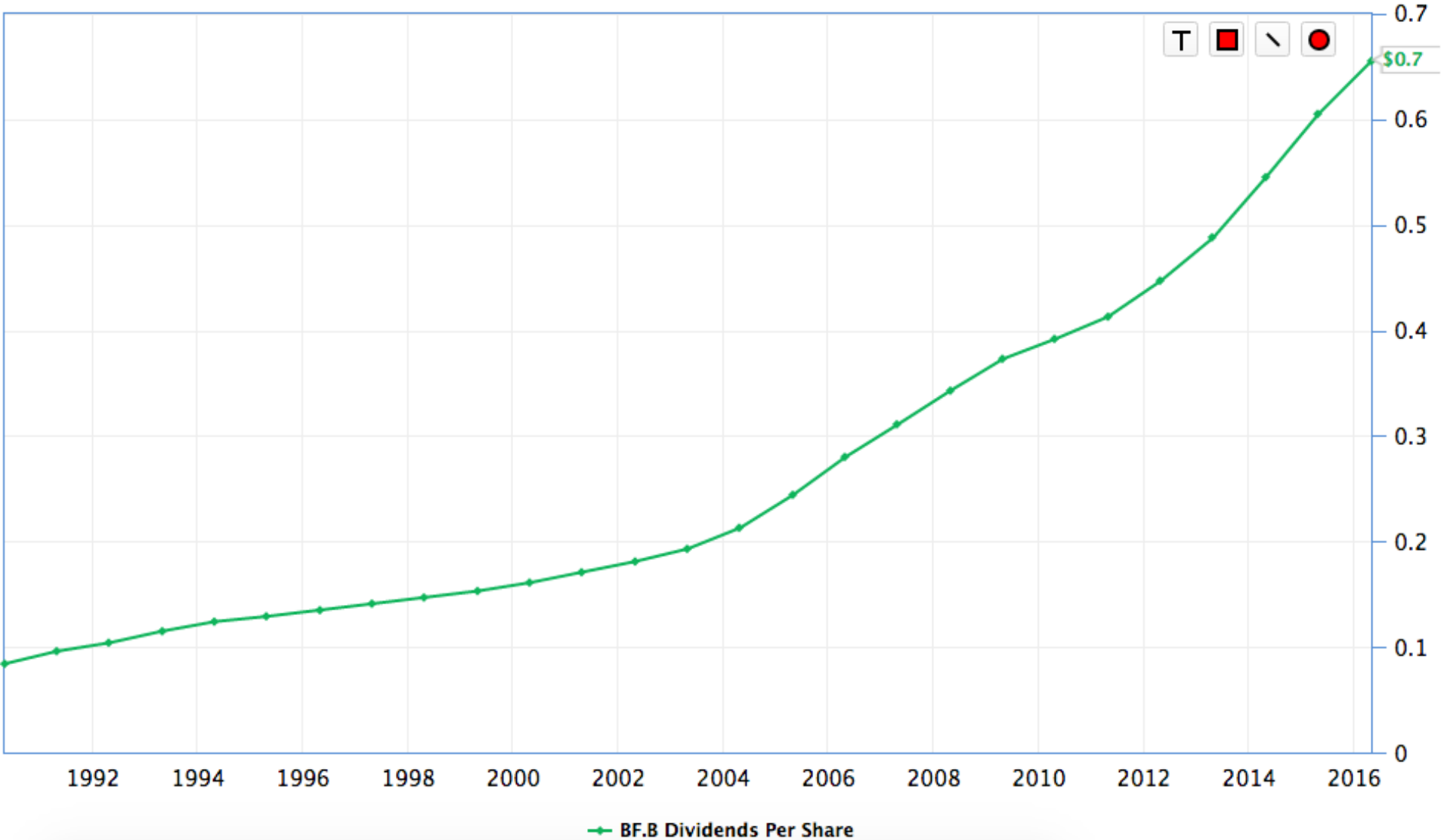
Cash Flows per Share



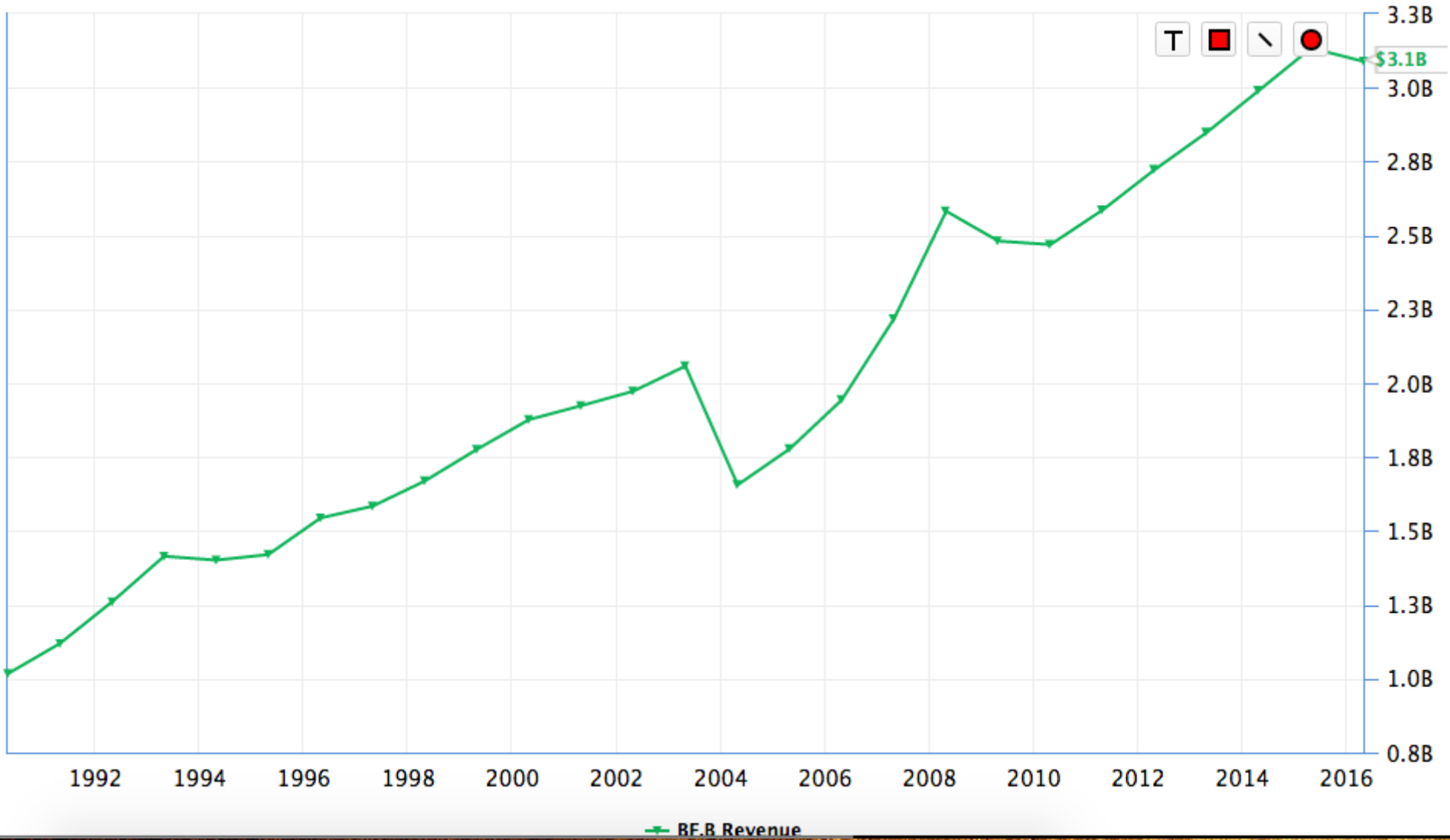
Earnings per Share



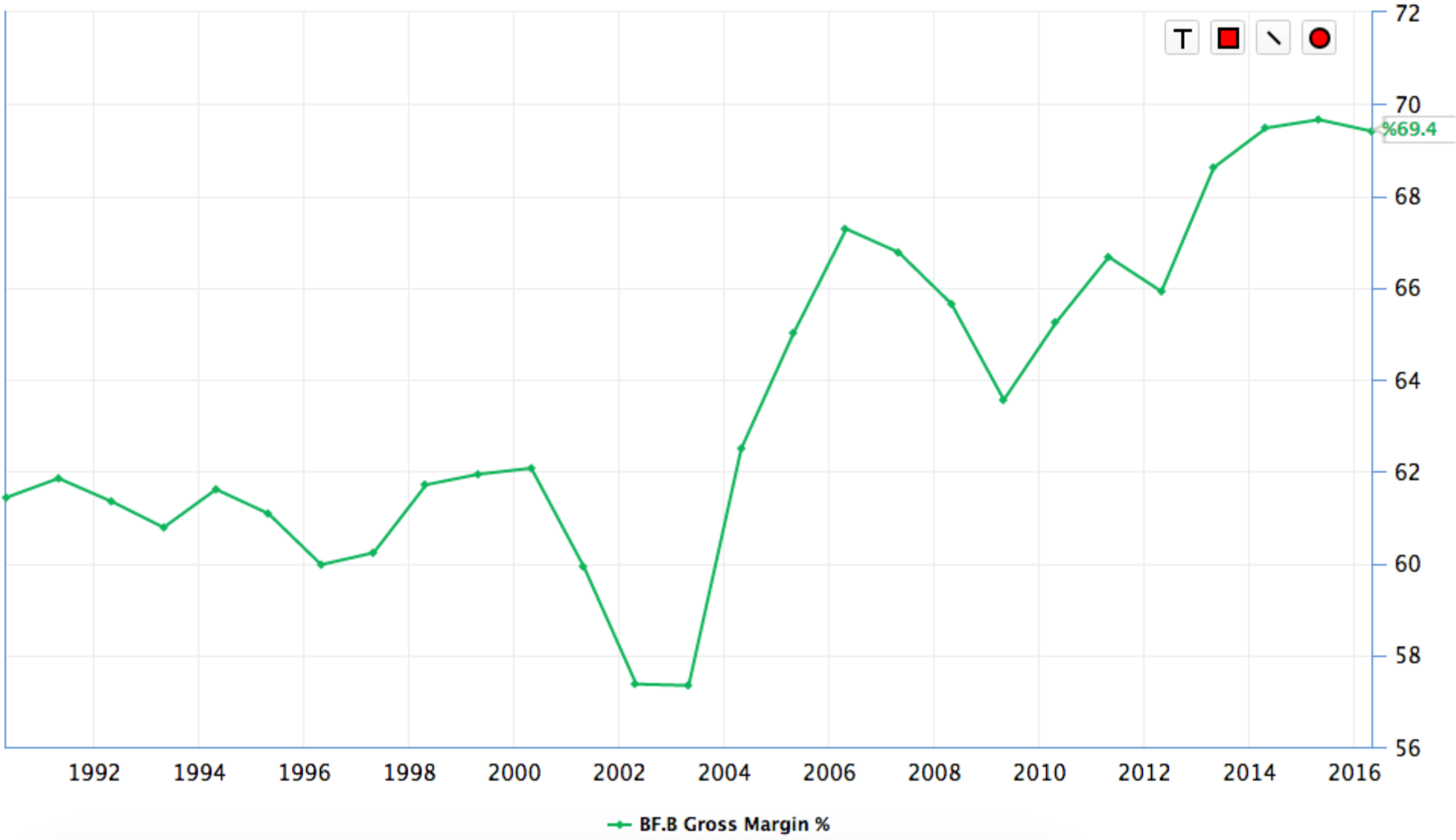
Dividends per Share



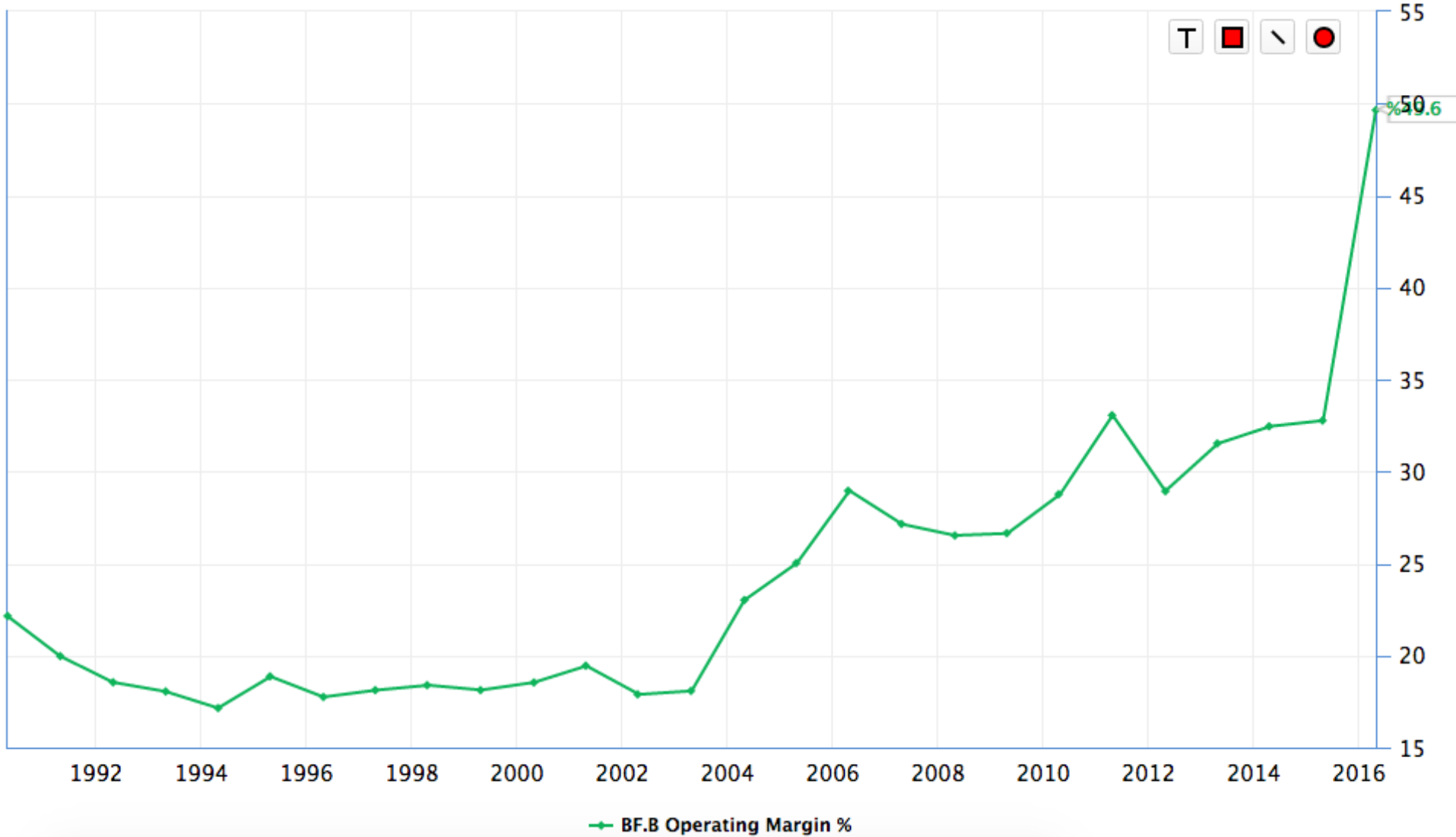
Revenues



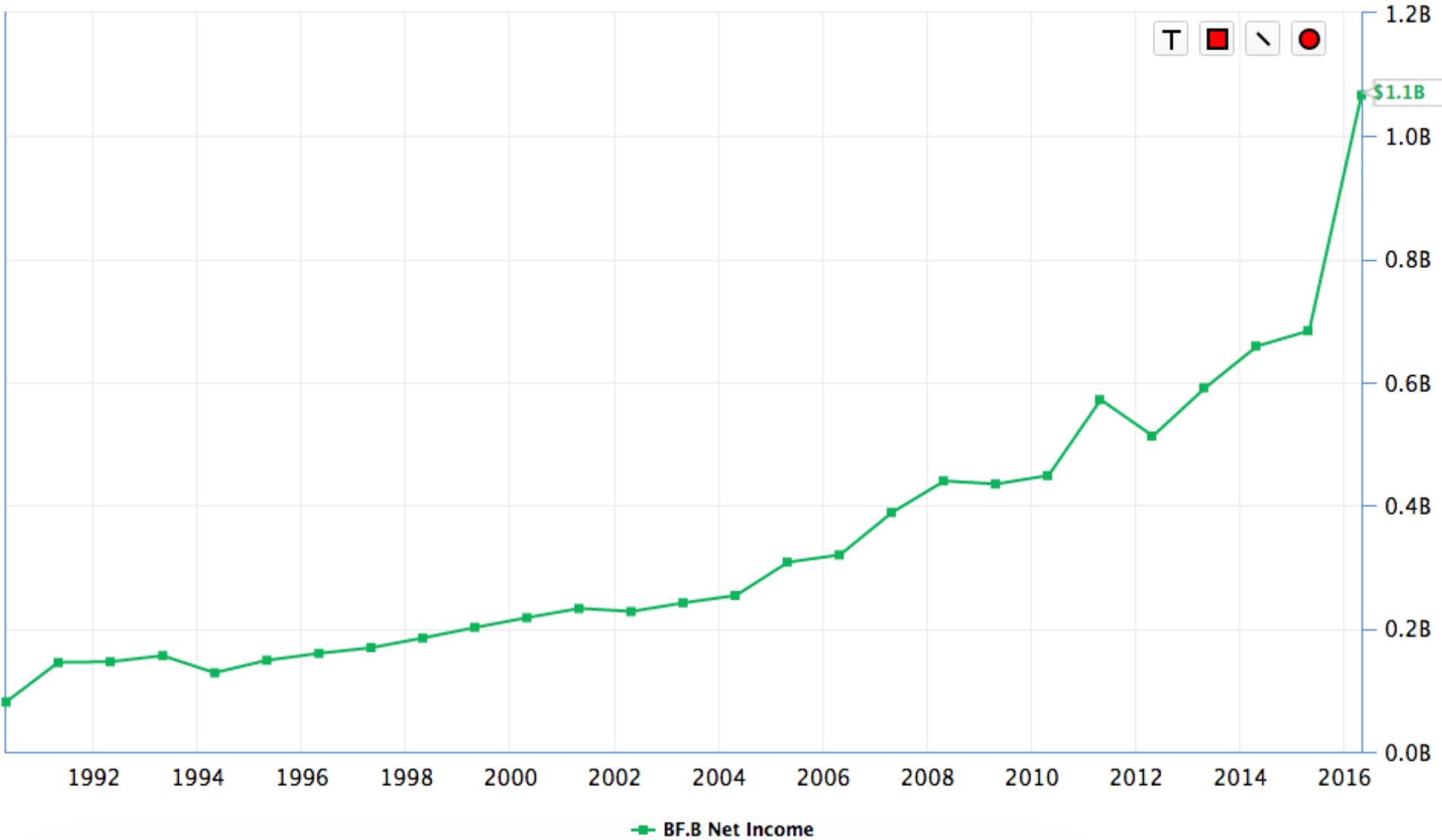
Gross Profit Margin



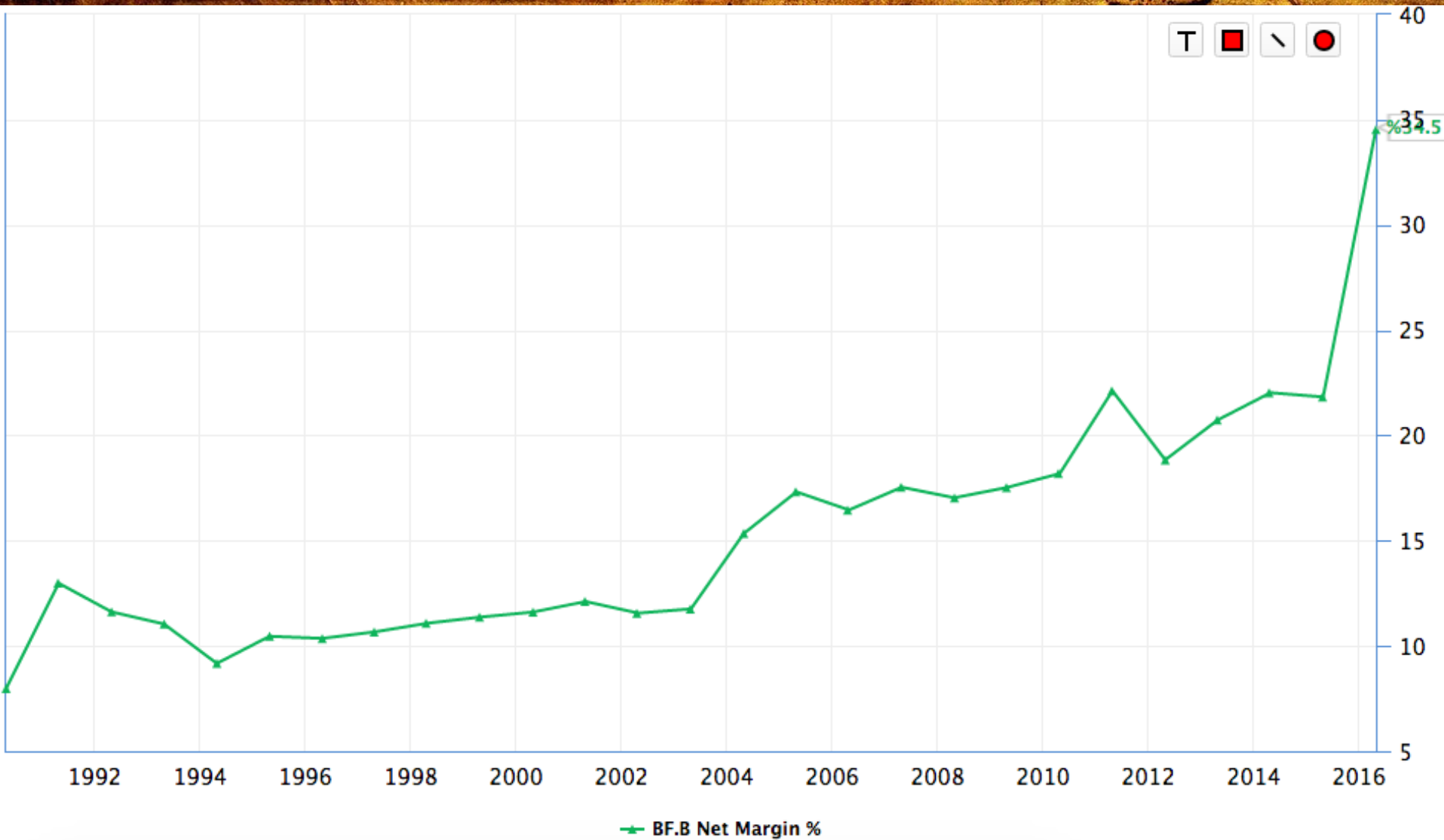
Operating Profit Margin



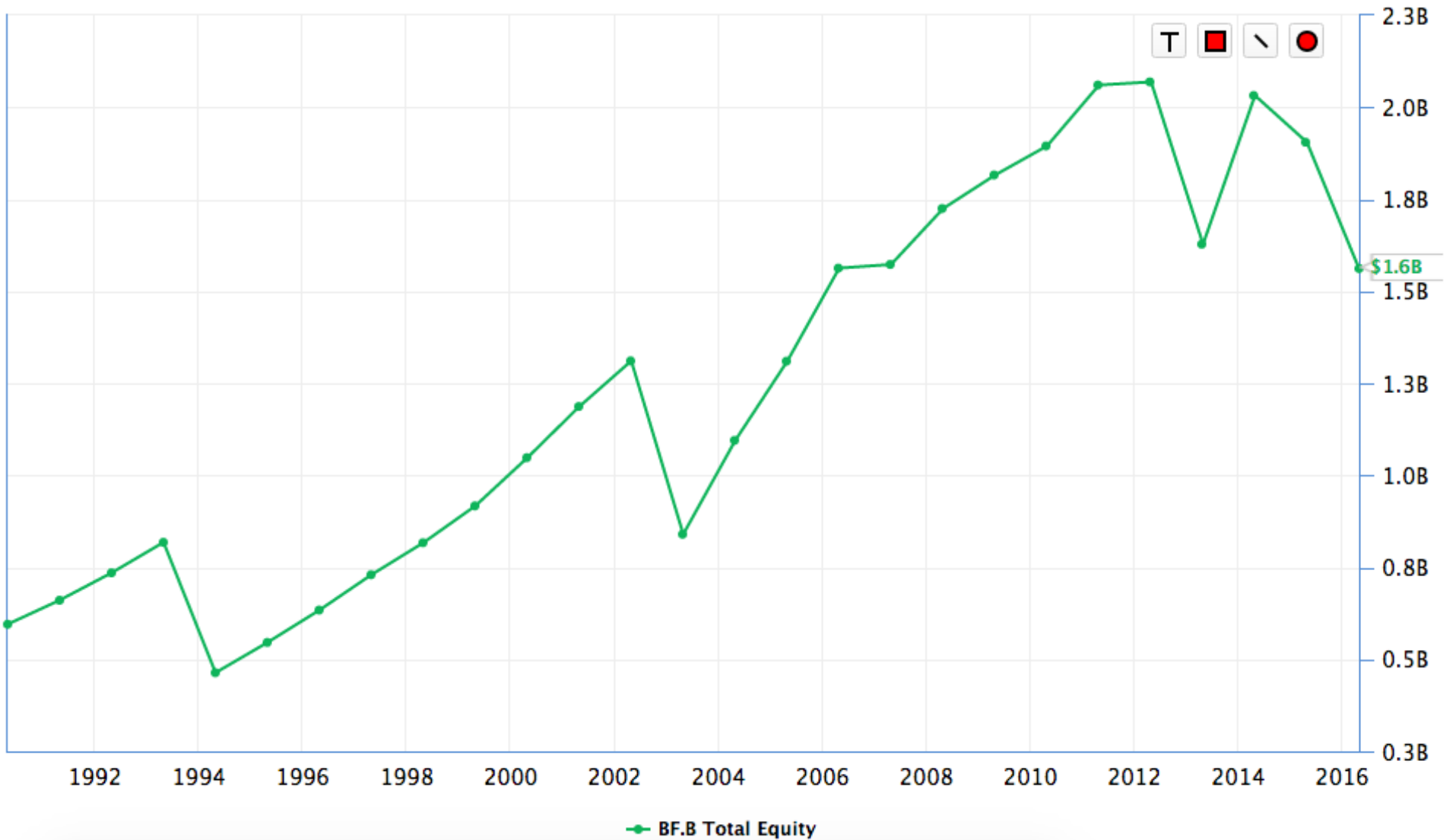
Net Profit



Net Profit Margin

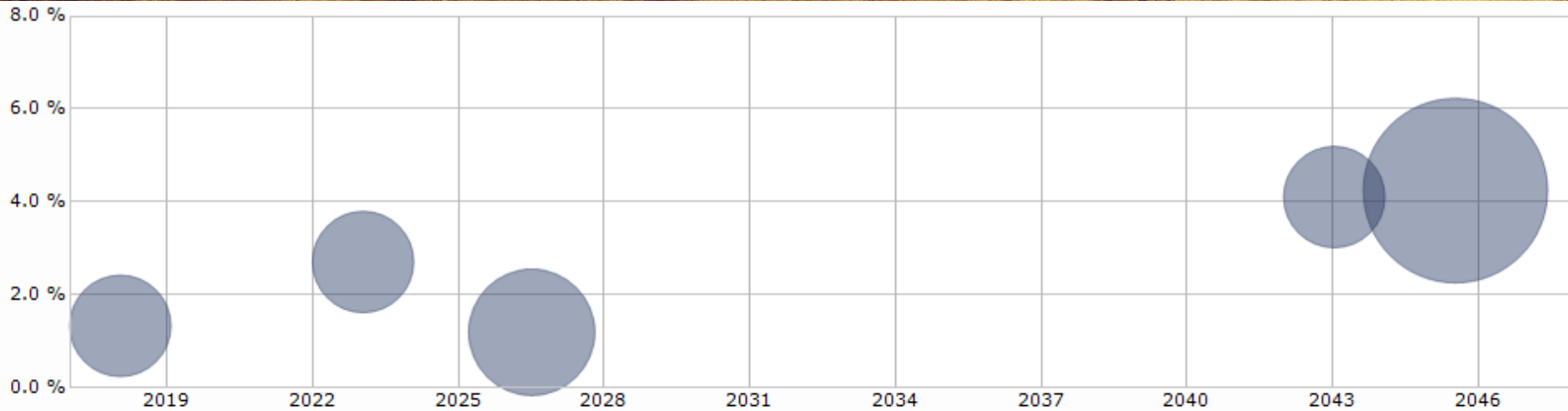


Shareholders Equity



Statistical Array Analysis	
Sales per Share	Increasing
Cash Flows per Share	Increasing
Earnings per Share	Increasing
Dividends Declared per Share	Increasing
Capital Spending per Share	Decreasing
Book Value per Share	Increasing
Revenues (Sales)	Increasing
Gross Profit Margin	Increasing
Operating Profit Margin	Increasing
Number of Stores	NA
Net Profit	Increasing
Net Profit Margin	Increasing
Working Capital	Decreasing
Shareholders Equity	Slightly Decreasing
Return on Total Capital	Increasing
Return on Shareholder's Equity	Increasing
Common Shares Outstanding	Decreasing
Long-Term Debt	Increasing
LT Debt Payable in 5 Years	Yes
All Dividends to Net Profit under 60%	Yes

Debt



Name	Maturity Date	Amount \$(Mil)	Credit Quality	Price	Coupon %	Coupon Type (Fixed/Floating)	Callable	Rule 144A	Yield to Maturity %
Brown Forman	07/15/2045	500.0	---	104.2	4.500	Fixed	No	No	4.24
Brown Forman 2.6%	07/07/2028	375.2	---	---	2.600	Fixed	No	No	---
Brown Forman 1.2%	07/07/2026	323.7	---	100.1	1.200	Fixed	No	No	1.19
Brown Forman 3.75%	01/15/2043	250.0	---	94.4	3.750	Fixed	No	No	4.10
Brown Forman 1%	01/15/2018	250.0	---	99.7	1.000	Fixed	No	No	1.33
Brown Forman 2.25%	01/15/2023	250.0	---	97.5	2.250	Fixed	No	No	2.70

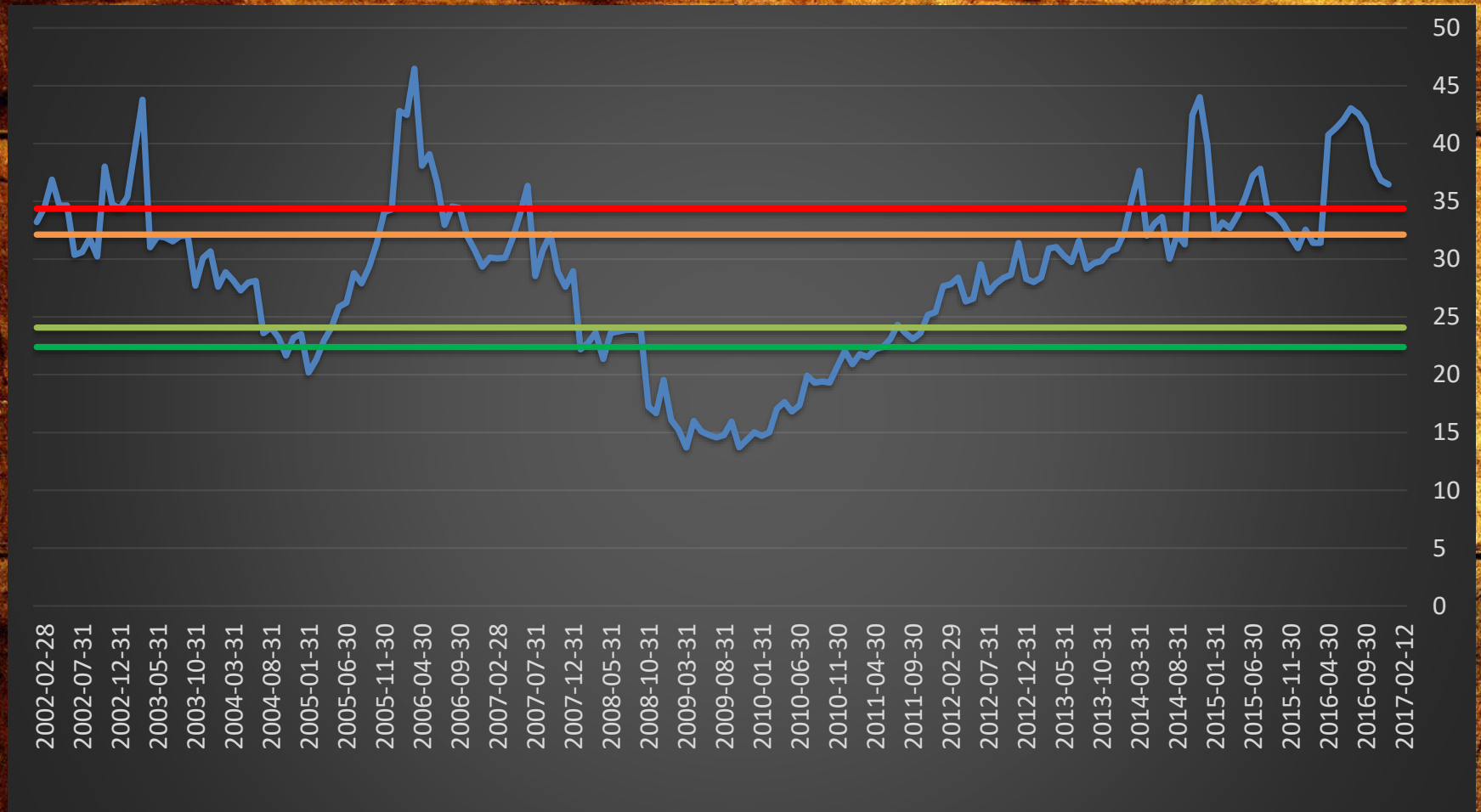


Value bands

Price / Sales



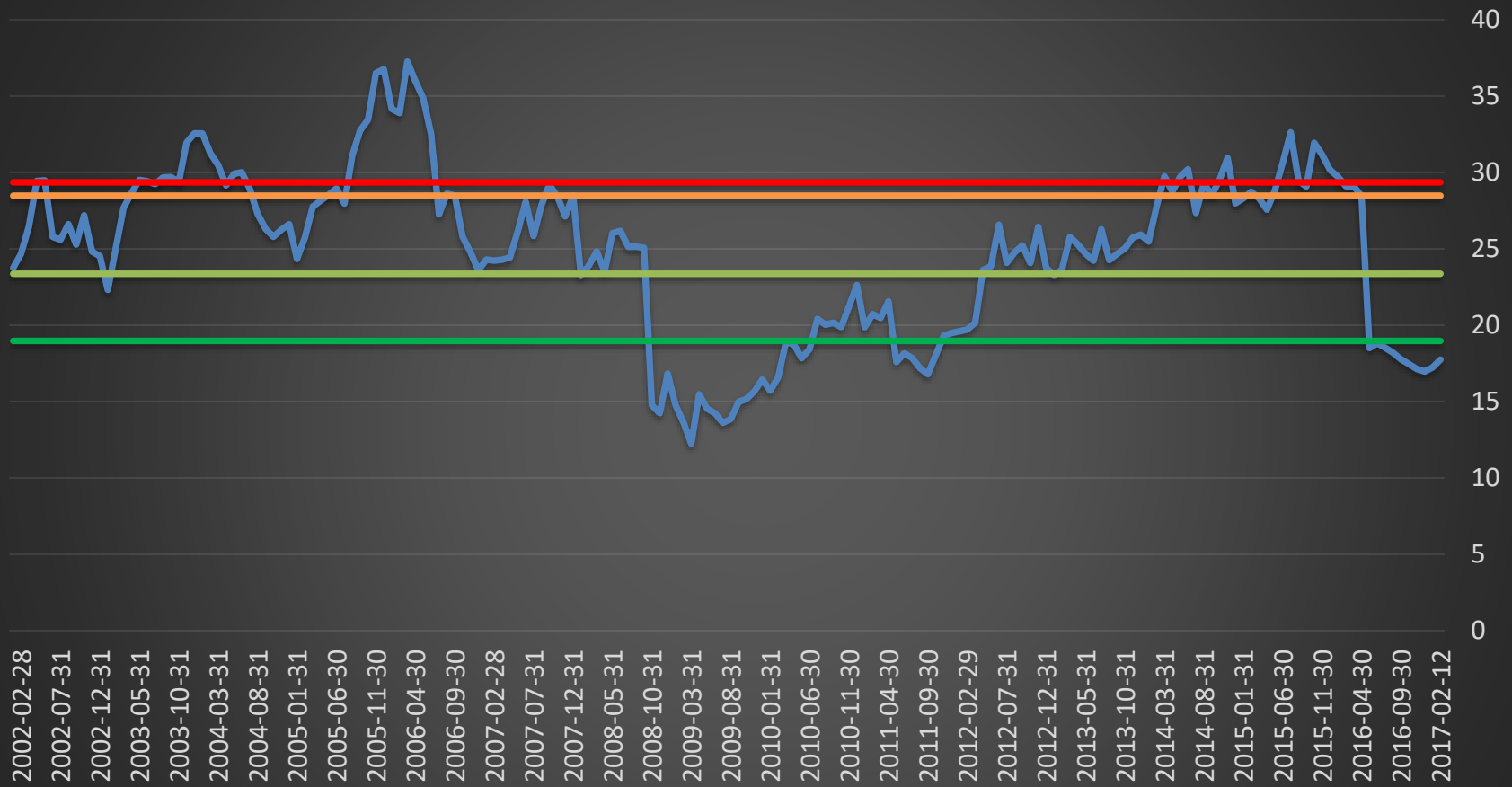
Price/Owners Earnings



Price/Earnings



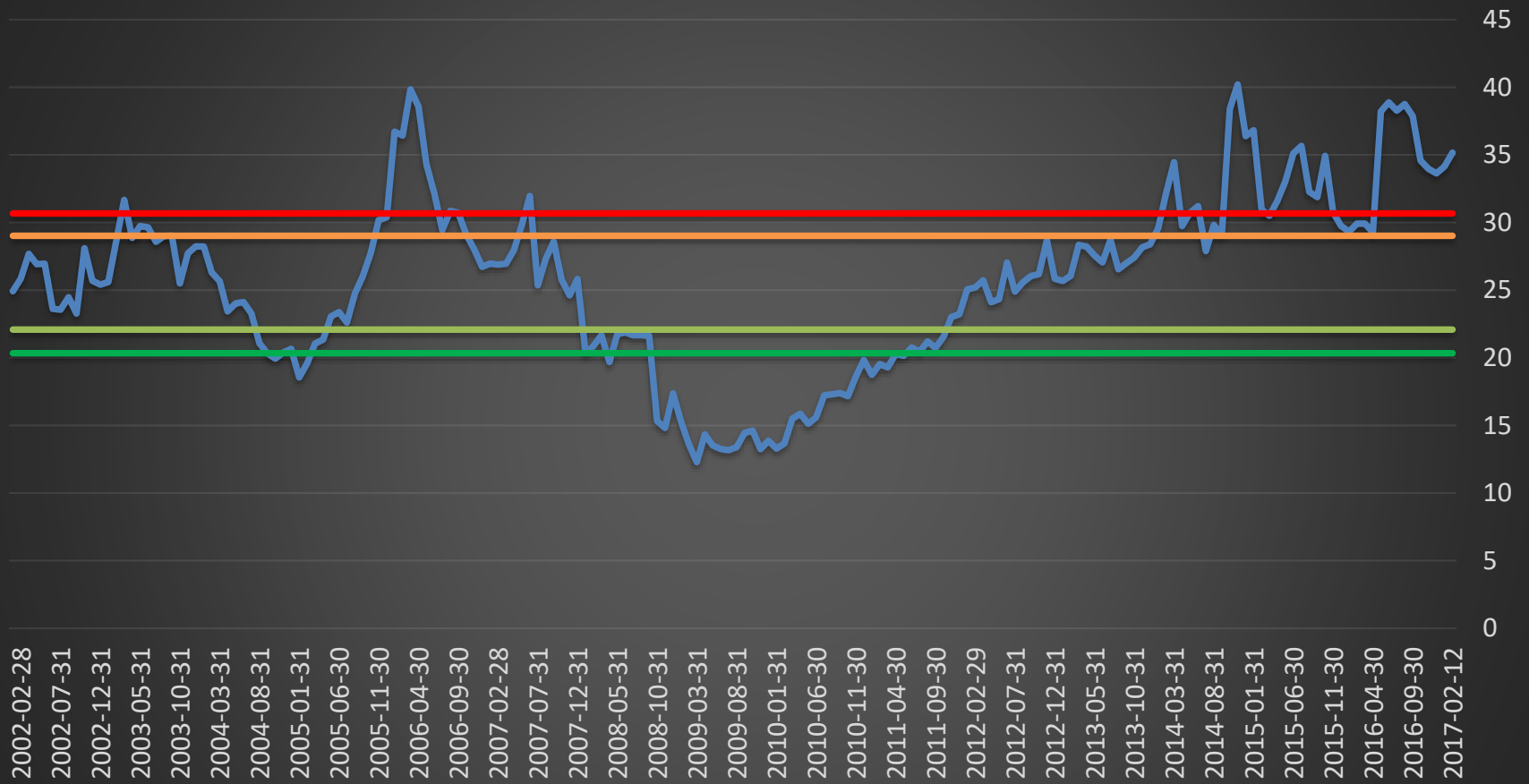
Price/Earnings less Cash



Price / Book



Price/Cash Flow



Price/Free Cash Flow



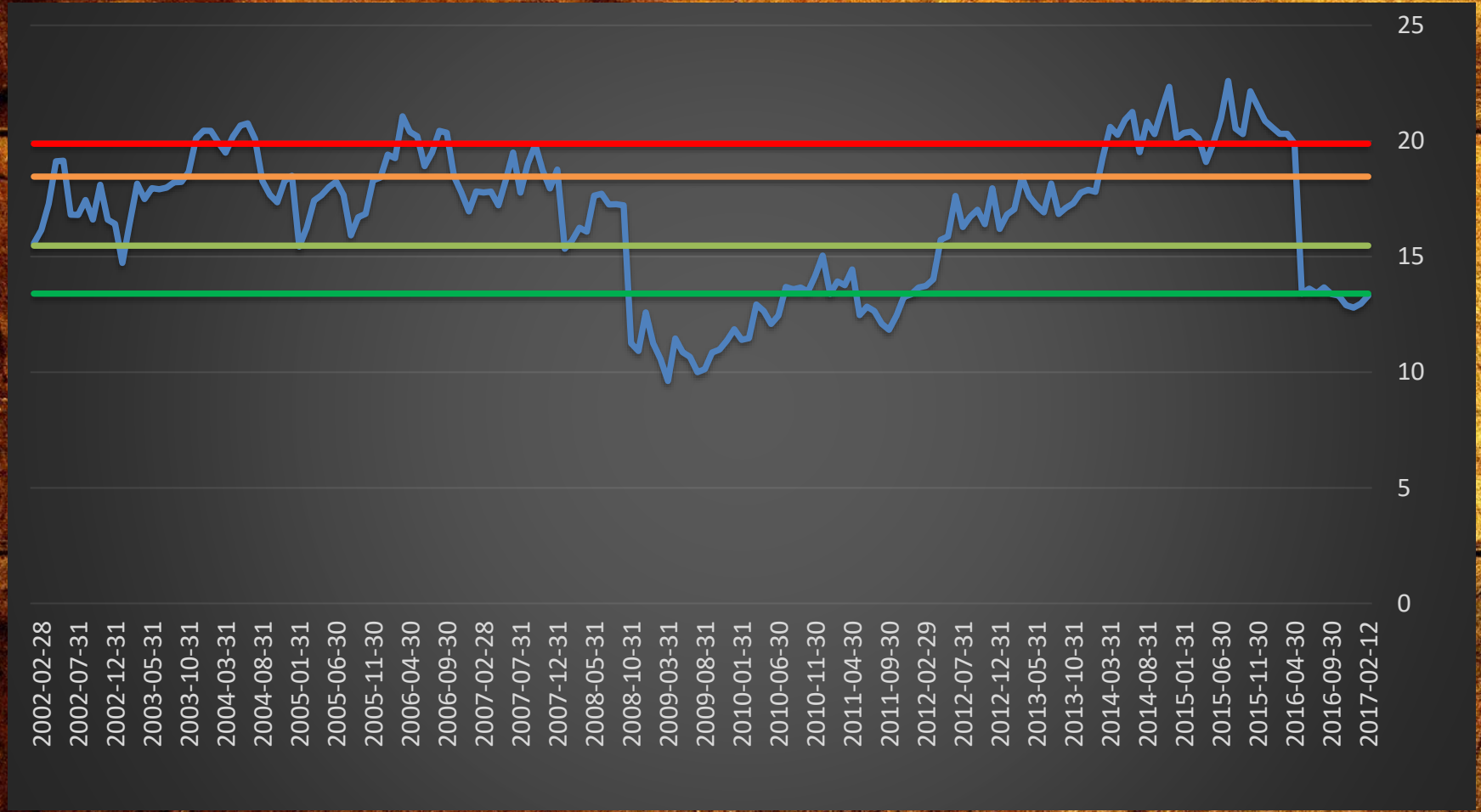
EV / Revenue



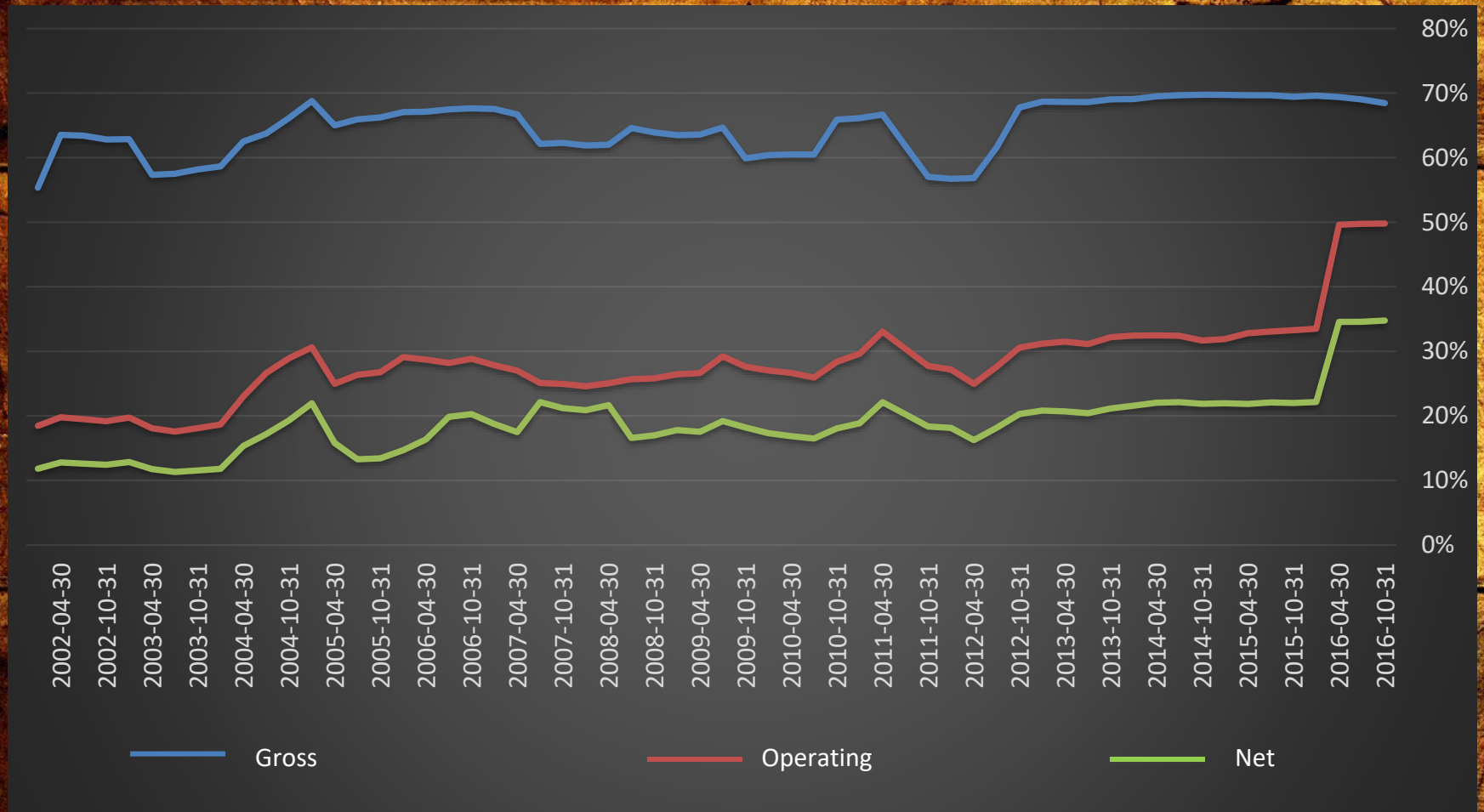
EV / EBITDA



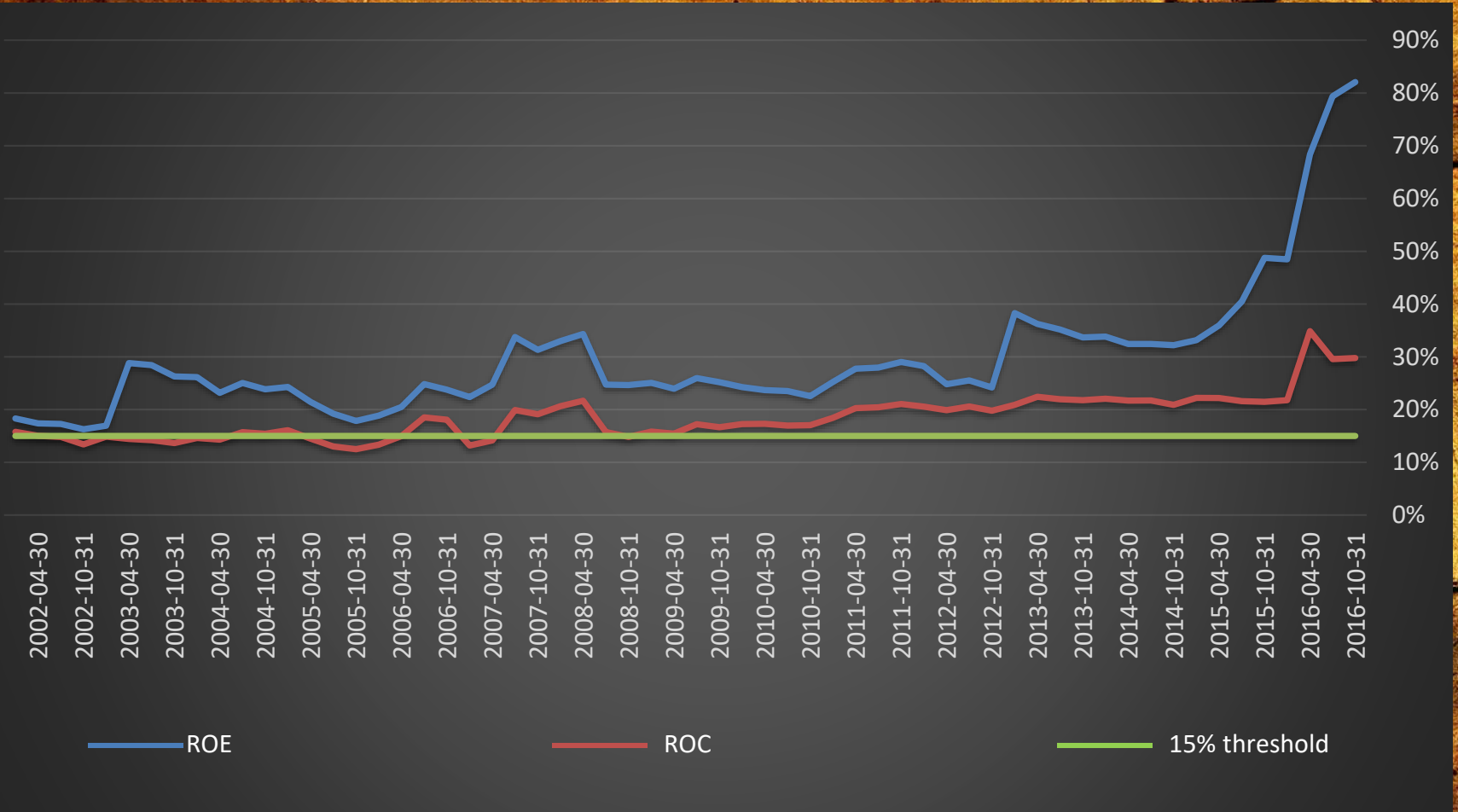
EV / EBIT



Margins



Returns



Conscious Investor

The image features a background of dark, textured wood planks. The wood has a rich, warm brown color with visible grain patterns and some minor imperfections like knots and scratches. The text 'Conscious Investor' is centered at the top in a white, serif font.

Conscious investor 10 year

With Sell

	4/07	4/08	4/09	4/10	4/11	4/12	4/13	4/14	4/15	4/16	EPSttm	Years	HGROWTH	STAAGR®
EPS (\$)	0.836	0.947	0.957	1.007	1.300	1.187	1.375	1.530	1.605	2.610	\$2.620	10	10.60%	89.87%
SPS (\$)	4.799	5.710	5.506	5.600	5.946	8.480	8.853	9.243	9.813	10.142		10	9.40%	91.75%

Without Sell

	4/07	4/08	4/09	4/10	4/11	4/12	4/13	4/14	4/15	4/16	EPSttm	Years	HGROWTH	STAAGR®
EPS (\$)	0.836	0.947	0.957	1.007	1.300	1.187	1.375	1.530	1.605	1.860	\$1.860	10	8.92%	95.58%
SPS (\$)	4.799	5.710	5.506	5.600	5.946	8.480	8.853	9.243	9.813	10.142		10	9.40%	91.75%

Conscious Investor 6 year

With Sell

	4/07	4/08	4/09	4/10	4/11	4/12	4/13	4/14	4/15	4/16	EPSttm	Years	HGROWTH	STAAGR®
EPS (\$)	0.836	0.947	0.957	1.007	1.300	1.187	1.375	1.530	1.605	2.610	\$2.620	6	13.68%	87.76%
SPS (\$)	4.799	5.710	5.506	5.600	5.946	8.480	8.853	9.243	9.813	10.142		6	9.13%	92.03%

Without Sell

	4/07	4/08	4/09	4/10	4/11	4/12	4/13	4/14	4/15	4/16	EPSttm	Years	HGROWTH	STAAGR®
EPS (\$)	0.836	0.947	0.957	1.007	1.300	1.187	1.375	1.530	1.605	1.860	\$1.860	6	8.37%	95.35%
SPS (\$)	4.799	5.710	5.506	5.600	5.946	8.480	8.853	9.243	9.813	10.142		6	9.13%	92.03%

Conscious Investor 3 year

With Sell

	4/07	4/08	4/09	4/10	4/11	4/12	4/13	4/14	4/15	4/16	EPSStm	Years	HGROWTH	STAEGR®
EPS (\$)	0.836	0.947	0.957	1.007	1.300	1.187	1.375	1.530	1.605	2.610	\$2.620	3	30.61%	90.75%
SPS (\$)	4.799	5.710	5.506	5.600	5.946	8.480	8.853	9.243	9.813	10.142		3	4.75%	99.66%

Without Sell

	4/07	4/08	4/09	4/10	4/11	4/12	4/13	4/14	4/15	4/16	EPSStm	Years	HGROWTH	STAEGR®
EPS (\$)	0.836	0.947	0.957	1.007	1.300	1.187	1.375	1.530	1.605	1.860	\$1.860	3	10.26%	98.37%
SPS (\$)	4.799	5.710	5.506	5.600	5.946	8.480	8.853	9.243	9.813	10.142		3	4.75%	99.66%

Conscious Investor 10 year

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®	Req Return	TARG®
Default	47.13	\$2.620	23.90	10.60%	32.0%	14.59%	-10.00%	293.51
Safety	47.13	\$2.620	15.11	7.74%	16.3%	4.55%	-10.00%	157.25

Cut P/E by 36.78%
Cut growth by 26.98%

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®	Req Return	TARG®
Default	47.13	\$1.860	25.37	10.60%	32.0%	9.78%	-10.00%	220.45
Safety	47.13	\$1.860	20.40	7.74%	16.3%	3.74%	-10.00%	148.78

Cut P/E by 19.59%
Cut growth by 26.98%

Kill It

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	47.50	\$2.620	23.93	10.60%	32.0%	14.68%
Safety	47.50	\$2.620	15.21	7.74%	16.3%	6.67%
Saved 2017-02-16	47.50	\$2.620	11.50	4.66%	0.0%	0.00%

Cut P/E by 51.94%
Cut growth by 56.04%

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	47.50	\$2.620	23.93	10.60%	32.0%	14.68%
Safety	47.50	\$2.620	15.21	7.74%	16.3%	6.67%
Saved 2017-02-16	47.50	\$1.860	14.00	6.20%	0.0%	0.00%

Cut P/E by 41.5%
Cut growth by 41.51%

DCF Guru Default (with sell)


Earnings Per Share ? : \$ 2.62

Growth Rate In the Next ? : 10 Years: **9.90** %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 10 %

Business Predictability ? :  ?

[Save Parameters](#)

DCF [Reverse DCF](#) NEW

Fair Value ? : \$ 45.39

Tangible Book Value ? : \$ -0.25
 Add to Fair Value

Growth Value ? : \$ 26.07

Terminal Value ? : \$ 19.32

Stock Price: \$ 47.50

Margin Of Safety: **-5%**

Annual Rates (per share)	10 yrs*	5 yrs*	12 months*
Revenue Growth (%)	5.50	5.20	2.30
EBITDA Growth (%)	9.10	12.10	50.30
Operating Income Growth (%)	9.80	12.80	52.10
EPS without NRI Growth (%)	9.90	13.70	59.80
Free Cash Flow Growth (%)	5.40	0.10	-16.70
Book Value Growth (%)	2.40	2.40	-4.20

DCF Guru Default (without sell)

Earnings Per Share ? : \$ 1.86

Growth Rate In the Next ? : 10 Years: 9.90 %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 10 %

Business Predictability ? : 

Save Parameters

DCF **Reverse DCF** NEW

Fair Value ? : \$ 32.22

Tangible Book Value ? : \$ -0.25
 Add to Fair Value

Growth Value ? : \$ 18.51

Terminal Value ? : \$ 13.72

Stock Price: \$ 47.50

Margin Of Safety: **-47%**

Annual Rates (per share)	10 yrs*	5 yrs*	12 months*
Revenue Growth (%)	5.50	5.20	2.30
EBITDA Growth (%)	9.10	12.10	50.30
Operating Income Growth (%)	9.80	12.80	52.10
EPS without NRI Growth (%)	9.90	13.70	59.80
Free Cash Flow Growth (%)	5.40	0.10	-16.70
Book Value Growth (%)	2.40	2.40	-4.20

DCF — Reverse (with sell)

DCF Reverse DCF NEW

Growth Rate ? : **10.57%**

Revenue Growth Rate ? : 5.50%(10y) 5.20%(5y) 2.30%(1y)

EBITDA Growth Rate ? : 9.10%(10y) 12.10%(5y) 50.30%(1y)

Earnings Growth Rate ? : 9.90%(10y) 13.70%(5y) 59.80%(1y)

Free Cash Flow Growth Rate ? : 5.40%(10y) 0.10%(5y) -16.70%(1y)

Book Value Growth Rate ? : 2.40%(10y) -2.50%(5y) -4.20%(1y)

Earnings Per Share ? : \$ 2.62

Growth Rate In the Next ? : 10 Years

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 10 %

Business Predictability ? :  ?

Save Parameters

DCF — Reverse (without sell)

DCF Reverse DCF NEW

Growth Rate ? : **15.62%**

Revenue Growth Rate ? : 5.50%(10y) 5.20%(5y) 2.30%(1y)

EBITDA Growth Rate ? : 9.10%(10y) 12.10%(5y) 50.30%(1y)

Earnings Growth Rate ? : 9.90%(10y) 13.70%(5y) 59.80%(1y)

Free Cash Flow Growth Rate ? : 5.40%(10y) 0.10%(5y) -16.70%(1y)

Book Value Growth Rate ? : 2.40%(10y) -2.50%(5y) -4.20%(1y)


Earnings Per Share ? : \$ 1.86

Growth Rate In the Next ? : 10 Years

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 10 %

Business Predictability ? :  ?

Save Parameters

DCF – Value Line Growth (with sell)

Earnings Per Share ? : \$ 2.62

Growth Rate In the Next ? : 10 Years: 9.0 %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 10 %

Business Predictability ? : 

Save Parameters

DCF [Reverse DCF](#) ^{NEW}

Fair Value ? : \$ 42.72

Tangible Book Value ? : \$ -0.25
 Add to Fair Value

Growth Value ? : \$ 24.93

Terminal Value ? : \$ 17.79

Stock Price: \$ 48.36

Margin Of Safety: **-13%**

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15 to '19-'21
Sales	4.5%	5.5%	7.0%
"Cash Flow"	8.5%	8.5%	9.5%
Earnings	9.0%	9.0%	9.5%
Dividends	10.0%	9.0%	6.0%
Book Value	4.5%	.5%	6.5%

DCF — Value Line Growth (without sell)

Earnings Per Share ? : \$ 1.86

Growth Rate In the Next ? : 10 Years: **9.0** %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 10 %

Business Predictability ? : ★★★★★ ?

Save Parameters

DCF [Reverse DCF](#) NEW

Fair Value ? : \$ 30.33

Tangible Book Value ? : \$ -0.25
 Add to Fair Value

Growth Value ? : \$ 17.69

Terminal Value ? : \$ 12.63

Stock Price: \$ 48.36

Margin Of Safety: **-59%**

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15 to '19-'21
Sales	4.5%	5.5%	7.0%
"Cash Flow"	8.5%	8.5%	9.5%
Earnings	9.0%	9.0%	9.5%
Dividends	10.0%	9.0%	6.0%
Book Value	4.5%	.5%	6.5%

Intraportfolio

The image features a close-up, high-resolution view of a wooden surface. The wood is dark brown with a rich, warm tone. The grain is very prominent, showing a mix of straight and slightly wavy lines. There are several knots and small imperfections scattered across the surface, adding to its natural, aged appearance. The lighting is somewhat uneven, with brighter areas in the center and darker tones towards the edges, creating a sense of depth and texture.

ROE

Symbol	ROE
IBM	78.91
BF.B	75.29
PEP	54.16
CHRW	41.86
BBBY	28.03
MSFT	23.11
PII	22.99
UNP	20.79
CMI	19.92
ORCL	18.77
WMT	18.56
QCOM	15.92
NSRGY	14.40
BRK.B	8.98
AIG	0.39

ROIC

Symbol	ROIC
MSFT	95.95
BF.B	36.14
IBM	27.62
ORCL	26.14
CHRW	25.32
PEP	21.86
BBBY	21.84
CMI	18.87
QCOM	17.25
PII	17.11
UNP	13.60
WMT	13.52
NSRGY	10.74
BRK.B	8.25
AIG	0.33

P/E

Symbol	P/E
AIG	104.92
MSFT	30.30
PII	26.98
NSRGY	26.20
PEP	23.43
CHRW	21.72
UNP	21.62
ORCL	19.98
BF.B	18.59
CMI	18.46
BRK.B	17.73
QCOM	17.22
WMT	14.90
IBM	14.63
BBBY	8.90

P/S

Symbol	P/S
BF.B	6.40
MSFT	5.94
ORCL	4.71
UNP	4.60
QCOM	3.57
NSRGY	2.58
PEP	2.56
IBM	2.15
BRK.B	1.87
CMI	1.47
AIG	1.34
PII	1.27
CHRW	0.83
BBBY	0.52
WMT	0.44

P/FCF

Symbol	Price to Free Cash Flow
BF.B	43.36
AIG	29.44
CHRW	25.45
UNP	22.91
NSRGY	22.90
BRK.B	21.91
PEP	20.73
CMI	19.18
MSFT	18.54
PII	15.85
QCOM	15.34
ORCL	14.06
IBM	13.87
WMT	10.19
BBBY	7.20

EV / EBIT

Symbol	EV/EBIT
BBBY	6.03
WMT	11.10
BRK.B	12.22
ORCL	12.55
CMI	13.17
QCOM	13.47
BF.B	13.70
UNP	13.80
CHRW	14.47
IBM	15.82
PEP	17.87
PII	20.00
NSRGY	20.09
MSFT	21.47
AIG	48.04

Conclusion

- Wide economic moat from brand name
- Major barriers to entry
- Consistent and Predictable
- Consistent (and increasing) earnings from dividends
- Prohibition proof

Price determination table

	P/S	P/OE	P/E	P/B	P/CFO	P/FCF			
per share	7.604	1.22	2.62	3.277	1.336	1.132			
20% mpl	3.4	22.41	19.54	4.84	20.33	22.44	Average	w/o Outliers	
20% Price	\$25.85	\$27.34	\$51.19	\$15.86	\$27.16	\$25.40	\$28.80	\$26.44	
30% mpl	3.74	24.08	23.85	5.64	22.09	25.75			
30% Price	\$28.44	\$29.38	\$62.49	\$18.48	\$29.51	\$29.15	\$32.91	\$29.12	
Fair Value								\$31.00	
80% mpl	6.09	34.36	29.86	9.25	30.67	40.76			
80% Price	\$46.31	\$41.92	\$78.23	\$30.31	\$40.98	\$46.14	\$47.31	\$43.84	

Recommendation

- Limit order at \$31.00 a share
- "It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."
– Warren Buffett
- Celebrate with Brown Forman products!