

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 October 31, 2024

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. **001-00123**

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock (voting), \$0.15 par value	BFA	New York Stock Exchange
Class B Common Stock (nonvoting), \$0.15 par value	BFB	New York Stock Exchange
1.200% Notes due 2026	BF26	New York Stock Exchange
2.600% Notes due 2028	BF28	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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: November 30, 2024

Class A Common Stock (voting), \$0.15 par value	169,123,305
Class B Common Stock (nonvoting), \$0.15 par value	303,537,999

BROWN-FORMAN CORPORATION
Index to Quarterly Report Form 10-Q

	Page
PART I - FINANCIAL INFORMATION	3
Item 1. Financial Statements (Unaudited)	3
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 3. Quantitative and Qualitative Disclosures about Market Risk	34
Item 4. Controls and Procedures	34
PART II - OTHER INFORMATION	35
Item 1. Legal Proceedings	35
Item 1A. Risk Factors	35
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	35
Item 3. Defaults Upon Senior Securities	35
Item 4. Mine Safety Disclosures	35
Item 5. Other Information	35
Item 6. Exhibits	35
SIGNATURES	36

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

BROWN-FORMAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(Dollars in millions, except per share amounts)

	Three Months Ended October 31,		Six Months Ended October 31,	
	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>
Sales	\$ 1,405	\$ 1,376	\$ 2,731	\$ 2,587
Excise taxes	298	281	586	541
Net sales	<u>1,107</u>	<u>1,095</u>	<u>2,145</u>	<u>2,046</u>
Cost of sales	436	449	823	835
Gross profit	671	646	1,322	1,211
Advertising expenses	140	126	271	252
Selling, general, and administrative expenses	192	187	392	375
Other expense (income), net	—	(8)	(7)	(38)
Operating income	<u>339</u>	<u>341</u>	<u>666</u>	<u>622</u>
Non-operating postretirement expense	—	1	1	1
Interest income	(2)	(3)	(4)	(7)
Interest expense	31	32	60	64
Equity method investment income	—	(2)	—	(2)
Income before income taxes	<u>310</u>	<u>313</u>	<u>609</u>	<u>566</u>
Income taxes	68	55	136	113
Net income	<u>\$ 242</u>	<u>\$ 258</u>	<u>\$ 473</u>	<u>\$ 453</u>
Earnings per share:				
Basic	\$ 0.50	\$ 0.55	\$ 0.99	\$ 0.96
Diluted	\$ 0.50	\$ 0.55	\$ 0.98	\$ 0.96

See notes to the condensed consolidated financial statements.

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

	Three Months Ended October 31,		Six Months Ended October 31,	
	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>
Net income	\$ 242	\$ 258	\$ 473	\$ 453
Other comprehensive income (loss), net of tax:				
Currency translation adjustments	(104)	(26)	(65)	(68)
Cash flow hedge adjustments	12	(1)	7	(3)
Postretirement benefits adjustments	1	—	3	1
Net other comprehensive income (loss)	<u>(91)</u>	<u>(27)</u>	<u>(55)</u>	<u>(70)</u>
Comprehensive income	<u>\$ 151</u>	<u>\$ 231</u>	<u>\$ 418</u>	<u>\$ 383</u>

See notes to the condensed consolidated financial statements.

BROWN-FORMAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Dollars in millions, except per share amounts)

	April 30, 2024	October 31, 2024
Assets		
Cash and cash equivalents	\$ 446	\$ 416
Accounts receivable, less allowance for doubtful accounts of \$8 at April 30 and \$9 at October 31	769	954
Inventories:		
Barreled whiskey	1,490	1,563
Finished goods	452	438
Work in process	396	376
Raw materials and supplies	218	188
Total inventories	2,556	2,565
Other current assets	265	261
Total current assets	4,036	4,196
Property, plant and equipment, net	1,074	1,060
Goodwill	1,455	1,468
Other intangible assets	990	1,000
Equity method investments	270	272
Deferred tax assets	69	60
Other assets	272	276
Total assets	\$ 8,166	\$ 8,332
Liabilities		
Accounts payable and accrued expenses	\$ 793	\$ 695
Accrued income taxes	38	46
Short-term borrowings	428	512
Current portion of long-term debt	300	300
Total current liabilities	1,559	1,553
Long-term debt	2,372	2,391
Deferred tax liabilities	315	290
Accrued pension and other postretirement benefits	160	159
Other liabilities	243	234
Total liabilities	4,649	4,627
Commitments and contingencies		
Stockholders' Equity		
Common stock:		
Class A, voting, \$0.15 par value (170,000,000 shares authorized; 170,000,000 shares issued)	25	25
Class B, nonvoting, \$0.15 par value (400,000,000 shares authorized; 314,532,000 shares issued)	47	47
Additional paid-in capital	13	21
Retained earnings	4,261	4,508
Accumulated other comprehensive income (loss), net of tax	(221)	(291)
Treasury stock, at cost (11,932,000 and 11,871,000 shares at April 30 and October 31, respectively)	(608)	(605)
Total stockholders' equity	3,517	3,705
Total liabilities and stockholders' equity	\$ 8,166	\$ 8,332

See notes to the condensed consolidated financial statements.

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

	Six Months Ended October 31,	
	<u>2023</u>	<u>2024</u>
Cash flows from operating activities:		
Net income	\$ 473	\$ 453
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	41	44
Stock-based compensation expense	11	13
Deferred income tax benefit	(15)	(12)
Change in fair value of contingent consideration	(2)	5
Equity method investment income	—	(2)
Other, net	—	(10)
Changes in assets and liabilities:		
Accounts receivable	(103)	(194)
Inventories	(337)	(76)
Other current assets	46	(2)
Accounts payable and accrued expenses	(31)	(70)
Accrued income taxes	16	6
Other operating assets and liabilities	(2)	(26)
Cash provided by operating activities	<u>97</u>	<u>129</u>
Cash flows from investing activities:		
Additions to property, plant, and equipment	(79)	(72)
Proceeds from sale of assets	13	51
Other, net	5	—
Cash used for investing activities	<u>(61)</u>	<u>(21)</u>
Cash flows from financing activities:		
Net change in short-term borrowings	220	83
Payments of withholding taxes related to stock-based awards	(4)	(2)
Acquisition of treasury stock	(42)	—
Dividends paid	(197)	(206)
Other, net	—	(4)
Cash used for financing activities	<u>(23)</u>	<u>(129)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(7)	(9)
Net increase (decrease) in cash, cash equivalents, and restricted cash	6	(30)
Cash, cash equivalents, and restricted cash at beginning of period	384	456
Cash, cash equivalents, and restricted cash at end of period	390	426
Less: Restricted cash (included in other current assets) at end of period	(10)	(10)
Less: Cash included in assets held for sale at end of period	(7)	—
Cash and cash equivalents at end of period	<u>\$ 373</u>	<u>\$ 416</u>
Supplemental information:		
Non-cash additions to property, plant and equipment	\$ 15	\$ 8
Right-of-use assets obtained in exchange for new lease obligations	\$ 24	\$ 20

See notes to the condensed consolidated financial statements.

BROWN-FORMAN CORPORATION AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

In these notes, “we,” “us,” “our,” “Brown-Forman,” and the “Company” refer to Brown-Forman Corporation and its consolidated subsidiaries, collectively.

1. Condensed Consolidated Financial Statements

We prepared the accompanying unaudited condensed consolidated financial statements pursuant to the rules and regulations of the U.S. Securities and Exchange Commission for interim financial information. In accordance with those rules and regulations, we condensed or omitted certain information and disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). In our opinion, the accompanying financial statements include all adjustments, consisting only of normal recurring adjustments (unless otherwise indicated), necessary for a fair statement of our financial results for the periods presented in these financial statements. The results for interim periods are not necessarily indicative of future or annual results.

We suggest that you read these condensed financial statements together with the financial statements and footnotes included in our Annual Report on Form 10-K for the fiscal year ended April 30, 2024 (2024 Form 10-K). We prepared the accompanying financial statements on a basis that is substantially consistent with the accounting principles applied in our 2024 Form 10-K.

Accounting standards not yet adopted. In November 2023, the Financial Accounting Standards Board (FASB) issued an updated accounting standard requiring additional disclosures about significant segment expenses and other segment items. The update also requires interim disclosure of segment information that is currently required only on an annual basis. We are required to adopt the updated standard for annual disclosures beginning in fiscal 2025, and for interim disclosures in fiscal 2026, with earlier adoption permitted. The update is to be applied retroactively.

In December 2023, the FASB issued an updated accounting standard requiring additional annual disclosures about income taxes, primarily related to the rate reconciliation and information about income taxes paid. We are required to adopt the new guidance beginning in fiscal 2026, with earlier adoption permitted. The update can be applied either prospectively or retrospectively.

In November 2024, the FASB issued an updated accounting standard requiring disaggregation, in the notes to the financial statements, of expense line items in the income statement that include certain categories of expenses. We are required to adopt the updated standard for annual disclosures beginning in fiscal 2028, and for interim disclosures in fiscal 2029, with earlier adoption permitted. The update can be applied either prospectively or retrospectively.

We are currently evaluating the impact that adopting these accounting standards updates will have on our disclosures.

2. Earnings Per Share

We calculate basic earnings per share by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share further includes the dilutive effect of stock-based compensation awards. We calculate that dilutive effect using the “treasury stock method” (as defined by GAAP).

The following table presents information concerning basic and diluted earnings per share:

(Dollars in millions, except per share amounts)	Three Months Ended October 31,		Six Months Ended October 31,	
	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>
Net income available to common stockholders	\$ 242	\$ 258	\$ 473	\$ 453
Share data (in thousands):				
Basic average common shares outstanding	479,200	472,660	479,262	472,647
Dilutive effect of stock-based awards	915	397	972	350
Diluted average common shares outstanding	<u>480,115</u>	<u>473,057</u>	<u>480,234</u>	<u>472,997</u>
Basic earnings per share	\$ 0.50	\$ 0.55	\$ 0.99	\$ 0.96
Diluted earnings per share	\$ 0.50	\$ 0.55	\$ 0.98	\$ 0.96

We excluded common stock-based awards for approximately 1,688,000 shares and 3,018,000 shares from the calculation of diluted earnings per share for the three months ended October 31, 2023 and 2024, respectively. We excluded common stock-based awards for approximately 1,486,000 shares and 2,800,000 shares from the calculation of diluted earnings per share for the six months ended October 31, 2023 and 2024, respectively. We excluded those awards because they were not dilutive for those periods under the treasury stock method.

3. Inventories

We value some of our consolidated inventories, including most of our U.S. inventories, at the lower of cost, using the last-in, first-out (LIFO) method or market value. If the LIFO method had not been used, inventories at current cost would have been \$512 million higher than reported as of April 30, 2024, and \$552 million higher than reported as of October 31, 2024. Changes in the LIFO valuation reserve for interim periods are based on an allocation of the projected change for the entire fiscal year, recognized proportionately over the remainder of the fiscal year.

4. Goodwill and Other Intangible Assets

The following table shows the changes in goodwill (which includes no accumulated impairment losses) and other intangible assets during the six months ended October 31, 2024:

(Dollars in millions)	<u>Goodwill</u>	<u>Other Intangible Assets</u>
Balance at April 30, 2024	\$ 1,455	\$ 990
Foreign currency translation adjustment	13	10
Balance at October 31, 2024	<u>\$ 1,468</u>	<u>\$ 1,000</u>

Our other intangible assets consist of trademarks and brand names, all with indefinite useful lives.

5. Equity Method Investments

Our equity method investments include a 21.4% ownership of the common stock of The Duckhorn Portfolio, Inc. (“Duckhorn”), which we obtained as partial consideration for our sale of the Sonoma-Cutrer wine business to Duckhorn on April 30, 2024. Our other equity method investments are immaterial.

The carrying amount of our investment in Duckhorn was \$267 million as of April 30, 2024, reflecting the fair value of the common stock, based on its quoted market price at the April 30, 2024 closing date of the transaction. The carrying amount as of October 31, 2024, was \$269 million, which includes the initial carrying amount of \$267 million and \$2 million subsequently recognized for our share of Duckhorn’s earnings.

The difference between the carrying amount of the investment and our proportionate share of the net assets of Duckhorn was not material as of both April 30, 2024, and October 31, 2024. As of October 31, 2024, the fair value of the investment was \$346 million.

In connection with our sale of the Sonoma-Cutrer wine business to Duckhorn, we agreed to a lock-up provision under which we are restricted from selling or otherwise disposing of our equity investment in Duckhorn. The restriction period will terminate no later than October 31, 2025.

Also, effective April 30, 2024, we entered into a transition services agreement (TSA) with Duckhorn related to the sale of the Sonoma-Cutrer wine business. Our cost of sales for the three months and six months ended October 31, 2024, included \$2 million and \$24 million, respectively, for Sonoma-Cutrer products purchased from Duckhorn under the TSA. Fees earned for transition services provided to Duckhorn under the TSA were immaterial. Services related to the TSA ended on or about August 31, 2024.

On October 6, 2024, Duckhorn entered into a definitive agreement pursuant to which Duckhorn will be acquired by private equity funds. Under the terms of the agreement, upon completion of the proposed transaction, we would receive cash of \$350 million in exchange for our 21.4% ownership interest in Duckhorn. The completion of the transaction, which is expected to occur by April 30, 2025, is subject to customary closing conditions, including approval by Duckhorn's stockholders.

6. Contingencies

We operate in a litigious environment, and we are sued in the normal course of business. Sometimes plaintiffs seek substantial damages. Significant judgment is required in predicting the outcome of these suits and claims, many of which take years to adjudicate. We accrue estimated costs for a contingency when we believe that a loss is probable and we can make a reasonable estimate of the loss, and then adjust the accrual as appropriate to reflect changes in facts and circumstances. We do not believe it is reasonably possible that these existing loss contingencies, individually or in the aggregate, would have a material adverse effect on our financial position, results of operations, or liquidity. No material accrued loss contingencies were recorded as of October 31, 2024.

7. Debt

Our long-term debt (net of unamortized discount and issuance costs) consisted of:

(Principal and carrying amounts in millions)	April 30, 2024	October 31, 2024
3.50% senior notes, \$300 principal amount, due April 15, 2025	\$ 300	\$ 300
1.20% senior notes, €300 principal amount, due July 7, 2026	321	325
2.60% senior notes, £300 principal amount, due July 7, 2028	375	388
4.75% senior notes, \$650 principal amount, due April 15, 2033	643	644
4.00% senior notes, \$300 principal amount, due April 15, 2038	295	296
3.75% senior notes, \$250 principal amount, due January 15, 2043	248	248
4.50% senior notes, \$500 principal amount, due July 15, 2045	490	490
	<u>2,672</u>	<u>2,691</u>
Less current portion	300	300
	<u>\$ 2,372</u>	<u>\$ 2,391</u>

Our short-term borrowings consisted of borrowings under our commercial paper program, as follows:

(Dollars in millions)	April 30, 2024	October 31, 2024
Commercial paper (par amount)	\$429	\$514
Average interest rate	5.49%	4.93%
Average remaining days to maturity	12	24

8. Stockholders' Equity

The following table shows the changes in stockholders' equity by quarter during the six months ended October 31, 2023:

(Dollars in millions)	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	AOCI	Treasury Stock	Total
Balance at April 30, 2023	\$ 25	\$ 47	\$ 1	\$ 3,643	\$ (235)	\$ (213)	\$ 3,268
Net income				231			231
Net other comprehensive income (loss)					36		36
Declaration of cash dividends				(197)			(197)
Stock-based compensation expense			4				4
Stock issued under compensation plans						3	3
Loss on issuance of treasury stock issued under compensation plans			(4)	(3)			(7)
Balance at July 31, 2023	<u>25</u>	<u>47</u>	<u>1</u>	<u>3,674</u>	<u>(199)</u>	<u>(210)</u>	<u>3,338</u>
Net income				242			242
Net other comprehensive income (loss)					(91)		(91)
Acquisition of treasury stock						(42)	(42)
Stock-based compensation expense			7				7
Balance at October 31, 2023	<u>\$ 25</u>	<u>\$ 47</u>	<u>\$ 8</u>	<u>\$ 3,916</u>	<u>\$ (290)</u>	<u>\$ (252)</u>	<u>\$ 3,454</u>

The following table shows the changes in stockholders' equity by quarter during the six months ended October 31, 2024:

(Dollars in millions)	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	AOCI	Treasury Stock	Total
Balance at April 30, 2024	\$ 25	\$ 47	\$ 13	\$ 4,261	\$ (221)	\$ (608)	\$ 3,517
Net income				195			195
Net other comprehensive income (loss)					(43)		(43)
Declaration of cash dividends				(206)			(206)
Stock-based compensation expense			4				4
Stock issued under compensation plans						3	3
Loss on issuance of treasury stock issued under compensation plans			(5)				(5)
Balance at July 31, 2024	<u>25</u>	<u>47</u>	<u>12</u>	<u>4,250</u>	<u>(264)</u>	<u>(605)</u>	<u>3,465</u>
Net income				258			258
Net other comprehensive income (loss)					(27)		(27)
Stock-based compensation expense			9				9
Balance at October 31, 2024	<u>\$ 25</u>	<u>\$ 47</u>	<u>\$ 21</u>	<u>\$ 4,508</u>	<u>\$ (291)</u>	<u>\$ (605)</u>	<u>\$ 3,705</u>

The following table shows the change in each component of accumulated other comprehensive income (AOCI), net of tax, during the six months ended October 31, 2024:

(Dollars in millions)	Currency Translation Adjustments	Cash Flow Hedge Adjustments	Postretirement Benefits Adjustments	Total AOCI
Balance at April 30, 2024	\$ (111)	\$ 10	\$ (120)	\$ (221)
Net other comprehensive income (loss)	(68)	(3)	1	(70)
Balance at October 31, 2024	<u>\$ (179)</u>	<u>\$ 7</u>	<u>\$ (119)</u>	<u>\$ (291)</u>

The following table shows the cash dividends declared per share on our Class A and Class B common stock during the six months ended October 31, 2024:

<u>Declaration Date</u>	<u>Record Date</u>	<u>Payable Date</u>	<u>Amount per Share</u>
May 23, 2024	June 7, 2024	July 1, 2024	\$0.2178
July 25, 2024	September 3, 2024	October 1, 2024	\$0.2178

On November 21, 2024, our Board of Directors increased the quarterly cash dividend on our Class A and Class B common stock from \$0.2178 to \$0.2265 per share. The quarterly cash dividend is payable on January 2, 2025, to stockholders of record on December 6, 2024.

9. Net Sales

The following table shows our net sales by geography:

(Dollars in millions)	Three Months Ended October 31,		Six Months Ended October 31,	
	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>
United States	\$ 531	\$ 489	\$ 973	\$ 908
Developed International ¹	291	289	600	569
Emerging ²	221	242	442	427
Travel Retail ³	44	45	90	86
Non-branded and bulk ⁴	20	30	40	56
Total	<u>\$ 1,107</u>	<u>\$ 1,095</u>	<u>\$ 2,145</u>	<u>\$ 2,046</u>

¹Represents net sales of branded products to “advanced economies” as defined by the International Monetary Fund (IMF), excluding the United States. Our top developed international markets are Germany, Australia, the United Kingdom, France, Canada, and Spain.

²Represents net sales of branded products to “emerging and developing economies” as defined by the IMF. Our top emerging markets are Mexico, Poland, and Brazil.

³Represents net sales of branded products to global duty-free customers, other travel retail customers, and the U.S. military, regardless of customer location.

⁴Includes net sales of used barrels, contract bottling services, and non-branded bulk whiskey, regardless of customer location.

The following table shows our net sales by product category:

(Dollars in millions)	Three Months Ended October 31,		Six Months Ended October 31,	
	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>
Whiskey ¹	\$ 739	\$ 769	\$ 1,436	\$ 1,428
Ready-to-Drink ²	132	133	270	254
Tequila ³	81	72	162	134
Non-branded and bulk ⁴	20	30	40	56
Rest of portfolio ⁵	135	91	237	174
Total	<u>\$ 1,107</u>	<u>\$ 1,095</u>	<u>\$ 2,145</u>	<u>\$ 2,046</u>

¹Includes all whiskey spirits and whiskey-based flavored liqueurs. The brands included in this category are the Jack Daniel's family of brands (excluding the “ready-to-drink” products outlined below), the Woodford Reserve family of brands, the Old Forester family of brands, The GlenDronach, Benriach, Glenglassaugh, Slane Irish Whiskey, and Coopers' Craft.

²Includes the Jack Daniel's ready-to-drink (RTD) and ready-to-pour (RTP) products, New Mix, and other RTD/RTP products.

³Includes el Jimador, the Herradura family of brands, and other tequilas.

⁴Includes net sales of used barrels, contract bottling services, and non-branded bulk whiskey.

⁵Includes Sonoma-Cutrer (which was divested on April 30, 2024), Korbel California Champagnes, Diplomático, Gin Mare, Chambord, Finlandia Vodka (which was divested on November 1, 2023), Fords Gin, and Korbel Brandy.

10. Pension Costs

The following table shows the components of the net cost recognized for our U.S. pension plans. Similar information for other defined benefit plans is not presented due to immateriality.

(Dollars in millions)	Three Months Ended October 31,		Six Months Ended October 31,	
	2023	2024	2023	2024
Service cost	\$ 5	\$ 4	\$ 9	\$ 8
Interest cost	8	9	17	18
Expected return on plan assets	(10)	(10)	(19)	(19)
Amortization of net actuarial loss	2	1	3	1
Net cost	<u>\$ 5</u>	<u>\$ 4</u>	<u>\$ 10</u>	<u>\$ 8</u>

11. Income Taxes

Our consolidated interim effective tax rate is based on our expected annual operating income, statutory tax rates, and income tax laws in the various jurisdictions where we operate. Significant or unusual items, including adjustments to accruals for tax uncertainties, are recognized in the fiscal quarter in which the related event or a change in judgment occurs. The effective tax rate on ordinary income for the full fiscal year is expected to be 21.8%, which is higher than the U.S. federal statutory rate of 21.0%, due to the impact of state taxes and the tax effects of foreign operations, partially offset by the beneficial impact of the foreign-derived intangible income deduction.

The effective tax rate of 20.1% for the six months ended October 31, 2024, was lower than the expected tax rate of 21.8% on ordinary income for the full fiscal year ending April 30, 2025, primarily due to the beneficial impact of state income tax refunds related to amended prior year returns, partially offset by the impact of increased valuation allowances in the current period. The effective tax rate of 20.1% for the six months ended October 31, 2024, was lower than the effective tax rate of 22.4% for the same period last year, primarily due to the beneficial impact of state income tax refunds related to amended prior year returns and the absence of an unfavorable tax rate change in the prior fiscal year, partially offset by the impact of increased valuation allowances in the current period.

The OECD (Organization for Economic Co-operation and Development) 15% global minimum tax under the Pillar Two Model Rules, which is now effective in countries with enacted legislation, did not materially impact our financial results in the six months ended October 31, 2024. We will continue to evaluate the impact in future periods as previously-enacting countries issue related guidance and additional countries consider adoption of the global minimum tax rules.

12. Derivative Financial Instruments and Hedging Activities

We are subject to market risks, including the effect of fluctuations in foreign currency exchange rates, commodity prices, and interest rates. We use derivatives to help manage financial exposures that occur in the normal course of business. We formally document the purpose of each derivative contract, which includes linking the contract to the financial exposure it is designed to mitigate. We do not hold or issue derivatives for trading or speculative purposes.

We use currency derivative contracts to limit our exposure to the foreign currency exchange rate risk that we cannot mitigate internally by using netting strategies. We designate most of these contracts as cash flow hedges of forecasted transactions (expected to occur within two years). We record all changes in the fair value of cash flow hedges in AOCI until the underlying hedged transaction occurs, at which time we reclassify that amount to earnings.

Some of our currency derivatives are not designated as hedges because we use them to partially offset the immediate earnings impact of changes in foreign currency exchange rates on existing assets or liabilities. We immediately recognize the change in fair value of these contracts in earnings.

We had outstanding currency derivatives, related primarily to our euro, British pound, and Australian dollar exposures, with notional amounts for all hedged currencies totaling \$566 million at April 30, 2024, and \$515 million at October 31, 2024. The maximum term of outstanding derivative contracts was 24 months at both April 30, 2024 and October 31, 2024.

We also use foreign currency-denominated debt instruments to help manage our foreign currency exchange rate risk. We designate a portion of those debt instruments as net investment hedges, which are intended to mitigate foreign currency

exposure related to non-U.S. dollar net investments in certain foreign subsidiaries. Any change in value of the designated portion of the hedging instruments is recorded in AOCI, offsetting the foreign currency translation adjustment of the related net investments that is also recorded in AOCI. The amount of foreign currency-denominated debt instruments designated as net investment hedges was \$497 million at April 30, 2024, and \$512 million at October 31, 2024.

At inception, we expect each financial instrument designated as a hedge to be highly effective in offsetting the financial exposure it is designed to mitigate. We assess the effectiveness of our hedges continually. If we determine that any financial instruments designated as hedges are no longer highly effective, we discontinue hedge accounting for those instruments.

We use forward purchase contracts with suppliers to protect against corn price volatility. We expect to take physical delivery of the corn underlying each contract and use it for production over a reasonable period of time. Accordingly, we account for these contracts as normal purchases rather than as derivative instruments.

The following table presents the pre-tax impact that changes in the fair value of our derivative instruments and non-derivative hedging instruments had on AOCI and earnings:

(Dollars in millions)	<u>Classification</u>	Three Months Ended October 31,	
		<u>2023</u>	<u>2024</u>
<u>Derivative Instruments</u>			
Currency derivatives designated as cash flow hedges:			
Net gain (loss) recognized in AOCI	n/a	\$ 21	\$ (2)
Net gain (loss) reclassified from AOCI into earnings	Sales	5	(1)
Currency derivatives not designated as hedging instruments:			
Net gain (loss) recognized in earnings	Sales	\$ 4	\$ 1
Net gain (loss) recognized in earnings	Other income (expense), net	(1)	(2)
<u>Non-Derivative Hedging Instruments</u>			
Foreign currency-denominated debt designated as net investment hedge:			
Net gain (loss) recognized in AOCI	n/a	\$ 26	\$ (6)
Total amounts presented in the accompanying condensed consolidated statements of operations for line items affected by the net gains (losses) shown above:			
Sales		\$ 1,405	\$ 1,376
Other income (expense), net		—	8

(Dollars in millions)	Classification	Six Months Ended October 31,	
		2023	2024
<u>Derivative Instruments</u>			
Currency derivatives designated as cash flow hedges:			
Net gain (loss) recognized in AOCI	n/a	\$ 17	\$ (1)
Net gain (loss) reclassified from AOCI into earnings	Sales	8	3
Currency derivatives not designated as hedging instruments:			
Net gain (loss) recognized in earnings	Sales	\$ 2	\$ —
Net gain (loss) recognized in earnings	Other income (expense), net	6	(6)
<u>Non-Derivative Hedging Instruments</u>			
Foreign currency-denominated debt designated as net investment hedge:			
Net gain (loss) recognized in AOCI	n/a	\$ 17	\$ (15)
Total amounts presented in the accompanying condensed consolidated statements of operations for line items affected by the net gains (losses) shown above:			
Sales		\$ 2,731	\$ 2,587
Other income (expense), net		7	38

We expect to reclassify \$4 million of deferred net gains on cash flow hedges recorded in AOCI as of October 31, 2024 to earnings during the next 12 months. This reclassification would offset the anticipated earnings impact of the underlying hedged exposures. The actual amounts that we ultimately reclassify to earnings will depend on the exchange rates in effect when the underlying hedged transactions occur.

The following table presents the fair values of our derivative instruments:

(Dollars in millions)	Classification	April 30, 2024		October 31, 2024	
		Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Designated as cash flow hedges:					
Currency derivatives	Other current assets	\$ 11	\$ (2)	\$ 8	\$ (3)
Currency derivatives	Other assets	1	(1)	1	—
Not designated as hedges:					
Currency derivatives	Accrued expenses	—	(1)	—	(1)

The fair values reflected in the above table are presented on a gross basis. However, as discussed further below, the fair values of those instruments subject to net settlement agreements are presented on a net basis in our balance sheets.

In our statements of cash flows, we classify cash flows related to cash flow hedges in the same category as the cash flows from the hedged items.

Credit risk. We are exposed to credit-related losses if the counterparties to our derivative contracts default. This credit risk is limited to the fair value of the contracts. To manage this risk, we contract only with major financial institutions that have investment-grade credit ratings and with whom we have standard International Swaps and Derivatives Association (ISDA) agreements that allow for net settlement of the derivative contracts. Also, we have established counterparty credit guidelines that we monitor regularly, and we monetize contracts when we believe it is warranted. Because of these safeguards, we believe we have no derivative positions that warrant credit valuation adjustments.

Our derivative instruments require us to maintain a specific level of creditworthiness, which we have maintained. If our creditworthiness were to fall below that level, then the counterparties to our derivative instruments could request immediate payment or collateralization for derivative instruments in net liability positions. The aggregate fair value of our derivatives with

creditworthiness requirements that were in a net liability position was \$1 million at April 30, 2024, and \$1 million at October 31, 2024.

Offsetting. As noted above, our derivative contracts are governed by ISDA agreements that allow for net settlement of derivative contracts with the same counterparty. It is our policy to present the fair values of current derivatives (that is, those with a remaining term of 12 months or less) with the same counterparty on a net basis in our balance sheets. Similarly, we present the fair values of noncurrent derivatives with the same counterparty on a net basis. We do not net current derivatives with noncurrent derivatives in our balance sheets.

The following table summarizes the gross and net amounts of our derivative contracts:

(Dollars in millions)	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in Balance Sheet	Net Amounts Presented in Balance Sheet	Gross Amounts Not Offset in Balance Sheet	Net Amounts
<u>April 30, 2024</u>					
Derivative assets	\$ 12	\$ (3)	\$ 9	\$ —	\$ 9
Derivative liabilities	(4)	3	(1)	—	(1)
<u>October 31, 2024</u>					
Derivative assets	9	(3)	6	—	6
Derivative liabilities	(4)	3	(1)	—	(1)

No cash collateral was received or pledged related to our derivative contracts as of April 30, 2024, or October 31, 2024.

13. Fair Value Measurements

The following table summarizes the assets and liabilities measured or disclosed at fair value on a recurring basis:

(Dollars in millions)	April 30, 2024		October 31, 2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Cash and cash equivalents	\$ 446	\$ 446	\$ 416	\$ 416
Currency derivatives, net	9	9	6	6
<u>Liabilities</u>				
Currency derivatives, net	1	1	1	1
Contingent consideration	69	69	75	75
Short-term borrowings	428	428	512	512
Long-term debt (including current portion)	2,672	2,468	2,691	2,547

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. We categorize the fair values of assets and liabilities into three levels based on the assumptions (inputs) used to determine those values. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment. The three levels are:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than those included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; or other inputs that are observable or can be derived from or corroborated by observable market data.
- Level 3 – Unobservable inputs supported by little or no market activity.

We determine the fair values of our currency derivatives (forward contracts) using standard valuation models. The significant inputs used in these models, which are readily available in public markets or can be derived from observable market transactions, include the applicable spot exchange rates, forward exchange rates, and interest rates. These fair value measurements are categorized as Level 2 within the valuation hierarchy.

We determine the fair value of long-term debt primarily based on the prices at which identical or similar debt has recently traded in the market and also considering the overall market conditions on the date of valuation. These fair value measurements are categorized as Level 2 within the valuation hierarchy.

The fair values of cash, cash equivalents, and short-term borrowings approximate the carrying amounts due to the short maturities of these instruments.

We determine the fair value of our contingent consideration liability using a Monte Carlo simulation model, which requires the use of Level 3 inputs, such as projected future net sales, discount rates, and volatility rates. Changes in any of these Level 3 inputs could result in material changes to the fair value of the contingent consideration and could materially impact the amount of noncash expense (or income) recorded each reporting period.

The following table shows the changes in our contingent consideration liability during the six months ended October 31, 2024:

(Dollars in millions)

Balance at April 30, 2024	\$	69
Change in fair value ¹		5
Foreign currency translation adjustment		1
Balance at October 31, 2024	\$	<u>75</u>

¹Classified as “other expense (income), net” in the accompanying condensed consolidated statement of operations.

We measure some assets and liabilities at fair value on a nonrecurring basis. That is, we do not measure them at fair value on an ongoing basis, but we do adjust them to fair value in some circumstances (for example, when we determine that an asset is impaired). No material nonrecurring fair value measurements were required during the periods presented in these financial statements.

14. Other Comprehensive Income

The following table shows the components of net other comprehensive income (loss):

(Dollars in millions)	Three Months Ended October 31, 2023			Three Months Ended October 31, 2024		
	Pre-Tax	Tax	Net	Pre-Tax	Tax	Net
Currency translation adjustments:						
Net gain (loss) on currency translation	\$ (98)	\$ (6)	\$ (104)	\$ (27)	\$ 1	\$ (26)
Reclassification to earnings	—	—	—	—	—	—
Other comprehensive income (loss), net	<u>(98)</u>	<u>(6)</u>	<u>(104)</u>	<u>(27)</u>	<u>1</u>	<u>(26)</u>
Cash flow hedge adjustments:						
Net gain (loss) on hedging instruments	21	(5)	16	(2)	—	(2)
Reclassification to earnings ¹	(5)	1	(4)	1	—	1
Other comprehensive income (loss), net	<u>16</u>	<u>(4)</u>	<u>12</u>	<u>(1)</u>	<u>—</u>	<u>(1)</u>
Postretirement benefits adjustments:						
Net actuarial gain (loss) and prior service cost	—	—	—	—	—	—
Reclassification to earnings ²	2	(1)	1	—	—	—
Other comprehensive income (loss), net	<u>2</u>	<u>(1)</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other comprehensive income (loss), net	<u>\$ (80)</u>	<u>\$ (11)</u>	<u>\$ (91)</u>	<u>\$ (28)</u>	<u>\$ 1</u>	<u>\$ (27)</u>

(Dollars in millions)	Six Months Ended October 31, 2023			Six Months Ended October 31, 2024		
	Pre-Tax	Tax	Net	Pre-Tax	Tax	Net
Currency translation adjustments:						
Net gain (loss) on currency translation	\$ (61)	\$ (4)	\$ (65)	\$ (71)	\$ 3	\$ (68)
Reclassification to earnings	—	—	—	—	—	—
Other comprehensive income (loss), net	<u>(61)</u>	<u>(4)</u>	<u>(65)</u>	<u>(71)</u>	<u>3</u>	<u>(68)</u>
Cash flow hedge adjustments:						
Net gain (loss) on hedging instruments	17	(4)	13	(1)	—	(1)
Reclassification to earnings ¹	(8)	2	(6)	(3)	1	(2)
Other comprehensive income (loss), net	<u>9</u>	<u>(2)</u>	<u>7</u>	<u>(4)</u>	<u>1</u>	<u>(3)</u>
Postretirement benefits adjustments:						
Net actuarial gain (loss) and prior service cost	—	—	—	—	—	—
Reclassification to earnings ²	4	(1)	3	1	—	1
Other comprehensive income (loss), net	<u>4</u>	<u>(1)</u>	<u>3</u>	<u>1</u>	<u>—</u>	<u>1</u>
Total other comprehensive income (loss), net	<u>\$ (48)</u>	<u>\$ (7)</u>	<u>\$ (55)</u>	<u>\$ (74)</u>	<u>\$ 4</u>	<u>\$ (70)</u>

¹Pre-tax amount for each period is classified as sales in the accompanying condensed consolidated statements of operations.

²Pre-tax amount for each period is classified as non-operating postretirement expense in the accompanying condensed consolidated statements of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis in conjunction with both our unaudited Condensed Consolidated Financial Statements and related notes included in Part I, Item 1 of this Quarterly Report and our Annual Report on Form 10-K for the fiscal year ended April 30, 2024 (2024 Form 10-K). Note that the results of operations for the six months ended October 31, 2024, are not necessarily indicative of future or annual results. In this Item, "we," "us," "our," "Brown-Forman," and the "Company" refer to Brown-Forman Corporation and its consolidated subsidiaries, collectively.

Presentation Basis

Non-GAAP Financial Measures

We report our financial results in accordance with U.S. generally accepted accounting principles (GAAP). Additionally, we use some financial measures in this report that are not measures of financial performance under 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 define or calculate these non-GAAP measures differently.

"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: (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 expenses¹; and (h) organic operating income. To calculate these measures, we adjust, as applicable, for (1) acquisitions and divestitures, (2) other items, and (3) foreign exchange. We explain these adjustments below.

- *"Acquisitions and divestitures."* This adjustment removes (a) the gain or loss recognized on sale of divested brands and certain assets, (b) any non-recurring effects related to our acquisitions and divestitures (e.g., transaction, transition, and integration costs), (c) the effects of operating activity related to acquired and divested brands for periods not comparable year over year (non-comparable periods), and (d) fair value changes to contingent consideration liabilities. 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.

During fiscal 2023, we acquired Gin Mare Brand, S.L.U. and Mareliquid Vanguard, S.L.U., which owned the Gin Mare brand (Gin Mare). This adjustment removes the fair value adjustments to Gin Mare's earn-out contingent consideration liability that is payable in cash no earlier than July 2024 and no later than July 2027.

During fiscal 2024, we sold our Finlandia vodka business, which resulted in a pre-tax gain of \$92 million, and entered into a related transition services agreement (TSA) for this business. This adjustment removes the (a) transaction costs related to the divestiture, (b) operating activity for the non-comparable period, which is activity in the first and second quarters of fiscal 2024, and (c) net sales, cost of sales, and operating expenses¹ recognized pursuant to the TSA related to distribution services in certain markets.

During fiscal 2024, we sold the Sonoma-Cutrer wine business in exchange for an ownership percentage of 21.4% in The Duckhorn Portfolio Inc. (Duckhorn) along with \$50 million cash and entered into a related TSA for this business. This transaction resulted in a pre-tax gain of \$175 million. This adjustment removes the (a) transaction costs related to the divestiture, (b) operating activity for the non-comparable period, which is activity in the first and second quarters of fiscal 2024, and (c) net sales, cost of sales, and operating expenses¹ recognized pursuant to the TSA related to distribution services in certain markets.

During the second quarter of fiscal 2024, we recognized a gain of \$7 million on the sale of certain fixed assets. During the first quarter of fiscal 2025, we recognized a gain of \$12 million on the sale of the Alabama cooperage. This adjustment removes the gains from our other expense (income), net and operating income.

We believe that these adjustments allow for us to better understand our organic results on a comparable basis.

- *"Other items."* Other items include the additional items outlined below.

"Jack Daniel's Country Cocktails business model change (JDCC)." In fiscal 2021, we entered into a partnership with the Pabst Brewing Company for the supply, sales, and distribution of Jack Daniel's Country Cocktails in the United States while Brown-Forman continued to produce certain products. During fiscal 2024, this production fully transitioned to Pabst Brewing Company for the Jack Daniel's Country Cocktails products. This adjustment removes

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

the non-comparable operating activity related to the sales of Brown-Forman-produced Jack Daniel's Country Cocktails products for the first and second quarters of fiscal 2024 and fiscal 2025.

“Franchise tax refund.” During the first quarter of fiscal 2025, we recognized a \$13 million franchise tax refund due to a change in franchise tax calculation methodology for the state of Tennessee. This modification lowered our annual franchise tax obligation and was retroactively applied to franchise taxes paid during fiscal 2020 through fiscal 2023. This adjustment removes the franchise tax refund from our other expense (income), net and operating income.

- *“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” 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.

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 provide reconciliations of the “organic change” in certain line items of the statements of operations to their nearest GAAP measures in the tables under “Results of Operations - Fiscal 2025 Year-to-Date Highlights” and “Results of Operations - Year-Over-Year Period Comparisons.” 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. When we provide guidance for organic change in certain measures of the statements of operations we do not provide guidance for the corresponding GAAP change, as the GAAP measure will include items that are difficult to quantify or predict with reasonable certainty, such as foreign exchange, which could have a significant impact to our GAAP income statement measures.

Definitions

Aggregations.

From time to time, to explain our results of operations or to highlight trends and uncertainties affecting our business, we aggregate markets according to stage of economic development as defined by the International Monetary Fund (IMF), and we aggregate brands by beverage alcohol category. Below, we define the geographic and brand aggregations used in this report.

Geographic Aggregations.

In “Results of Operations - Fiscal 2025 Year-to-Date Highlights,” we provide supplemental information for our top markets ranked by percentage of net sales. In addition to markets listed by country name, we include the following aggregations:

- *“Developed International”* markets are “advanced economies” as defined by the IMF, excluding the United States. Our top developed international markets were Germany, Australia, the United Kingdom, France, Canada, and Spain. This aggregation represents our net sales of branded products to these markets.
 - *“Spain”* includes Spain and certain other surrounding territories.
- *“Emerging”* markets are “emerging and developing economies” as defined by the IMF. Our top emerging markets were Mexico, Poland, and Brazil. This aggregation represents our net sales of branded products to these markets.
 - *“Brazil”* includes Brazil, Uruguay, Paraguay, and certain other surrounding territories.
- *“Travel Retail”* represents our net sales of branded products to global duty-free customers, other travel retail customers, and the U.S. military, regardless of customer location.
- *“Non-branded and bulk”* includes net sales of used barrels, contract bottling services, and non-branded bulk whiskey, regardless of customer location.

Brand Aggregations.

In “Results of Operations - Fiscal 2025 Year-to-Date Highlights,” we provide supplemental information for our top brands ranked by percentage of net sales. In addition to brands listed by name, we include the following aggregations outlined below.

Beginning in fiscal 2025, we aggregated the “Wine” and “Vodka” product categories with “Rest of Portfolio,” due to the divestitures of Sonoma-Cutrer and Finlandia. Please refer to the new definition of “Rest of Portfolio” for more information. The fiscal 2024 “Rest of Portfolio” amounts have been adjusted accordingly for comparison purposes.

- “*Whiskey*” includes all whiskey spirits and whiskey-based flavored liqueurs. The brands included in this category are the Jack Daniel’s family of brands (excluding the “Ready-to-Drink” products defined below), the Woodford Reserve family of brands (Woodford Reserve), the Old Forester family of brands (Old Forester), The Glendronach, Glenglassaugh, Benriach, Slane Irish Whiskey, and Coopers’ Craft.
 - “*American whiskey*” includes the Jack Daniel’s family of brands (excluding the “Ready-to-Drink” products defined below), Woodford Reserve, Old Forester, and Coopers’ Craft.
 - “*Super-premium American whiskey*” includes Woodford Reserve, Gentleman Jack, and other super-premium Jack Daniel’s expressions.
- “*Ready-to-Drink*” includes all ready-to-drink (RTD) and ready-to-pour (RTP) products. The brands included in this category are Jack Daniel’s RTD and RTP products (JD RTD/RTP), New Mix, and other RTD/RTP products.
 - “*Jack Daniel’s RTD/RTP*” products include all RTD line extensions of Jack Daniel’s, such as Jack Daniel’s & Cola, Jack Daniel’s & Coca-Cola RTD, Jack Daniel’s Country Cocktails, Jack Daniel’s Double Jack, and other malt- and spirit-based Jack Daniel’s RTDs, along with Jack Daniel’s Winter Jack RTP.
 - “*Jack Daniel’s & Coca-Cola RTD*” includes all Jack Daniel’s & Coca-Cola RTD products and Jack Daniel’s bulk whiskey shipments for the production of these products.
- “*Tequila*” includes el Jimador, the Herradura family of brands (Herradura), and other tequilas.
- “*Rest of Portfolio*” includes Sonoma-Cutrer (which was divested on April 30, 2024), Korbel California Champagnes, Diplomático, Gin Mare, Chambord, Finlandia Vodka (which was divested on November 1, 2023), Fords Gin, Korbel Brandy, and other agency brands.
- “*Non-branded and bulk*” includes net sales of used barrels, contract bottling services, and non-branded bulk whiskey and wine.
- “*Jack Daniel’s family of brands*” includes Jack Daniel’s Tennessee Whiskey (JDTW), JD RTD/RTP, Jack Daniel’s Tennessee Honey (JDTH), Gentleman Jack, Jack Daniel’s Tennessee Apple (JDTA), Jack Daniel’s Tennessee Fire (JDTF), Jack Daniel’s Single Barrel Collection (JDSB), Jack Daniel’s Bonded Tennessee Whiskey, Jack Daniel’s Sinatra Select, Jack Daniel’s Tennessee Rye Whiskey (JDTR), Jack Daniel’s Triple Mash Blended Straight Whiskey, Jack Daniel’s Bottled-in-Bond, Jack Daniel’s American Single Malt, Jack Daniel’s 12 Year Old, Jack Daniel’s 10 Year Old, and other Jack Daniel’s expressions.

Other Metrics.

- “*Shipments.*” We generally record revenues when we ship or deliver our products to our customers. In this report, unless otherwise specified, we refer to shipments when discussing volume.
- “*Depletions.*” This metric is commonly used in the beverage alcohol industry to describe volume. Depending on the context, depletions usually means either (a) where Brown-Forman is the distributor, shipments directly to retail or wholesale customers or (b) where Brown-Forman is not the distributor, shipments from distributor customers to retailers and wholesalers. We believe that depletions measure volume in a way that more closely reflects consumer demand than our shipments to distributor customers do.
- “*Consumer takeaway.*” When discussing trends in the market, we refer to consumer takeaway, a term commonly used in the beverage alcohol industry that refers to the purchase of product by consumers from retail outlets, including products purchased through e-commerce channels, as measured by volume or retail sales value. This information is provided by outside parties, such as Nielsen and the National Alcohol Beverage Control Association (NABCA). Our estimates of market share or changes in market share are derived from consumer takeaway data using the retail sales value metric. We believe consumer takeaway is a leading indicator of consumer demand trends.

- *“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.

Important Information on Forward-Looking Statements:

This report contains statements, estimates, and projections that are “forward-looking statements” as defined under U.S. federal securities laws. Words such as “aim,” “ambition,” “anticipate,” “aspire,” “believe,” “can,” “continue,” “could,” “envision,” “estimate,” “expect,” “expectation,” “intend,” “may,” “might,” “plan,” “potential,” “project,” “pursue,” “see,” “seek,” “should,” “will,” “would,” and similar words indicate 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:

- Our substantial dependence upon the continued growth of the Jack Daniel's family of brands
- Substantial competition from new entrants, consolidations by competitors and retailers, and 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
- Route-to-consumer changes that affect the timing of our sales, temporarily disrupt the marketing or sale of our products, or result in higher fixed costs
- Disruption of our distribution network or inventory fluctuations in our products by distributors, wholesalers, or retailers
- Changes in consumer preferences, consumption, or purchase patterns – particularly away from larger producers in favor of small distilleries or local producers, or away from brown spirits, our premium products, or spirits generally, and our ability to anticipate or react to them; further legalization of marijuana; bar, restaurant, travel, or other on-premise declines; shifts in demographic or health and wellness trends; or unfavorable consumer reaction to new products, line extensions, package changes, product reformulations, or other product innovation
- 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, or labor
- Risks associated with acquisitions, dispositions, business partnerships, or investments – such as acquisition integration, termination difficulties or costs, or impairment in recorded value
- Impact of health epidemics and pandemics, and the risk of the resulting negative economic impacts and related governmental actions
- Unfavorable global or regional economic conditions and related economic slowdowns or recessions, 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
- Product recalls or other product liability claims, product tampering, contamination, or quality issues
- Negative publicity related to our company, products, brands, marketing, executive leadership, employees, Board of Directors, family stockholders, operations, business performance, or prospects
- Failure to attract or retain key executive or employee talent

- Risks associated with being a U.S.-based company with a global business, including commercial, political, and financial risks; local labor policies and conditions; protectionist trade policies, or economic or trade sanctions, including additional retaliatory tariffs on American whiskeys and the effectiveness of our actions to mitigate the negative impact on our margins, sales, and distributors; compliance with local trade practices and other regulations; terrorism, kidnapping, extortion, or other types of violence; and health pandemics
- Failure to comply with anti-corruption laws, trade sanctions and restrictions, or similar laws or regulations
- Fluctuations in foreign currency exchange rates, particularly a stronger U.S. dollar
- Changes in laws, regulatory measures, or governmental policies, especially those affecting production, importation, marketing, labeling, pricing, distribution, sale, or consumption of our beverage alcohol products
- Tax rate changes (including excise, corporate, sales or value-added taxes, property taxes, payroll taxes, import and export duties, and tariffs) or changes in related reserves, changes in tax rules or accounting standards, and the unpredictability and suddenness with which they can occur
- Decline in the social acceptability of beverage alcohol in significant markets
- Significant additional labeling or warning requirements or limitations on availability of our beverage alcohol products
- Counterfeiting and inadequate protection of our intellectual property rights
- Significant legal disputes and proceedings, or government investigations
- Cyber breach or failure or corruption of our key information technology systems or those of our suppliers, customers, or direct and indirect business partners, or failure to comply with personal data protection laws
- Our status as a family “controlled company” under New York Stock Exchange rules, and our dual-class share structure

For further information on these and other risks, please see the risks and uncertainties described in Part I, Item 1A. Risk Factors of our 2024 Form 10-K, and those described from time to time in our reports on Form 10-Q filed with the Securities and Exchange Commission (SEC).

Overview

Unless otherwise indicated, all related commentary is on a reported basis and is for the six months ended October 31, 2024 compared to the same period last year.

Divestitures

During the third quarter of fiscal 2024, we sold the Finlandia vodka business for \$196 million cash and entered into a TSA for this business. The absence of the brand negatively impacted our net sales and operating income for the six months and three months ended October 31, 2024. The TSA for this divestiture negatively impacted our gross margin for the six months and three months ended October 31, 2024.

During the fourth quarter of fiscal 2024, we sold the Sonoma-Cutrer wine business in exchange for an ownership percentage of 21.4% in Duckhorn along with \$50 million cash and entered into a TSA for this business. The absence of the brand negatively impacted our net sales and operating income for the six months and three months ended October 31, 2024. The TSA for this divestiture negatively impacted our gross margin for the six months and three months ended October 31, 2024. On October 6, 2024, Duckhorn entered into a definitive agreement pursuant to which Duckhorn will be acquired by private equity funds. See Note 5 to the Condensed Consolidated Financial Statements for more information.

Fiscal 2025 Year-to-Date Highlights

- We delivered net sales of \$2.0 billion for the six months ended October 31, 2024, a decrease of 5%. The decrease was driven by (a) the negative effect of acquisitions and divestitures; (b) lower volumes; (c) the negative effect of foreign exchange; and (d) the impact of JDCC, partially offset by favorable price/mix.
 - From a brand perspective, net sales declines were led by the Finlandia and Sonoma-Cutrer divestitures, the impact of JDCC, and our Tequila portfolio, partially offset by growth of the non-branded and bulk business (primarily used barrel sales) and Woodford Reserve.
 - From a geographic perspective, the declines in net sales were across geographic aggregations.
- We delivered gross profit of \$1.2 billion for the six months ended October 31, 2024, a decrease of 8%. Gross margin decreased 2.4 percentage points to 59.2% from 61.6% in the same period last year. The decrease in gross margin was largely driven by the timing of input cost fluctuations coupled with high inventory levels, the negative effect of foreign exchange, and the impact of the TSAs for the divestitures (as described above), partially offset by favorable price/mix and the impact of JDCC.
- We delivered operating income of \$622 million for the six months ended October 31, 2024, a decrease of 7% largely driven by the timing of input cost fluctuations coupled with high inventory levels, the negative effect of the acquisitions and divestitures, and the negative effect of foreign exchange. The decrease was partially offset by (a) favorable price/mix; (b) advertising and SG&A expense leverage; (c) the franchise tax refund; and (d) the gain on sale of the Alabama cooperage.
- We delivered diluted earnings per share of \$0.96 for the six months ended October 31, 2024, a decrease of 3% from the \$0.98 reported for the same period last year, driven primarily by the decrease in operating income, partially offset by the benefit of the lower effective tax rate.

Summary of Operating Performance

(Dollars in millions)	Three Months Ended October 31,				Six Months Ended October 31,			
	2023	2024	Reported Change	Organic Change ¹	2023	2024	Reported Change	Organic Change ¹
Net sales	\$ 1,107	\$ 1,095	(1 %)	3 %	\$ 2,145	\$ 2,046	(5 %)	— %
Cost of sales	436	449	3 %	8 %	823	835	1 %	6 %
Gross profit	671	646	(4 %)	— %	1,322	1,211	(8 %)	(4 %)
Advertising	140	126	(9 %)	(7 %)	271	252	(7 %)	(4 %)
SG&A	192	187	(3 %)	(1 %)	392	375	(4 %)	(3 %)
Other expense (income), net	—	(8)	nm ⁴	nm ⁴	(7)	(38)	nm ⁴	nm ⁴
Operating income	339	341	1 %	5 %	666	622	(7 %)	(3 %)
<i>Total operating expenses²</i>	<i>\$ 332</i>	<i>\$ 305</i>	<i>(8 %)</i>	<i>(5 %)</i>	<i>\$ 656</i>	<i>\$ 589</i>	<i>(10 %)</i>	<i>(4 %)</i>
<i>As a percentage of net sales³</i>								
<i>Gross profit</i>	<i>60.6 %</i>	<i>59.1 %</i>	<i>(1.5) pp</i>		<i>61.6 %</i>	<i>59.2 %</i>	<i>(2.4) pp</i>	
<i>Operating income</i>	<i>30.6 %</i>	<i>31.1 %</i>	<i>0.5 pp</i>		<i>31.0 %</i>	<i>30.4 %</i>	<i>(0.6) pp</i>	
<i>Effective tax rate</i>	<i>22.0 %</i>	<i>17.6 %</i>	<i>(4.4) pp</i>		<i>22.4 %</i>	<i>20.1 %</i>	<i>(2.3) pp</i>	
Diluted earnings per share	\$ 0.50	\$ 0.55	9 %		\$ 0.98	\$ 0.96	(3 %)	

Note: Totals may differ due to rounding

¹See “Non-GAAP Financial Measures” above for details on our use of “organic change,” including how we calculate these measures and why we believe this information is useful to readers.

²Operating expenses include advertising expense, SG&A expense, and other expense (income), net.

³Year-over-year changes in percentages are reported in percentage points (pp).

⁴Percentage change is not meaningful.

Results of Operations – Fiscal 2025 Year-to-Date Highlights

Market Highlights

The following table provides supplemental information for our largest markets. We discuss results of the markets most affecting our performance below the table. Unless otherwise indicated, all related commentary is on a reported basis and is for the six months ended October 31, 2024 compared to the same period last year.

Top Markets

Geographic area ¹	Net Sales % Change vs. Prior Year Period				
	Reported	Acquisitions and Divestitures	JDCC ²	Foreign Exchange	Organic ³
United States	(7 %)	2 %	2 %	— %	(3 %)
Developed International	(5 %)	2 %	— %	— %	(3 %)
<i>Germany</i>	(2 %)	— %	— %	(1 %)	(2 %)
<i>Australia</i>	(5 %)	— %	— %	— %	(4 %)
<i>United Kingdom</i>	(8 %)	— %	— %	(3 %)	(11 %)
<i>France</i>	(2 %)	— %	— %	(1 %)	(3 %)
<i>Canada</i>	(2 %)	4 %	— %	1 %	3 %
<i>Spain</i>	(12 %)	1 %	— %	— %	(11 %)
<i>Rest of Developed International</i>	(7 %)	8 %	— %	— %	1 %
Emerging	(3 %)	6 %	— %	4 %	6 %
<i>Mexico</i>	(11 %)	— %	— %	6 %	(5 %)
<i>Poland</i>	(15 %)	20 %	— %	(8 %)	(3 %)
<i>Brazil</i>	31 %	— %	— %	6 %	37 %
<i>Rest of Emerging</i>	(3 %)	8 %	— %	4 %	9 %
Travel Retail	(5 %)	2 %	— %	— %	(3 %)
Non-branded and bulk	39 %	2 %	— %	— %	41 %
Total	(5 %)	3 %	1 %	1 %	— %

Note: Results may differ due to rounding

¹See “Definitions” above for definitions of market aggregations presented here.

²“JDCC” is included in “Other items”. See “Non-GAAP Financial Measures” above for additional details.

³See “Non-GAAP Financial Measures” above for details on our use of “organic change” in net sales, including how we calculate this measure and why we believe this information is useful to readers.

The **United States**’ net sales declined 7% driven by lower volumes, led by JDTW and Korbel California Champagnes, along with the divestiture of Sonoma-Cutrer and the impact of JDCC. The declines were partially offset by higher volumes of Woodford Reserve and Old Forester. An estimated net increase in distributor inventories positively impacted net sales.

Developed International

- **Germany**’s net sales declined 2% driven by lower volumes of JDTW and JD RTDs, partially offset by the positive contribution from Diplomático and the positive effect of foreign exchange.
- **Australia**’s net sales decreased 5% driven by declines of JD RTDs and local market agency brands.
- The **United Kingdom**’s net sales declined 8% led by lower volumes of JDTW, partially offset by the positive effect of foreign exchange.
- **France**’s net sales decreased 2% driven by declines across our Jack Daniel’s family of brands, partially offset by the positive contribution from Diplomático and the positive effect of foreign exchange.
- **Canada**’s net sales declined 2% driven by the divestitures of Finlandia and Sonoma-Cutrer, as well as the negative effect of foreign exchange. The declines were partially offset by growth of JD RTDs.

- **Spain's** net sales declined 12% led by lower volumes of JDTW, partially offset by the positive contribution from Diplomático.
- Net sales in the **Rest of Developed International** decreased 7% driven by the divestiture of Finlandia, declines of Glenglassaugh due to the absence of the high-value cask sales in the same prior-year period, and lower volumes of JDTW in South Korea. The declines were partially offset by higher JDTW volumes in Japan primarily due to changes in distributor ordering patterns in the same prior-year period (we transitioned to owned distribution in Japan on April 1, 2024).

Emerging

- **Mexico's** net sales declined 11% driven by lower volumes of our Tequila portfolio and the negative effect of foreign exchange, partially offset by growth of New Mix.
- **Poland's** net sales declined 15% driven by the divestiture of Finlandia and lower volumes of Gentleman Jack, partially offset by the positive effect of foreign exchange.
- **Brazil's** net sales increased 31% driven by higher volumes across the portfolio, led by JDTW, JDTA, and JDTH. The growth was partially offset by the negative effect of foreign exchange.
- Net sales in the **Rest of Emerging** declined 3% driven by the divestiture of Finlandia, the negative effect of foreign exchange (reflecting the strengthening of the dollar primarily against the Turkish lira), and lower volumes across the Jack Daniel's family of brands in Chile. These declines were partially offset by higher prices of JDTW in Türkiye and volumetric growth of JDTW in Sub-Saharan Africa, reflecting an estimated net increase in distributor inventories.

Travel Retail's net sales declined 5% led by lower volumes of the other super-premium Jack Daniel's expressions and Woodford Reserve, as well as the divestiture of Finlandia. The declines were partially offset by growth of JDTW and Diplomático.

Non-branded and bulk's net sales increased 39% driven by higher prices for used barrels.

Brand Highlights

The following table provides supplemental information for our largest brands. We discuss results of the brands most affecting our performance below the table. Unless otherwise indicated, all related commentary is on a reported basis and is for the six months ended October 31, 2024 compared to the same period last

Major Brands

Six months ended October 31,
2024

Product category / brand family / brand ¹	Net Sales % Change vs. Prior Year Period				
	Reported	Acquisitions and Divestitures	JDCC ²	Foreign Exchange	Organic ³
Whiskey	(1 %)	— %	— %	1 %	— %
JDTW	(1 %)	— %	— %	— %	— %
JDTH	— %	— %	— %	1 %	2 %
Gentleman Jack	1 %	— %	— %	— %	1 %
JDTA	(2 %)	— %	— %	3 %	1 %
JDTF	(3 %)	— %	— %	1 %	(2 %)
Woodford Reserve	8 %	— %	— %	— %	8 %
Old Forester	11 %	— %	— %	— %	11 %
Rest of Whiskey	(22 %)	— %	— %	— %	(22 %)
Ready-to-Drink	(6 %)	— %	6 %	2 %	2 %
JD RTD/RTP	(8 %)	— %	8 %	1 %	1 %
New Mix	(1 %)	— %	— %	6 %	5 %
Tequila	(17 %)	— %	— %	1 %	(17 %)
el Jimador	(16 %)	— %	— %	— %	(16 %)
Herradura	(14 %)	— %	— %	1 %	(13 %)
Rest of Portfolio	(26 %)	27 %	— %	(1 %)	— %
Non-branded and bulk	39 %	2 %	— %	— %	41 %

Note: Results may differ due to rounding year.

¹See “Definitions” above for definitions of brand aggregations presented here.

²“JDCC” is included in “Other items”. See “Non-GAAP Financial Measures” above for additional details.

³See “Non-GAAP Financial Measures” above for details on our use of “organic change” in net sales, including how we calculate this measure and why we believe this information is useful to readers.

Whiskey

- Net sales for **JDTW** declined 1% driven by lower volumes, led by the United States, the United Kingdom and South Korea. The declines were partially offset by higher volumes in Japan following the transition to owned-distribution and higher prices in Türkiye in response to high inflation and currency devaluation. An estimated net increase in distributor inventories positively impacted net sales.
- Net sales for **JDTH** were flat as growth in Brazil and Türkiye was offset by declines in South Korea and the negative effect of foreign exchange. An estimated net increase in distributor inventories positively impacted net sales.
- Net sales for **Gentleman Jack** increased 1% driven by higher prices in Türkiye, partially offset by lower volumes in the United States.
- Net sales for **JDTA** decreased 2% driven by declines in South Korea following the continued product launch in the same prior-year period, along with the negative effect of foreign exchange. These declines were partially offset by higher volumes in Brazil.
- Net sales for **JDTF** declined 3% driven by lower volumes in the developed international markets and the United States, as well as the negative effect of foreign exchange. The decline was partially offset by higher volumes in the emerging markets, led by Brazil.

- **Woodford Reserve's** net sales increased 8% driven by higher volumes in the United States, primarily due to an estimated net increase in distributor inventories. The increase was partially offset by lower volumes in Travel Retail.
- **Old Forester's** net sales increased 11% driven by favorable product mix in the United States.
- Net sales for **Rest of Whiskey** declined 22% driven by lower volumes of the other super-premium Jack Daniel's expressions and The Glendronach, as well as declines of Glenglassaugh due to the absence of the high-value cask sales as compared to the same prior-year period.

Ready-to-Drink

- Net sales for the **JD RTD/RTP** brands decreased 8% led by the impact of JDCC and declines in Australia, partially offset by growth in the United States reflecting an estimated net increase in distributor inventories.
- **New Mix** net sales declined 1% driven by the negative effect of foreign exchange, partially offset by higher volumes and favorable price/mix in Mexico.

Tequila

- **el Jimador's** net sales declined 16% driven by lower volumes in the United States, Mexico, and Colombia. The declines were partially offset by higher prices in the United States.
- **Herradura's** net sales decreased 14% driven by declines in Mexico and the United States.

Net sales for **Rest of Portfolio** declined 26% driven by the divestitures of Finlandia and Sonoma-Cutrer and lower volumes of Korbel California Champagnes in the United States. The declines were partially offset by the positive contribution from Diplomático. An estimated net increase in distributor inventories positively impacted net sales.

Non-branded and bulk's net sales increased 39% driven by higher prices for used barrels.

Year-Over-Year Period Comparisons

Net Sales

Percentage change versus the prior year period ended October 31

	3 Months			6 Months		
	Volume	Price/mix	Total	Volume	Price/mix	Total
Change in reported net sales	(6 %)	4 %	(1 %)	(11 %)	7 %	(5 %)
Acquisitions and divestitures	5 %	(1 %)	4 %	4 %	(1 %)	3 %
JDCC ¹	4 %	(3 %)	1 %	5 %	(4 %)	1 %
Foreign exchange	— %	— %	— %	— %	1 %	1 %
Change in organic net sales	4 %	— %	3 %	(2 %)	2 %	— %

Note: Results may differ due to rounding

¹“JDCC” is included in “Other items”. See “Non-GAAP Financial Measures” above for additional details.

For the three months ended October 31, 2024, net sales were \$1.1 billion, a decrease of \$13 million, or 1%, driven by the negative effect of acquisitions and divestitures and the impact of JDCC, partially offset by higher volumes, led by New Mix and JDTW. Price/mix reflects an unfavorable portfolio mix shift offset by growth of the non-branded and bulk business (primarily used barrel sales).

For the six months ended October 31, 2024, net sales were \$2.0 billion, a decrease of \$100 million, or 5%, driven by (a) the negative effect of acquisitions and divestitures; (b) lower volumes; (c) the negative effect of foreign exchange; and (d) the impact of JDCC, partially offset by favorable price/mix. Lower volumes were led by JD RTDs and el Jimador. Price/mix reflects higher prices, led by Türkiye (in response to high inflation and currency devaluation), growth of the non-branded and bulk business (primarily used barrel sales), and portfolio mix shift to our higher priced brands. See “Results of Operations - Fiscal 2025 Year-to-Date Highlights” above for further details on net sales for the six months ended October 31, 2024.

Cost of Sales

Percentage change versus the prior year period ended October 31

	3 Months			6 Months		
	Volume	Cost/mix	Total	Volume	Cost/mix	Total
Change in reported cost of sales	(6 %)	8 %	3 %	(11 %)	13 %	1 %
Acquisitions and divestitures	5 %	— %	6 %	4 %	(2 %)	2 %
JDCC ¹	4 %	(2 %)	2 %	5 %	(3 %)	2 %
Foreign exchange	— %	(2 %)	(2 %)	— %	— %	— %
Change in organic cost of sales	4 %	5 %	8 %	(2 %)	8 %	6 %

Note: Results may differ due to rounding

¹“JDCC” is included in “Other items”. See “Non-GAAP Financial Measures” above for additional details.

For the three months ended October 31, 2024, cost of sales were \$449 million, an increase of \$12 million, or 3%, driven by unfavorable cost/mix (timing of input cost fluctuations coupled with high inventory levels), higher volumes, and the negative effect of foreign exchange, partially offset by the positive effect of the acquisitions and divestitures along with the impact of JDCC.

For the six months ended October 31, 2024, cost of sales were \$835 million, an increase of \$12 million, or 1%, driven by unfavorable cost/mix (timing of input cost fluctuations coupled with high inventory levels), largely offset by the positive effect of the acquisitions and divestitures, the impact of JDCC, and lower volumes.

Gross Profit*Percentage change versus the prior year period ended October 31*

	3 Months	6 Months
Change in reported gross profit	(4 %)	(8 %)
Acquisitions and divestitures	3 %	3 %
JDCC ¹	— %	— %
Foreign exchange	1 %	1 %
Change in organic gross profit	— %	(4 %)

*Note: Results may differ due to rounding*¹“JDCC” is included in “Other items”. See “Non-GAAP Financial Measures” above for additional details.**Gross Margin***For the period ended October 31*

	3 Months	6 Months
Prior year gross margin	60.6 %	61.6 %
Price/mix	1.3 %	1.7 %
Cost	(3.1) %	(3.9) %
Acquisitions and divestitures	0.5 %	(0.3) %
JDCC ¹	0.3 %	0.5 %
Foreign exchange	(0.5) %	(0.4) %
Change in gross margin	(1.5) %	(2.4) %
Current year gross margin	59.1 %	59.2 %

*Note: Results may differ due to rounding*¹“JDCC” is included in “Other items”. See “Non-GAAP Financial Measures” above for additional details.

For the three months ended October 31, 2024, gross profit of \$646 million decreased \$24 million, or 4%, compared to the same period last year. Gross margin decreased to 59.1% from 60.6% in the same period last year. The decrease in gross margin was largely driven by the timing of input cost fluctuations coupled with high inventory levels and the negative effect of foreign exchange, partially offset by favorable price/mix, the positive effect of the acquisitions and divestitures, and the impact of JDCC.

For the six months ended October 31, 2024, gross profit of \$1.2 billion decreased \$111 million, or 8%, compared to the same period last year. Gross margin decreased to 59.2% from 61.6% in the same period last year. The decrease in gross margin was largely driven by the timing of input cost fluctuations coupled with high inventory levels, the negative effect of foreign exchange, and the impact of the TSAs for the divestitures (as described in “Overview” above), partially offset by favorable price/mix and the impact of JDCC.

Operating Expenses

Percentage change versus the prior year period ended October 31

	Reported	Acquisitions and Divestitures	Franchise Tax Refund ¹	Foreign Exchange	Organic
3 Months					
Advertising	(9 %)	2 %	— %	— %	(7 %)
SG&A	(3 %)	2 %	— %	— %	(1 %)
Total operating expenses²	(8 %)	2 %	— %	1 %	(5 %)
6 Months					
Advertising	(7 %)	2 %	— %	1 %	(4 %)
SG&A	(4 %)	1 %	— %	— %	(3 %)
Total operating expenses²	(10 %)	3 %	2 %	1 %	(4 %)

Note: Results may differ due to rounding

¹“Franchise tax refund” is included in “Other items”. See “Non-GAAP Financial Measures” above for additional details.

²Total Operating expenses include advertising expense, SG&A expense, and other expense (income), net.

For the three months ended October 31, 2024, operating expenses totaled \$305 million, a decrease of \$27 million, or 8%, compared to the same period last year. The decrease in operating expenses was primarily driven by the decrease in advertising and SG&A, the positive effect of acquisitions and divestitures, and the positive effect of foreign exchange.

- Advertising expense decreased 9% for the three months ended October 31, 2024 driven by lower JDTW spend and the impact of our recently divested brands.
- SG&A expense decreased 3% for the three months ended October 31, 2024 driven by lower discretionary spend, the absence of transaction-related expenses for the divestiture of Finlandia, and lower compensation and benefit related expenses.

For the six months ended October 31, 2024, operating expenses totaled \$589 million, a decrease of \$67 million, or 10%, compared to the same period last year. The decrease in operating expenses was primarily driven by (a) the positive effect of acquisitions and divestitures, (b) the Franchise tax refund, (c) the gain on sale of the Alabama cooperage, (d) the decrease in advertising expense, (e) the decrease in SG&A expense, and (f) the positive effect of foreign exchange.

- Advertising expense decreased 7% for the six months ended October 31, 2024 driven by (a) timing of spend on super-premium Jack Daniel’s expressions; (b) lower Jack Daniel’s and Coca-Cola RTD spend as compared to the prior-year period launch in the United States; (c) the impact of our recently divested brands; and (d) the positive effect of foreign exchange.
- SG&A expense decreased 4% for the six months ended October 31, 2024 driven by lower compensation and benefit related expenses, lower discretionary spend, and the absence of transaction-related expenses for the divestiture of Finlandia.

Operating Income

Percentage change versus the prior year period ended October 31

	3 Months	6 Months
Change in reported operating income	1 %	(7 %)
Acquisitions and divestitures	5 %	4 %
Other items ¹	— %	(2 %)
Foreign exchange	— %	1 %
Change in organic operating income	5 %	(3 %)

Note: Results may differ due to rounding

¹“Other items” includes “JDCC” and “franchise tax refund”. See “Non-GAAP Financial Measures” above for additional details.

For the three months ended October 31, 2024, operating income totaled \$341 million, an increase of \$2 million, or 1%, compared to the same period last year. Operating margin increased 0.5 percentage points to 31.1% from 30.6% in the same period last year driven by operating expense leverage and favorable price/mix, partially offset by the timing of input cost fluctuations coupled with high inventory level and the negative effect of the acquisitions and divestitures.

For the six months ended October 31, 2024, operating income totaled \$622 million, a decrease of \$44 million, or 7%, compared to the same period last year. Operating margin decreased 0.6 percentage points to 30.4% from 31.0% in the same period last year largely driven by the timing of input cost fluctuations coupled with high inventory levels, the impact of the TSAs for the divestitures (as described in “Overview” above), and the negative effect of foreign exchange. The decrease was partially offset by (a) favorable price/mix; (b) advertising and SG&A expense leverage; (c) the Franchise tax refund; and (d) the gain on sale of the Alabama coopeage.

The **effective tax rate** for the three months ended October 31, 2024 was 17.6% compared to 22.0% for the same period last year. The decrease in our effective tax rate was driven primarily by the beneficial impact of state income tax refunds related to amended prior year returns and decreased tax effects of foreign earnings, partially offset by increased impact of state taxes.

The effective tax rate for the six months ended October 31, 2024 was 20.1% compared to 22.4% for the same period last year. The decrease in our effective tax rate was primarily due to the beneficial impact of state income tax refunds related to amended prior year returns and the absence of an unfavorable tax rate change in the prior fiscal year, partially offset by the impact of increased valuation allowances in the current period.

Diluted earnings per share of \$0.55 for the three months ended October 31, 2024, increased 9% from the \$0.50 reported for the same period last year driven primarily by the increase in operating income and the benefit of the lower effective tax rate. Diluted earnings per share of \$0.96 for the six months ended October 31, 2024, decreased 3% from the \$0.98 reported for the same period last year driven primarily by the decrease in operating income partially offset by the benefit of the lower effective tax rate.

Fiscal 2025 Outlook

Below we discuss our outlook for fiscal 2025, which reflects the trends, developments, and uncertainties (including those described above) that we expect to affect our business.

We anticipate a return to growth for organic net sales and organic operating income in fiscal 2025 driven by gains in international markets and the benefit of normalizing inventory trends. This outlook is tempered by our belief that global macroeconomic and geopolitical uncertainties will continue to create a challenging operating environment. Accordingly, we reiterate the following expectations for fiscal 2025:

- Organic net sales growth in the 2% to 4% range.
- Organic operating income growth in the 2% to 4% range.
- An effective tax rate to be in the range of approximately 21% to 23%.

The estimated capital expenditure range has been updated to \$180 to \$190 million from \$195 to \$205 million.

Liquidity and Financial Condition

Liquidity. We generate strong cash flows from operations, which enable us to meet current obligations, fund capital expenditures, and return cash to our stockholders through regular dividends and, from time to time, through share repurchases and special dividends. We believe our investment-grade credit ratings (A1 by Moody's and A- by Standard & Poor's) provide us with financial flexibility when accessing global debt capital markets and allow us to reserve adequate debt capacity for investment opportunities and unforeseen events.

Our cash flows from operations are supplemented by our cash and cash equivalent balances, as well as access to other liquidity sources. Cash and cash equivalents were \$446 million at April 30, 2024, and \$416 million at October 31, 2024. As of October 31, 2024, approximately 48% of our cash and cash equivalents were held by our foreign subsidiaries whose earnings we expect to reinvest indefinitely outside of the United States. We continue to evaluate our future cash requirements and may decide to repatriate additional cash held by our foreign subsidiaries, which may require us to provide for and pay additional taxes.

We have a \$900 million commercial paper program that we use, together with our cash flows from operations, to fund our short-term operational needs. See Note 7 to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report for outstanding commercial paper balances, interest rates, and days to maturity at April 30, 2024, and October 31, 2024. The average balances, interest rates, and original maturities during the periods ended October 31, 2023 and 2024, are presented below.

(Dollars in millions)	Three Months Average		Six Months Average	
	October 31,		October 31,	
	2023	2024	2023	2024
Average commercial paper (par amount)	\$400	\$529	\$355	\$484
Average interest rate	5.47%	5.34%	5.39%	5.41%
Average days to maturity at issuance	36	40	34	35

Our commercial paper program is supported by available commitments under our \$900 million bank credit facility that expires on May 26, 2028. Although unlikely, under extreme market conditions, one or more participating banks may not be able to fund its commitments under our credit facility. To manage this counterparty credit risk, we partner with banks that have investment grade credit ratings, limit the amount of exposure we have with each bank, and monitor each bank's financial conditions.

Our most significant short-term cash requirements relate primarily to funding our operations (such as expenditures for raw materials, production and distribution, advertising and promotion, and current taxes), repayment of our notes maturing in April 2025, dividend payments, and capital investments. We expect to meet our planned short-term liquidity needs through cash generated from operations and borrowings under our commercial paper program. If we have additional liquidity needs, we believe that we could access financing in the capital markets. Our most significant longer-term cash requirements primarily include payments related to our long-term debt, employee benefit obligations, and deferred tax liabilities.

We believe our current liquidity position, supplemented by our ability to generate positive cash flows from operations in the future, and our ample debt capacity enabled by our strong short-term and long-term credit ratings, will be sufficient to meet all of our expected future short- and long-term financial commitments.

Cash flows. Cash provided by operations of \$129 million during the six months ended October 31, 2024, increased \$32 million from the same period last year, reflecting lower working capital requirements offset partially by lower earnings.

Cash used for investing activities was \$21 million during the six months ended October 31, 2024, compared to \$61 million used for investing activities during the same period last year. The \$40 million decline largely reflects a \$38 million increase in proceeds from asset sales, primarily attributable to proceeds of \$51 million received from the sale of our Alabama cooerage in May 2024.

Cash used for financing activities was \$129 million during the six months ended October 31, 2024, compared to \$23 million in cash used for financing activities during the same prior-year period. The \$106 million increase largely reflects a \$137 million decrease in net proceeds from short-term borrowings and a \$9 million increase in dividend payments, partially offset by a \$42 million decline in share repurchases.

Dividends. See Note 8 to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report for information about cash dividends declared per share on our Class A and Class B common stock during fiscal 2025.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We face market risks arising from changes in foreign currency exchange rates, commodity prices, and interest rates. Foreign currency fluctuations affect our net investments in foreign subsidiaries and foreign currency-denominated cash flows. Commodity price changes can affect our production and supply chain costs. Interest rate changes affect (a) the fair value of our fixed-rate debt and (b) cash flows and earnings related to our variable-rate debt and interest-bearing investments. We manage market risks through procurement strategies as well as the use of derivative and other financial instruments. Our risk management program is governed by policies that authorize and control the nature and scope of transactions that we use to mitigate market risks. Since April 30, 2024, there have been no material changes to the market risks faced by us or to our risk management program as disclosed in our 2024 Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) (our principal executive and principal financial officers), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)), as of the end of the period covered by this report. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures: (a) are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms; and (b) include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting. There has been no change in our internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We operate in a litigious environment and we are sued in the normal course of business. We do not anticipate that any pending legal proceedings will have, individually or in the aggregate, a material adverse effect on our financial position, results of operations, or liquidity.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risks and uncertainties discussed in Part I, Item 1A. Risk Factors in our 2024 Form 10-K, which could materially adversely affect our business, financial condition, or future results. There have been no material changes to the risk factors disclosed in our 2024 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended October 31, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

The following documents are filed with this report:

Exhibit Index

31.1	CEO Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
31.2	CFO Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
32	CEO and CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (not considered to be filed).
101	The following materials from Brown-Forman Corporation's Quarterly Report on Form 10-Q for the quarter ended October 31, 2024, in Inline XBRL (eXtensible Business Reporting Language) format: (a) Condensed Consolidated Statements of Operations, (b) Condensed Consolidated Statements of Comprehensive Income, (c) Condensed Consolidated Balance Sheets, (d) Condensed Consolidated Statements of Cash Flows, and (e) Notes to the Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File in Inline XBRL format (included in Exhibit 101).

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 thereunto duly authorized.

BROWN-FORMAN CORPORATION
(Registrant)

Date: December 5, 2024

By: /s/ Leanne D. Cunningham
Leanne D. Cunningham
Executive Vice President
and Chief Financial Officer
(On behalf of the Registrant and
as Principal Financial Officer)

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Lawson E. Whiting, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Brown-Forman Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: December 5, 2024

By: /s/ Lawson E. Whiting

Lawson E. Whiting
President and Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Leanne D. Cunningham, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Brown-Forman Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: December 5, 2024

By: /s/ Leanne D. Cunningham

Leanne D. Cunningham
Executive Vice President and Chief Financial
Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Brown-Forman Corporation (“the Company”) on Form 10-Q for the period ended October 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in the capacity as an officer of the Company, that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 5, 2024

By: /s/ Lawson E. Whiting
Lawson E. Whiting
President and Chief Executive Officer

By: /s/ Leanne D. Cunningham
Leanne D. Cunningham
Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certificate is being furnished solely for purposes of Section 906 and is not being filed as part of the Report.