

BROWN FORMAN CORP
Form 10-Q
September 05, 2012

United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended JULY 31, 2012

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 002-26821

Brown-Forman Corporation
(Exact name of Registrant as specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

61-0143150
(IRS Employer
Identification No.)

850 Dixie Highway
Louisville, Kentucky
(Address of principal executive offices)

40210
(Zip Code)

(502) 585-1100
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: August 23, 2012

Class A Common Stock (\$.15 par value, voting)	84,445,591
Class B Common Stock (\$.15 par value, nonvoting)	128,855,502

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

BROWN-FORMAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Dollars in millions, except per share amounts)

	Three Months Ended July 31,	
	2011	2012
Net sales	\$840.3	\$878.1
Excise taxes	202.5	212.3
Cost of sales	217.5	201.7
Gross profit	420.3	464.1
Advertising expenses	90.8	92.1
Selling, general, and administrative expenses	139.0	148.5
Amortization expense	1.3	--
Other (income) expense, net	3.3	1.8
Operating income	185.9	221.7
Interest income	0.8	0.6
Interest expense	7.9	5.2
Income before income taxes	178.8	217.1
Income taxes	60.7	69.6
Net income	\$118.1	\$147.5
Earnings per share:		
Basic	\$0.54	\$0.69
Diluted	\$0.54	\$0.69
Cash dividends per common share:		
Declared	\$0.427	\$0.467
Paid	\$0.213	\$0.233

See notes to the condensed consolidated financial statements.

BROWN-FORMAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(Dollars in millions)

	Three Months Ended July 31,	
	2011	2012
Net income	\$118.1	\$147.5
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	(9.3)	(13.3)
Postretirement benefits adjustment	3.3	4.5
Net gain on cash flow hedges	4.0	7.5
Net other comprehensive loss	(2.0)	(1.3)
Comprehensive income	\$116.1	\$146.2

See notes to the condensed consolidated financial statements.

BROWN-FORMAN CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in millions)

	April 30, 2012	July 31, 2012
Assets		
Cash and cash equivalents	\$338.3	\$361.5
Accounts receivable, less allowance for doubtful accounts of \$9.1 and \$9.2 at April 30 and July 31, respectively	475.3	524.9
Inventories:		
Barreled whiskey	387.9	400.4
Finished goods	159.4	188.6
Work in process	114.5	117.6
Raw materials and supplies	50.3	57.8
Total inventories	712.1	764.4
Current deferred tax assets	36.3	21.2
Other current assets	187.3	177.5
Total current assets	1,749.3	1,849.5
Property, plant and equipment, net	398.7	404.6
Goodwill	617.2	612.1
Other intangible assets	668.3	664.8
Deferred tax assets	5.6	10.4
Other assets	38.3	41.6
Total assets	\$3,477.4	\$3,583.0
Liabilities		
Accounts payable and accrued expenses	\$385.7	\$375.7
Dividends payable	--	49.8
Accrued income taxes	9.9	35.5
Current deferred tax liabilities	0.8	6.1
Short-term borrowings	4.3	6.5
Current portion of long-term debt	2.7	2.7
Total current liabilities	403.4	476.3
Long-term debt	502.8	502.1
Deferred tax liabilities	157.9	172.6
Accrued pension and other postretirement benefits	278.1	256.6
Other liabilities	65.8	53.4
Total liabilities	1,408.0	1,461.0
Commitments and contingencies		
Stockholders' Equity		
Common stock (see Note 11):		

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Class A, voting	8.5	12.8
Class B, nonvoting	14.9	21.3
Additional paid-in capital	49.3	59.3
Retained earnings	3,031.5	3,057.0
Accumulated other comprehensive (loss) income, net of tax:		
Cumulative translation adjustment	(6.9)	(20.2)
Postretirement benefits adjustment	(219.9)	(215.4)
Unrealized (loss) gain on cash flow hedges	(3.4)	4.1
Treasury stock, at cost (14,253,000 and 14,014,000 shares at April 30 and July 31, respectively)	(804.6)	(796.9)
Total stockholders' equity	2,069.4	2,122.0
Total liabilities and stockholders' equity	\$3,477.4	\$3,583.0

See notes to the condensed consolidated financial statements.

BROWN-FORMAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in millions)

	Three Months Ended July 31,	
	2011	2012
Cash flows from operating activities:		
Net income	\$118.1	\$147.5
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	13.0	11.5
Stock-based compensation expense	2.2	2.4
Deferred income taxes	(2.8)	28.4
Changes in assets and liabilities	(66.5)	(102.2)
Cash provided by operating activities	64.0	87.6
Cash flows from investing activities:		
Additions to property, plant, and equipment	(6.2)	(17.4)
Acquisition of brand names and trademarks	(7.0)	--
Computer software expenditures	(0.5)	(0.1)
Cash used for investing activities	(13.7)	(17.5)
Cash flows from financing activities:		
Net increase in short-term borrowings	1.9	2.2
Repayment of long-term debt	(0.8)	(0.6)
Net payments related to exercise of stock-based awards	(1.8)	(4.0)
Excess tax benefits from stock-based awards	4.4	7.6
Acquisition of treasury stock	(18.4)	--
Dividends paid	(46.4)	(49.8)
Cash used for financing activities	(61.1)	(44.6)
Effect of exchange rate changes on cash and cash equivalents	(3.8)	(2.3)
Net (decrease) increase in cash and cash equivalents	(14.6)	23.2
Cash and cash equivalents, beginning of period	567.1	338.3