BROWN FORMAN CORP
Form 8-K
August 24, 2005

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

Form 8-K

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

Date of Report (Date of earliest event reported): August 24, 2005

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

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

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

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

Item 2.02. Results of Operations and Financial Condition

Brown-Forman Corporation issued a press release today, August 24, 2005 reporting results of its operations for the fiscal quarter ended July 31, 2005. A copy of this Brown-Forman Corporation press release is attached hereto as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits

(a) Not applicable.
(b) Not applicable.
(c) Exhibits.
99.1 Press Release, dated August 24, 2005

SIGNATURES

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

Brown-Forman Corporation
(Registrant)

Date: August 24, 2005

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

Exhibit Index
99.1 Press Release, dated August 24, 2005, issued by Brown-Forman Corporation, reporting results of operations for the fiscal quarter ended July 31, 2005.

Exhibit 99.1

FOR IMMEDIATE RELEASE

BROWN-FORMAN EARNINGS FROM CONTINUING OPERATIONS UP SHARPLY IN THE FIRST QUARTER

Louisville, KY, August 24, 2005 - Brown-Forman Corporation today reported diluted earnings from continuing operations of $0.71 per share for the first quarter ended July 31, 2005, an increase of 46% over the $0.49 per share for the same period last year. All financial and statistical information included in this press release reflects the continuing operations of the Company's businesses for all periods presented unless otherwise indicated.

Continuing Operations

Earnings growth was driven by continued strong consumer demand for the Company's premium global brands -- Jack Daniel's Tennessee Whiskey, Southern Comfort, and Finlandia Vodka. Volumes of Jack Daniel's, the Company's leading brand, grew to over 8 million nine-liter cases on a twelve month basis, up 9% when compared to the prior twelve month period. The Company's quarterly results were favorably affected by a net increase in global trade inventories and consideration received from the buyout of the Company's distribution rights for the Glenmorangie family of brands, while the prior year's first quarter results benefited from profits associated with a new product introduction. Adjusting the quarterly results for these items, earnings per share from continuing operations grew approximately 19% over the prior year period.

Diluted EPS Growth from Continuing Operations	46%
Net increase in global trade inventories	(21%)
Consideration from sale of Glenmorangie distribution rights	(14%)
Absence of profits from new product introduction in prior year	8%
Adjusted EPS Growth from Continuing Operations	19%(1)

Revenue and gross profit increased 14% and 20%, respectively, for the quarter. Growth was driven by higher volumes and improved margins for Jack Daniel's, Finlandia, and Southern Comfort. Additionally, improving volume trends for several of the Company's mid-priced wine and spirits brands, coupled with volume and profit growth from the Company's developing brand portfolio, contributed to the robust results. Advertising and promotion investments were up $11 million, or 17%, as the Company continued its strategy of consistent and significant investment behind its premium brands. SG&A expenses increased $14 million, or 14%, reflecting increased pension expenses, legal and transaction advisory fees, and expenses associated with new distribution agreements in Europe.

Discontinued Operations

On July 21, 2005, the Company announced that it had agreed to sell substantially all of the assets and liabilities of Lenox, Incorporated to Department 56, Inc. for $190 million. This transaction has received regulatory approval and is expected to close during the Company's second quarter. As a result, the Company has reported the operations of Lenox, including the assets not being sold to Department 56, as discontinued operations in its financial statements. In the first quarter ended July 31, the Company reported a net loss from discontinued operations of $48 million, or $0.38 per share, versus a net loss of $9 million, or $0.07 per share, for the same prior year period. The loss recorded in the quarter includes a previously-disclosed impairment charge and fees related to the transaction of approximately $0.32 per share. Excluding these items, results from discontinued operations improved slightly over the prior year.

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(1) Management believes that disclosing this measure of earnings per share is important because it more accurately reflects the underlying operations of the Company.

Outlook for Continuing Operations

Chief Executive Officer Paul Varga commented, "First quarter results were strong and reflect the benefits from the consistent brand building we've done with our portfolio in an environment that is conducive to our investments. We remain encouraged about our growth prospects, and for the full fiscal year, we expect earnings in the range of $2.70 to $2.80 per share from continuing operations."

IMPORTANT NOTE ON FORWARD-LOOKING STATEMENTS:
This news release contains statements, estimates, or projections that constitute "forward-looking statements" as defined under U.S. federal securities laws. Generally, the words "expect," "believe," "intend," "estimate," "will," "anticipate," and "project," and similar expressions identify a forward-looking statement, which speaks only as of the date the statement is made. Except as required by law, we do not intend to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

We believe that the expectations and assumptions with respect to our forward-looking statements are reasonable. But by their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that in some cases are out of our control. These factors could cause our actual results to differ materially from Brown-Forman's historical experience or our present expectations or projections. Here is a non-exclusive list of such risks and uncertainties:

- changes in general economic conditions, particularly in the United States where we earn the majority of our profits;
- a strengthening U.S. dollar against foreign currencies, especially the British Pound;
- reduced bar, restaurant, hotel and travel business in wake of other terrorist attacks, such as occurred in September, 2001 in the U.S. and in July, 2005 in London.
- developments in the class action lawsuits filed against Brown-Forman and other spirits, beer and wine manufacturers alleging that our advertising causes illegal consumption of alcohol by those under the legal drinking age, or other attempts to limit alcohol marketing, through either litigation or regulation;
- a dramatic change in consumer preferences, social trends or cultural trends that results in the reduced consumption of our premium spirits brands;
- tax increases, whether at the federal or state level;
- increases in the price of grain and grapes;
- continued depressed retail prices and margins in our wine business because of our excess wine inventories, existing grape contract obligations, and a

world-wide oversupply of grapes.

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

	Three Months Ended July 31, 2004	Three Months Ended July 31, 2005	Change
CONTINUING OPERATIONS			
Net sales	$481.3	$547.5	14%
Gross profit	253.4	303.0	20%
Advertising expenses	61.6	72.3	17%
Selling, general, and administrative expenses	96.3	110.3	14%
Other expense (income), net	(0.4)	(13.7)	
Operating income	95.9	134.1	40%
Interest expense, net	4.9	2.6	
Income before income taxes	91.0	131.5	44%
Income taxes	31.2	43.6	
Net income	59.8	87.9	47%
Earnings Per Share:			
Basic	0.49	0.72	47%
Diluted	0.49	0.71	46%
DISCONTINUING OPERATIONS			
Net loss	$(8.6)	$(47.6)	47%
Loss Per Share:			
Basic	(0.07)	(0.39)	47%
Diluted	(0.07)	(0.38)	46%
TOTAL COMPANY			
Net income	$51.2	$40.3	(21%)
Earnings Per Share:			
Basic	0.42	0.33	(21%)
Diluted	0.42	0.33	(22%)

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

	April 30, 2005	July 31, 2005
Assets:		
Cash and cash equivalents	$ 294.9	$ 265.3
Accounts receivable, net	295.9	321.0
Inventories	469.9	488.0
Current assets held for sale	157.6	176.6
Other current assets	96.9	89.4

Total current assets	1,315.2	1,340.3
Property, plant, and equipment, net	417.9	414.2
Trademarks and brand names	334.2	331.5
Goodwill	192.7	188.5
Noncurrent assets held for sale	217.9	182.4
Other assets	171.2	167.3
Total assets	$2,649.1	$2,624.2
Liabilities:		
Accounts payable and accrued expenses	$ 264.2	$ 227.1
Accrued income taxes	41.9	75.1
Dividends payable	--	29.9
Current portion of long-term debt	279.3	249.3
Current liabilities held for sale	52.7	63.8
Total current liabilities	638.1	645.2
Long-term debt	351.5	351.6
Deferred income taxes	157.8	155.2
Accrued postretirement benefits	77.6	79.4
Noncurrent liabilities held for sale	82.9	84.7
Other liabilities	31.2	18.4
Total liabilities	1,339.1	1,334.5
Stockholders' equity	1,310.0	1,289.7
Total liabilities and stockholders' equity	$2,649.1	$2,624.2

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

	Three Months Ended July 31, 2004	2005
Cash provided by operating activities	$79.2	$33.7
Cash flows from investing activities:		
Additions to property, plant, and equipment	(9.3)	(8.6)
Other	(0.4)	(0.5)
Cash used for investing activities	(9.7)	(9.1)
Cash flows from financing activities:		
Net decrease in debt	(33.0)	(30.0)
Dividends paid	(25.9)	(29.9)
Other	5.7	5.7
Cash used for financing activities	(53.2)	(54.2)
Net increase (decrease) in cash and cash equivalents	16.3	(29.6)

Cash and cash equivalents, beginning of period	67.7	294.9
Cash and cash equivalents, end of period	$84.0	$265.3

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

	Three Months Ended July 31, 2004	Three Months Ended July 31, 2005
Depreciation and amortization	$10.2	$10.7
Excise taxes	$82.0	$97.7
Effective tax rate	34.3%	33.2%
Cash dividends paid per common share	$0.2125	$0.245
Shares (in thousands) used in the calculation of earnings per share		
- Basic	121,693	121,945
- Diluted	122,414	123,161

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