

BROWN FORMAN CORP

FORM 10-Q (Quarterly Report)

Filed 12/14/1995 For Period Ending 10/31/1995

Address	850 DIXIE HWY LOUISVILLE, Kentucky 40210
Telephone	502-585-1100
CIK	0000014693
Industry	Beverages (Alcoholic)
Sector	Consumer/Non-Cyclical
Fiscal Year	04/30

United States Securities and Exchange Commission

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended October 31, 1995

Commission File No. 1-123

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)

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

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 X No _____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable

date: December 1, 1995

Class A Common Stock (voting)	28,988,091
Class B Common Stock (nonvoting)	40,008,147

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

Part I. Financial Information

Item 1. Financial Statements	Page Number
Condensed Consolidated Statement of Income	
Three months ended October 31, 1995 and 1994	3
Six months ended October 31, 1995 and 1994	3
Condensed Consolidated Balance Sheet	
October 31, 1995 and April 30, 1995	4
Condensed Consolidated Statement of Cash Flows	
Six months ended October 31, 1995 and 1994	5
Notes to the Condensed Consolidated Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	7 - 9

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K	10
Signatures	10

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

BROWN-FORMAN CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

(Expressed in thousands except per share amounts)

	Three Months Ended		Six Months Ended	
	October 31,		October 31,	
	1995	1994	1995	1994
	====	====	====	====
Net sales	\$518,206	\$474,554	\$928,676	\$844,835
Excise taxes	76,303	69,739	134,680	129,803
Cost of sales	193,278	180,718	342,010	307,943
	-----	-----	-----	-----
Gross profit	248,625	224,097	451,986	407,089
Selling, general, and administrative expenses	99,307	88,281	187,633	172,121
Advertising expenses	59,325	48,547	117,223	95,688
	-----	-----	-----	-----
Operating income	89,993	87,269	147,130	139,280
Interest income	569	422	1,316	681
Interest expense	5,151	5,847	10,664	11,344
	-----	-----	-----	-----
Income before income taxes	85,411	81,844	137,782	128,617
Taxes on income	32,217	32,794	52,437	51,441
	-----	-----	-----	-----
Net income	53,194	49,050	85,345	77,176
Less preferred stock dividend requirements	118	118	236	236
	-----	-----	-----	-----
Net income applicable to common stock	\$53,076	\$48,932	\$85,109	\$76,940
	=====	=====	=====	=====
Weighted average number of common shares outstanding in thousands	68,996	68,996	68,996	68,996
Per common share:				
Net income	\$.77	\$.71	\$ 1.23	\$ 1.12
	=====	=====	=====	=====
Cash dividends paid	\$.2480	\$.2267	\$.4960	\$.4734
	=====	=====	=====	=====

See notes to the condensed consolidated statements.

BROWN-FORMAN CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET
(Expressed in thousands)

	October 31, 1995 (Unaudited)	April 30, 1995
Assets		
Cash and cash equivalents	\$ 39,242	\$ 62,474
Accounts receivable, net	324,873	234,165
Inventories:		
Barreled whisky	159,829	163,200
Finished goods	141,506	122,690
Work in process	72,881	58,991
Raw materials and supplies	40,607	37,042
	-----	-----
Total inventories	414,823	381,923
Other current assets	18,526	19,348
	-----	-----
Total current assets	797,464	697,910
Property, plant, and equipment, net	262,217	252,217
Intangible assets, net	258,022	262,475
Other assets	81,987	72,957
	-----	-----
Total assets	\$1,399,690	\$1,285,559
	=====	=====
Liabilities		
Commercial paper	\$ 50,000	\$ 50,000
Accounts payable and accrued expenses	241,909	221,347
Current portion of long-term debt	6,123	5,514
Accrued taxes on income	1,957	--
Deferred income taxes	9,047	8,747
	-----	-----
Total current liabilities	309,036	285,608
Long-term debt	273,330	246,842
Deferred income taxes	127,549	114,420
Postretirement benefits	51,478	50,776
Other liabilities and deferred income	41,240	42,066
	-----	-----
Total liabilities	802,634	739,712
Stockholders' Equity		
Preferred stock	11,779	11,779
Common stockholders' equity	585,277	534,068
	-----	-----
Total stockholders' equity	597,056	545,847
	-----	-----
Total liabilities and stockholders' equity	\$1,399,690	\$1,285,559
	=====	=====

Note: The balance sheet at April 30, 1995 has been taken from the audited financial statements at that date, and condensed.

See notes to the condensed consolidated statements.

BROWN-FORMAN CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

(Expressed in thousands; amounts in brackets are reductions of cash)

	Six Months Ended	
	October 31,	
	1995	1994
Cash flows from operating activities:		
Net income	\$ 85,345	\$ 77,176
Adjustments to reconcile net income to net cash provided by (used for) operations:		
Depreciation	18,098	18,395
Amortization of intangible assets	4,452	4,457
Deferred income taxes	13,429	4,364
Other	(8,653)	3,116
Changes in assets and liabilities:		
Accounts receivable	(90,708)	(58,590)
Inventories	(32,899)	(28,756)
Other current assets	822	(12,090)
Accounts payable and accrued expenses	20,562	15,648
Accrued taxes on income	1,957	6,108
	-----	-----
Cash provided by operating activities	12,405	29,828
Cash flows from investing activities:		
Additions to property, plant, and equipment, net	(28,098)	(16,064)
Other	(179)	(847)
	-----	-----
Cash (used for) investing activities	(28,277)	(16,911)
Cash flows from financing activities:		
Commercial paper	2,683	35,605
Proceeds from long-term debt	30,000	--
Reduction of long-term debt	(5,585)	(5,738)
Cash dividends paid	(34,458)	(32,898)
	-----	-----
Cash (used for) financing activities	(7,360)	(3,031)
	-----	-----
Net (decrease) increase in cash and cash equivalents	(23,232)	9,886
Cash and cash equivalents, beginning of period	62,474	30,540
	-----	-----
Cash and cash equivalents, end of period	\$ 39,242	\$ 40,426
	=====	=====

See notes to the condensed consolidated statements.

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

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated statements have been prepared in accordance with the company's customary accounting practices as set forth in the company's 1995 annual report on Form 10-K and have not been audited. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary for a fair presentation of this information have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the company's April 30, 1995 annual report on Form 10-K. To conform to the current year presentation, certain reclassifications have been made to prior year condensed consolidated statements.

2. INVENTORIES The company uses the last-in, first-out method for determining the cost for substantially all inventories. If the last-in, first-out method had not been used, inventories would have been \$77,017,000 and \$70,497,000 higher than reported at October 31, 1995, and April 30, 1995, respectively.

3. ENVIRONMENTAL The company, along with other responsible parties, faces environmental claims resulting from the cleanup of several waste deposit sites. The company has accrued its estimated portion of these cleanup costs and expects other responsible parties and insurance coverage to cover the remaining costs. The company believes that any additional costs incurred by the company will not have a material adverse effect on the company's financial condition or results of operations.

4. CONTINGENCIES In the normal course of business, various suits and claims are brought against the company, some of which seek significant damages. Many of these suits and claims take years to adjudicate and it is difficult to predict their outcome. In the opinion of management, based on advice from legal counsel, none of these suits or claims will have a material adverse effect on the company's financial position or results of operations.

Item 2. Management's Discussion and Analysis of Financial

Condition and Results of Operations

The following Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the company's April 30, 1995 annual report to stockholders. The results of operations for the six months ended October 31, 1995, are not necessarily indicative of the operating results for the full year.

Results of Operations

Second Quarter Fiscal 1996 Compared to Second Quarter Fiscal 1995

A summary of operating performance follows (expressed in thousands, except percentage and per share amounts):

	THREE MONTHS ENDED		
	OCTOBER 31,		%
	1995	1994	CHANGE
	----	----	-----
Net Sales			
- - - - -			
Wines & Spirits	\$364,261	\$307,507	18.5
Consumer Durables	153,945	167,047	(7.8)
	-----	-----	-----
Total	\$518,206	\$474,554	9.2
Operating Income	\$89,993	\$87,269	3.1
- - - - -			
Net Income	\$53,194	\$49,050	8.4
- - - - -			
Earnings Per Share	\$ 0.77	\$ 0.71	8.4
- - - - -			
Effective Tax Rate	37.72%	40.07%	
- - - - -			

Sales of the company's wines and spirits segment increased 18.5% for the quarter. This increase was led by Jack Daniel's and by Tropical Freezes, an innovative line of frozen cocktails that has enjoyed strong consumer trial since introduction this past spring. Additional growth was provided by increased sales of the company's premium table wines and Southern Comfort. Revenues from the company's consumer durables segment declined 7.8% for the quarter. The decrease was attributable to poor results for Lenox collectibles and a difficult retail operating environment. Lenox Collections, the direct marketing arm for the company's collectibles, has been especially hurt by lower response rates as well as higher operating expenses.

Operating income benefited from increased beverage sales, partially offset by higher advertising investments for Brown- Forman's beverage

products in international markets. Selling, general, and administrative expenses have also increased as a result of the company's overseas expansion initiative.

Net interest expense declined reflecting lower debt levels. This decline was partially offset by higher rates for commercial paper borrowings compared to fiscal 1995. A decline in the effective tax rate reflects benefits from foreign operations.

Six Months Fiscal 1996 Compared to Six Months Fiscal 1995

A summary of operating performance follows (expressed in thousands, except percentage and per share amounts):

	SIX MONTHS ENDED OCTOBER 31, 1995	1994	% CHANGE
	----	----	-----
Net Sales			

Wines & Spirits	\$662,049	\$565,044	17.2
Consumer Durables	266,627	279,791	(4.7)

Total	\$928,676	\$844,835	9.9
Operating Income	\$147,130	\$139,280	5.6

Net Income	\$ 85,345	\$ 77,176	10.6

Earnings Per Share	\$ 1.23	\$ 1.12	10.6

Effective Tax Rate	38.06%	40.00%	

Sales of the company's wines and spirits segment increased 17.2% for the first six months as a result of the successful introduction of Tropical Freezes and sales growth of Jack Daniel's, Southern Comfort, and the company's premium table wines. Revenues from the company's consumer durables segment were down 4.7% compared to last year. Lower response rates at Lenox Collections and a difficult retail operating environment contributed to the sales decline.

Operating income increased due to improved beverage sales, offset partially by higher advertising in overseas markets and for the introduction of Tropical Freezes in the U.S. Selling, general, and administrative expenses are also higher due to overseas expansion efforts. Based on first half results, full year earnings for the consumer durables segment are forecast to be modestly below last year.

Net interest expense declined in the first six months due primarily to lower debt levels. This decline was partially offset by higher rates for commercial paper borrowings compared to fiscal 1995. Benefits from foreign operations caused the company's effective tax rate to decline, a trend which is expected to continue in the second half of the year.

Because of weakness in the consumer durables segment and continued investment in the company's key brands, the growth rate for earnings for the rest of the year is expected to be lower than the 11% experienced in the company's first half.

Financial Condition at October 31, 1995 Compared to Financial Condition at April 30, 1995

The company's activities in the first half ended October 31, 1995 resulted in a net decrease in cash and cash equivalents. Cash provided by operating activities was down 58% from the same period last year due largely to an increase in days sales outstanding resulting from higher international sales. Additions to property, plant, and equipment increased over last year and reflect the company's plans to upgrade and expand the production facilities in the wines and spirits segment. During the first half of the fiscal year, the company issued \$30 million of ten-year medium term notes, proceeds of which were used for debt retirement and other general corporate purposes. Total net working capital increased 18% from April 30, 1995 to \$488 million.

Dividends

The Board of Directors increased the quarterly cash dividend 4.8% from \$.248 to \$.260 per share on Class A and Class B common stock payable January 1, 1996. As a result, the indicated annual cash dividend per share rose from \$.992 to \$1.04 per share.

Environmental

The company, along with other responsible parties, faces environmental claims resulting from the cleanup of several waste deposit sites. The company has accrued its estimated portion of these cleanup costs and expects other responsible parties and insurance coverage to cover the remaining costs. The company believes that any additional costs incurred by the company will not have a material adverse effect on the company's financial condition or results of operations.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit Number -----	Exhibit -----
27	Financial Data Schedule

(b) Reports on Form 8-K:

1.) There were no reports on Form 8-K filed during the quarter ended October 31, 1995.

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 8, 1995

/s/Steven B. Ratoff
By: _____
Steven B. Ratoff
Executive Vice President and
Chief Financial Officer
(On behalf of the Registrant and
as Principal Financial Officer)

ARTICLE 5

This schedule contains summary financial information extracted from the company's October 31, 1995 Quarterly Report Form 10-Q and is qualified in its entirety by reference to such financial statements.

MULTIPLIER: 1,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	APR 30 1996
PERIOD END	OCT 31 1995
CASH	39,242
SECURITIES	0
RECEIVABLES	324,873 ¹
ALLOWANCES	0
INVENTORY	414,823
CURRENT ASSETS	797,464
PP&E	557,133
DEPRECIATION	294,916
TOTAL ASSETS	1,399,690
CURRENT LIABILITIES	309,036
BONDS	273,330
COMMON	585,277
PREFERRED MANDATORY	0
PREFERRED	11,779
OTHER SE	0
TOTAL LIABILITY AND EQUITY	1,399,690
SALES	928,676
TOTAL REVENUES	928,676
CGS	476,690 ²
TOTAL COSTS	476,690 ²
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	10,664
INCOME PRETAX	137,782
INCOME TAX	52,437
INCOME CONTINUING	85,345
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	85,345
EPS PRIMARY	1.23
EPS DILUTED	1.23

¹ Accounts receivable is shown net of allowance for doubtful accounts. Allowance for doubtful accounts has not changed materially from the April 30, 1995 balance.

² Cost of goods sold and total costs include excise taxes of \$134.680 million.

End of Filing

Powered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.