

# Jack Daniel's Drinks its Way to Higher Results

BRUCE SCHREINER, Associated Press

LOUISVILLE, Ky. (AP) — Led by demand for its flagship Jack Daniel's brand, spirits maker Brown-Forman Corp. said Wednesday its first-quarter net income rose 5 percent despite lower stockpiling by distributors.

The company behind such other brands as Southern Comfort, Finlandia and el Jimador said the three-month performance was slowed by lower inventory levels by distributors, reflecting the company's decision to ease up on price increases. In the past two years, distributors stocked up ahead of larger price increases made by the company in the first quarter, inflating sales for the spirits maker. This year, the price hikes by Brown-Forman were much smaller.

The company said it expects more stable inventory levels for the rest of the fiscal year.

"We anticipate higher rates of sales growth over the balance of the year, led by Jack Daniel's and our portfolio of premium whiskey brands," Brown-Forman CEO Paul Varga said.

Underlying net sales for the entire Jack Daniel's brand grew by 5 percent in the quarter, led by 29 percent growth in Jack Daniel's Tennessee Honey. Underlying sales indicate revenue adjusted for foreign exchange fluctuations or unusual changes in distributor inventories.

The company reported mixed results for its other top brands.

For the quarter ending July 31, the company reported net income of \$150 million, or 70 cents per share. That's compared to \$143 million, or 66 cents per share, a year ago. Analysts expected earnings of 72 cents per share.

Quarterly net sales rose 3 percent to \$921 million. Analysts expected revenue of \$893.4 million.

The Louisville-based company reported flat underlying net sales in the United States during the quarter.

In developed markets outside the U.S., underlying net sales declined by 1 percent, with double-digit drops in the United Kingdom and Germany.

In France, those sales grew by double digits, helped by the launch of Jack Daniel's Tennessee Honey earlier in the year. Solid sales gains also occurred in Australia, Canada, Belgium and the Netherlands.

Among Brown-Forman's other leading brands, underlying net sales for Finlandia

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vodka products declined 13 percent in the quarter, due mainly to weak sales in Poland, a key market, the company said.

Sales for the el Jimador tequila lineup grew by 15 percent on the same underlying basis, led by strong gains in both the U.S. and Mexico. Net sales for the Southern Comfort brand dropped by 7 percent.

The Canadian Mist brand had a 7 percent drop in net sales, while the Woodford Reserve bourbon brand had sales growth of 29 percent.

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