BROWN FORMAN CORP
Form 8-K/A
February 29, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K/A

Current Report
Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 29, 2008 (February 29, 2008)

Brown-Forman Corporation
(Exact name of registrant as specified in its charter)

| | | |
|---|---|---|
| Delaware | 002-26821 | 61-0143150 |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

| | |
|---|---|
| 850 Dixie Highway, Louisville, Kentucky | 40210 |
| (Address of principal executive offices) | (Zip Code) |

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2.):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

Brown-Forman Corporation issued a press release today, February 29, 2008 reporting results of its operations for the fiscal quarter ended January 31, 2008.

Shortly thereafter, Brown-Forman today also issued a second press release today, February 29, 2008, which replaced entirely, and corrected one sentence in, the earlier-issued press release. The only change was to the second sentence in the second paragraph, which was revised to read as follows:

> "Net sales and gross profit gains benefited from the addition of Casa Herradura and a weaker U.S. dollar, partially offset by changes in global trade inventories."

A copy of the corrected and replacing Brown-Forman Corporation press release is attached hereto as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits

(d) The following Exhibit is furnished as part of this Current Report on Form 8-K.

99.1 Brown-Forman Corporation Press Release dated February 29, 2008

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Brown-Forman Corporation
(Registrant)

Date: February 29, 2008

By: /s/ Nelea A. Absher
Nelea A. Absher
Vice President and
Assistant Corporate Secretary

Exhibit Index

| Exhibit Number | Description |
|---|---|
| 99.1 | Brown-Forman Corporation Press Release dated February 29, 2008 |

Exhibit 99.1

FOR IMMEDIATE RELEASE

BROWN-FORMAN REPORTS THIRD QUARTER OPERATING INCOME GROWTH OF 8%, UNDERLYING OPERATING INCOME UP 7% FOR THE THIRD QUARTER AND YEAR-TO-DATE

Louisville, KY, February 29, 2008 - Brown-Forman Corporation reported a 4% increase in diluted earnings per share and an 8% increase in operating income for its third quarter ended January 31, 2008(1). The addition of profits from the Casa Herradura(2) brands acquired in January 2007, benefits from favorable foreign exchange fluctuations, higher global consumer demand for Jack Daniel's Tennessee Whiskey and Finlandia Vodka, an exceptional increase in U.S. demand for Gentleman Jack, and continued excellent growth for the Jack Daniel's & Cola ready-to-drink in Australia contributed to profit growth for the quarter. Partially offsetting these gains were softness for Southern Comfort and higher raw material costs. Adjusting for the benefits of a weaker U.S. dollar, the impact of changes in global trade inventories, and profits from Casa Herradura, underlying operating income improved 7%(3) for the third quarter.

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(1) All financial and statistical information in this press release relates to continuing operations of the company unless otherwise stated. Earnings per share refers to diluted earnings per share.
(2) References to Casa Herradura include all brands (el Jimador, Herradura, New Mix, Antiguo, Suave 35 and other brands) and operations acquired in January 2007.
(3) Underlying growth represents reported financial results in accordance with GAAP, adjusted for certain items. A reconciliation from reported to underlying net sales, gross profit, advertising expense, SG&A, and operating income (non-GAAP measures) for the quarter and year-to-date, and the reasons why management believes these adjustments to be useful to the reader, are included in Schedule A and the notes to this press release.

Third quarter net sales grew 16% to $877 million while gross profit increased 12% to $433 million. Net sales and gross profit gains benefited from the addition of Casa Herradura and a weaker U.S. dollar, partially offset by changes in global trade inventories. Excluding these factors, underlying net sales and gross profit both improved 4% in the quarter.

Advertising expenses increased 14% to $108 million in the quarter, primarily reflecting investments behind Casa Herradura, a weaker U.S. dollar, and additional activities to support both Jack Daniel's and Finlandia. SG&A expenses increased 11% to $143 million, due largely to additional expenses associated with the acquisition of the Casa Herradura brands and a weaker U.S. dollar. Adjusting for the spending in support of Casa Herradura and foreign currency fluctuations, advertising expenses and SG&A grew 3% and 2%, respectively, for the three month period.

Jack Daniel's global depletions(4) grew at a low-single digit rate in the quarter, with volume growth improving in the low-single digits in the U.S. and increasing in the mid-single digits internationally. Strong double-digit volume gains were recorded in the quarter for both Gentleman Jack and Jack Daniel's & Cola. Finlandia volumes grew at a double-digit rate, driven by continued robust growth in Eastern Europe. Global depletions for Southern Comfort declined for the three month period with weakness in both the U.S. and international markets. Several other brands experienced solid growth in the quarter, including Bonterra, Woodford Reserve, Sonoma-Cutrer, Tuaca, and Fetzer Valley Oaks.

For the first nine months of the fiscal year, reported diluted earnings per share were $2.74, up 3% over the prior-year period. Operating income was $550 million, up 11% from $494 million earned in the same period last year. Adjusting reported results for the weaker U.S. dollar, recent acquisitions, global trade inventory changes, and last year's net gain on the sale of winery assets, underlying operating income was up 7%. The organic growth in operating income was driven by solid international consumer demand for Jack Daniel's and Finlandia, and improved volumes and profits from several other brands including Jack Daniel's & Cola, Gentleman Jack, Woodford Reserve, Bonterra, Korbel Champagne, and Tuaca.

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(4) Depletions are shipments from wholesale distributors to retail customers, and are commonly regarded in the industry as an approximate measure of consumer demand.

The company's gross margin on a stripped net sales basis (gross profit as a percentage of net sales excluding excise tax) for the first nine months of the fiscal year was 65.5%, down from 67.0% in the prior-year period. This 150 basis point gross margin decline reflects the addition of the relatively lower-margin Mexican business, while higher cost of sales due to increased grain and energy costs were offset by benefits from favorable foreign exchange, a favorable shift in mix to higher margin international markets, and price increases.

Full-Year Outlook

The company is narrowing the range of its full-year earnings outlook for fiscal 2008 to $3.42 to $3.50 per diluted share, representing forecasted growth of 9% to 11% over comparable prior year earnings of $3.14 per share. Our earnings expectations for the fourth quarter include continued global growth for the company's brands, an expected lower tax rate, and modest additional benefits from foreign exchange. This outlook is tempered by a challenging economic environment and expectations of higher energy and grain costs.

Brown-Forman will host a conference call to discuss third quarter results at 10:00 a.m. (EST) today. All interested parties in the U.S. are invited to join the conference by dialing 888-624-9285 and asking for the Brown-Forman call. International callers should dial 706- 679-3410 and ask for the Brown-Forman call. No password is required. The company suggests that the participants dial in approximately ten minutes in advance of the 10:00 a.m. start of the conference call.

A live audio broadcast of the conference call will also be available via Brown-Forman's Internet Web site, www.brown-forman.com, and then click on the link to "Investor Relations."

For those unable to participate in the live call, a digital replay will be available by calling 800-642-1687 (U.S.) or 706-645-9291 (international). The identification code is 34932602. A digital audio recording of the conference call will also be available on the web page approximately one hour after the conclusion of the conference call. The replays will be available for at least 30 days.

Brown-Forman Corporation is a diversified producer and marketer of fine quality consumer products, including Jack Daniel's, Southern Comfort, Finlandia Vodka, Tequila Herradura, el Jimador Tequila, Canadian Mist, Fetzer and Bolla Wines, and Korbel California Champagnes.

IMPORTANT NOTE ON FORWARD-LOOKING STATEMENTS:

This release contains statements, estimates, or projections that constitute "forward-looking statements" as defined under U.S. federal securities laws. Generally, the words "expect," "believe," "intend," "estimate," "will," "anticipate," and "project," and similar expressions identify a forward-looking statement, which speaks only as of the date the statement is made. 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. We believe that the expectations and assumptions with respect to our forward-looking statements are reasonable. But by their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that in some cases are out of our control. These factors could cause our actual results to differ materially from Brown-Forman's historical experience or our present expectations or projections. Here is a non-exclusive list of such risks and uncertainties:

- continuation of the deterioration in general economic conditions, particularly in the United States where we earn about half of our profits,

including higher energy prices, declining home prices, deterioration of the sub-prime lending market, or other factors;
- pricing, marketing and other competitive activity focused against our major brands;
- lower consumer confidence or purchasing related to economic conditions, major natural disasters, terrorist attacks or widespread outbreak of infectious diseases;
- tax increases, whether at the federal or state level or in major international markets and/or tariff barriers or other restrictions affecting beverage alcohol;
- limitations and restrictions on distribution of products and alcohol marketing, including advertising and promotion, as a result of stricter governmental policies adopted either in the United States or in international markets;
- fluctuations in the U.S. dollar against foreign currencies, especially the British pound, euro, Australian dollar, and the South African rand;
- reduced bar, restaurant, hotel and travel business, including travel retail;
- longer-term, a change in consumer preferences, social trends or cultural trends that results in the reduced consumption of our premium spirits brands;
- changes in distribution arrangements in major markets that limit our ability to market or sell our products;
- adverse impacts relating to our acquisition strategies or our integration of acquired businesses and conforming them to the company's trade practice standards, financial controls environment and U.S. public company requirements;
- price increases in energy or raw materials, including grapes, grain, agave, wood, glass, and plastic;
- changes in climate conditions and agricultural uncertainties that adversely affect the supply of grapes, agave, grain or wood;
- termination of our rights to distribute and market agency brands in our portfolio;
- press articles or other public media related to our company, brands, personnel, operations, business performance or prospects;
- counterfeit production of our products and any resulting negative effect on our intellectual property rights or brand equity; and
- adverse developments stemming from state or federal investigations of beverage alcohol industry marketing or trade practices of suppliers, distributors or retailers.

Brown-Forman Corporation
Unaudited Consolidated Statements of Operations
(Dollars in millions, except per share amounts)

| | Three Months Ended January 31, 2007 | 2008 | Change |
|---|---|---|---|
| CONTINUING OPERATIONS | | | |
| Net sales | $754.8 | $877.4 | 16% |
| Gross profit | 387.3 | 432.6 | 12% |
| Advertising expenses | 94.2 | 107.6 | 14% |
| Selling, general, and administrative expenses | 129.2 | 143.3 | 11% |
| Amortization expense | -- | 1.3 | |
| Other (income), net | (4.9) | (1.2) | |
| Operating income | 168.8 | 181.6 | 8% |
| Interest expense, net | 2.5 | 9.1 | |
| Income before income taxes | 166.3 | 172.5 | 4% |
| Income taxes | 54.7 | 56.6 | |
| Net income | 111.6 | 115.9 | 4% |

| | | | |
|---|---|---|---|
| Earnings per share: | | | |
| Basic | 0.91 | 0.94 | 4% |
| Diluted | 0.90 | 0.93 | 4% |
| | | | |
| DISCONTINUED OPERATIONS | | | |
| Net (loss) income | $(6.5) | $ 0.1 | |
| | | | |
| Loss per share: | | | |
| Basic | (0.05) | -- | |
| Diluted | (0.05) | -- | |
| | | | |
| TOTAL COMPANY | | | |
| Net income | $105.1 | $116.0 | 10% |
| | | | |
| Earnings per share: | | | |
| Basic | 0.86 | 0.94 | 10% |
| Diluted | 0.85 | 0.94 | 11% |

(more)

Brown-Forman Corporation
Unaudited Consolidated Statements of Operations
(Dollars in millions, except per share amounts)

| | Nine Months Ended January 31, 2007 | 2008 | Change |
|---|---|---|---|
| CONTINUING OPERATIONS | | | |
| Net sales | $2,115.4 | $2,509.9 | 19% |
| Gross profit | 1,118.9 | 1,293.6 | 16% |
| Advertising expenses | 267.2 | 314.2 | 18% |
| Selling, general, and administrative expenses | 378.1 | 433.1 | 15% |
| Amortization expense | -- | 3.8 | |
| Other (income), net | (20.1) | (7.2) | |
| Operating income | 493.7 | 549.7 | 11% |
| Interest expense, net | 5.4 | 32.5 | |
| Income before income taxes | 488.3 | 517.2 | 6% |
| Income taxes | 157.4 | 176.5 | |
| Net income | 330.9 | 340.7 | 3% |
| | | | |
| Earnings per share: | | | |
| Basic | 2.69 | 2.77 | 3% |
| Diluted | 2.66 | 2.74 | 3% |
| | | | |
| DISCONTINUED OPERATIONS | | | |
| Net loss | $(8.2) | -- | |
| | | | |
| Loss per share: | | | |
| Basic | (0.07) | -- | |
| Diluted | (0.07) | -- | |
| | | | |
| TOTAL COMPANY | | | |

| | | | |
|---|---|---|---|
| Net income | $322.7 | $340.7 | 6% |
| Earnings per share: | | | |
| Basic | 2.63 | 2.77 | 5% |
| Diluted | 2.60 | 2.74 | 6% |

(more)

Brown-Forman Corporation
Unaudited Condensed Consolidated Balance Sheets
(Dollars in millions)

| | April 30, 2007 | January 31, 2008 |
|---|---|---|
| Assets: | | |
| Cash and cash equivalents | $ 282.8 | $ 136.6 |
| Short-term investments | 85.6 | -- |
| Accounts receivable, net | 403.7 | 473.1 |
| Inventories | 694.4 | 682.5 |
| Other current assets | 168.7 | 140.0 |
| Total current assets | 1,635.2 | 1,432.2 |
| Property, plant, and equipment, net | 506.3 | 502.1 |
| Goodwill | 670.2 | 680.7 |
| Other intangible assets | 683.9 | 698.5 |
| Prepaid pension cost | 23.0 | 24.7 |
| Other assets | 32.8 | 38.3 |
| Total assets | $3,551.4 | $3,376.5 |
| Liabilities: | | |
| Accounts payable and accrued expenses | $ 361.1 | $ 361.4 |
| Accrued income taxes | 27.0 | -- |
| Payable to stockholders | 203.7 | 41.5 |
| Short-term borrowings | 401.1 | 243.0 |
| Current portion of long-term debt | 354.0 | 354.0 |
| Total current liabilities | 1,346.9 | 999.9 |
| Long-term debt | 421.9 | 417.3 |
| Deferred income taxes | 56.6 | 69.4 |
| Accrued postretirement benefits | 122.8 | 130.1 |
| Other liabilities | 29.8 | 72.4 |
| Total liabilities | 1,978.0 | 1,689.1 |
| Stockholders' equity | 1,573.4 | 1,687.4 |
| Total liabilities and stockholders' equity | $3,551.4 | $3,376.5 |

(more)

Brown-Forman Corporation
Unaudited Condensed Consolidated Statements of Cash Flows
(Dollars in millions)

| | Nine Months Ended January 31, 2007 | Nine Months Ended January 31, 2008 |
|---|---|---|
| Cash flows from operating activities: | | |
| Continuing operations | $268.9 | $397.3 |
| Discontinued operations | 8.7 | -- |
| Cash provided by operating activities | 277.6 | 397.3 |
| Cash flows from investing activities: | | |
| Acquisition of businesses | (1,045.5) | 1.6 |
| Acquisition of brand name | -- | (12.0) |
| Net decrease in short-term investments | 10.1 | 85.6 |
| Additions to property, plant, and equipment | (39.1) | (31.6) |
| Other | (17.3) | (5.2) |
| Cash (used for) provided by investing activities | (1,091.8) | 38.4 |
| Cash flows from financing activities: | | |
| Net increase (decrease) in debt | 666.1 | (164.4) |
| Acquisition of treasury stock | -- | (122.0) |
| Special distribution to stockholders | -- | (203.7) |
| Dividends paid | (106.1) | (116.6) |
| Other | 31.8 | 19.7 |
| Cash provided by (used for) financing activities | 591.8 | (587.0) |
| Effect of exchange rate changes on cash and cash equivalents | 1.5 | 5.1 |
| Net decrease in cash and cash equivalents | (220.9) | (146.2) |
| Cash and cash equivalents, beginning of period | 474.8 | 282.8 |
| Cash and cash equivalents, end of period | $253.9 | $136.6 |

(more)

Brown-Forman Corporation
Continuing Operations Only
Supplemental Information (Unaudited)
(Dollars in millions, except per share amounts)

| | Three Months Ended January 31, 2007 | Three Months Ended January 31, 2008 |
|---|---|---|
| Net sales | $754.8 | $877.4 |

| | | |
|---|---|---|
| Excise taxes | $172.7 | $205.0 |
| Net sales (stripped of excise taxes) | $582.1 | $672.4 |
| Gross profit (as reported) | $387.3 | $432.6 |
| Gross margin (as reported) | 51.3% | 49.3% |
| Gross margin (stripped net sales basis)* | 66.5% | 64.3% |
| Effective tax rate | 32.9% | 32.8% |
| Cash dividends paid per common share | $0.3025 | $0.3400 |
| Shares (in thousands) used in the calculation of earnings per share | | |
| - Basic | 122,964 | 122,836 |
| - Diluted | 124,230 | 123,974 |

* Management believes excluding excise tax from the gross margin calculation provides a more meaningful comparison because of changes in the company's distribution structures in several markets. These changes result in the company collecting and remitting excise taxes which are reported in net sales and cost of sales, preventing effective comparison across periods where the same distribution structures were not employed.

(more)

Brown-Forman Corporation
Continuing Operations Only
Supplemental Information (Unaudited)
(Dollars in millions, except per share amounts)

| | Nine Months Ended January 31, 2007 | 2008 |
|---|---|---|
| Net sales | $2,115.4 | $2,509.9 |
| Excise taxes | $446.1 | $534.8 |
| Net sales (stripped of excise taxes) | $1,669.3 | $1,975.1 |
| Gross profit (as reported) | $1,118.9 | $1,293.6 |
| Gross margin (as reported) | 52.9% | 51.5% |
| Gross margin (stripped net sales basis)* | 67.0% | 65.5% |
| Effective tax rate | 32.2% | 34.1% |
| Cash dividends paid per common share | $0.8625 | $0.9450 |
| Shares (in thousands) used in the calculation of earnings per share | | |
| - Basic | 122,810 | 123,085 |
| - Diluted | 124,189 | 124,278 |

* Management believes excluding excise tax from the gross margin calculation provides a more meaningful comparison because of changes in the company's distribution structures in several markets. These changes result in the company collecting and remitting excise taxes which are reported in net sales and cost of sales, preventing effective comparison across periods where the same distribution structures were not employed.

These figures have been prepared in accordance with the company's customary accounting practices.

Schedule A

Brown-Forman Corporation
Continuing Operations Only
Supplemental Information (Unaudited)

| | Three Months Ended January 31, 2008 | Nine Months Ended January 31, 2008 |
|---|---|---|
| UNDERLYING NET SALES GROWTH | 4% | 6% |
| Net sales from acquisitions | 10% | 9% |
| Foreign currency fluctuations | 4% | 4% |
| Estimated net change in trade inventories | (2%) | -- |
| Reported net sales growth | 16% | 19% |
| | | |
| UNDERLYING GROSS PROFIT GROWTH | 4% | 6% |
| Gross profit from acquisitions | 6% | 6% |
| Foreign currency fluctuations | 3% | 4% |
| Estimated net change in trade inventories | (1%) | -- |
| Reported gross profit growth | 12% | 16% |
| | | |
| UNDERLYING ADVERTISING GROWTH | 3% | 7% |
| Advertising from acquisitions | 8% | 7% |
| Foreign currency fluctuations | 3% | 4% |
| Reported advertising growth | 14% | 18% |
| | | |
| UNDERLYING SG&A GROWTH | 2% | 5% |
| SG&A from acquisitions | 8% | 9% |
| Foreign currency fluctuations | 1% | 1% |
| Reported SG&A growth | 11% | 15% |

| | | |
|---|---|---|
| UNDERLYING OPERATING INCOME GROWTH | 7% | 7% |
| Operating income from acquisitions | 3% | 2% |
| Foreign currency fluctuations | 2% | 5% |
| Estimated net change in trade inventories | (4%) | (1%) |
| Absence of gain on winery assets | -- | (2%) |
| Reported operating income growth | 8% | 11% |

Notes:

Acquisitions - Refers to the acquisition of the Casa Herradura brands in January 2007 and Chambord in May 2006, thus making comparisons difficult to understand. In addition, we believe that excluding the results of these acquisitions provides helpful information in forecasting and planning the growth expectations of the company.

Foreign currency fluctuations - Refers to net gains and losses incurred by the company relating to sales and purchases in currencies other than the U.S. dollar. We use the measure to understand the growth of the business on a constant dollar basis as fluctuations in exchange rates can distort the underlying growth of our business (both positively and negatively). To neutralize the effect of foreign exchange fluctuations, we have historically translated current year results at prior year rates. While we recognize that foreign exchange volatility is a reality for a global company, we routinely review our company performance on a constant dollar basis. We believe this allows both management and our investors to understand better our company's growth trends.

Estimated net change in trade inventories - Refers to the estimated financial impact of changes in wholesale trade inventories for the company's brands in markets where we use third-party distributors. We compute this effect using our estimated depletion trends and separately identify trade inventory changes in the variance analysis for our key measures. Based on the estimated depletions and the fluctuations in trade inventory levels, we then adjust the percentage variances from prior to current periods for our key measures. We believe it is important to make this adjustment in order for management and investors to understand the results of our business without distortions that can arise from varying levels of wholesale inventories.

Absence of gain on winery assets - Refers to the net gain recorded during fiscal 2007 associated with the sale of an Italian winery used in the production of Bolla wines. We believe this item creates a disproportionate effect on underlying business results, making comparisons difficult for the reader. In addition, we believe that excluding this gain provides helpful information in forecasting and planning the growth expectations of the company.

The company cautions that non-GAAP measures may be considered in addition to, but not as a substitute for, the company's reported GAAP results.