



# Brown-Forman (BF.B)

Updated December 15<sup>th</sup>, 2025 by Jonathan Weber

## Key Metrics

<b>Current Price:</b>	\$31	<b>5 Year CAGR Estimate:</b>	8.8%	<b>Market Cap:</b>	\$15B
<b>Fair Value Price:</b>	\$33	<b>5 Year Growth Estimate:</b>	5.0%	<b>Ex-Dividend Date:</b>	12/05/25
<b>% Fair Value:</b>	94%	<b>5 Year Valuation Multiple Estimate:</b>	1.3%	<b>Dividend Payment Date:</b>	01/02/26
<b>Dividend Yield:</b>	3.0%	<b>5 Year Price Target</b>	\$42	<b>Years Of Dividend Growth:</b>	42
<b>Dividend Risk Score:</b>	B	<b>Sector:</b>	Consumer Staples	<b>Rating:</b>	Hold

## Overview & Current Events

Brown-Forman is an alcoholic beverage company that is based in Louisville. The company was founded in 1870. Brown-Forman produces and sells whiskey, vodka, tequila, champagne, and wine. Its portfolio includes a range of mostly premium brands, such as Jack Daniel's, Finlandia Vodka, Old Forester, and many others.

In December, Brown-Forman reported revenues of \$1.04 billion for its second quarter (fiscal 2026) earnings results. The company's revenues were down by 5% compared to the previous year's quarter. Brown-Forman's revenues came in above the analyst consensus, like during the previous quarter, beating the consensus estimate by a solid \$20 million, as analysts had predicted a wider year-over-year decline. The sequential growth rate was positive during the period. Brown-Forman's organic growth rate, adjusting for M&A and currency, was -2% for the period.

Brown-Forman's earnings-per-share weakened compared to the previous year's quarter, partially due to lower revenues, but the company also saw its operating profit pull back, with margins declining due to operating leverage headwinds. Earnings-per-share were down by double-digits, hitting \$0.47, missing the consensus estimate by \$0.01 as analysts were predicting a smaller earnings decline. Brown-Forman guides for revenues to decline at a low single-digits rate this year, in fiscal 2026, while earnings-per-share will likely pull back, too.

## Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>EPS</b>	\$1.37	\$1.65	\$1.67	\$1.73	\$1.73	\$1.88	\$1.74	\$1.63	\$2.14	\$1.84	<b>\$1.65</b>	<b>\$2.11</b>
<b>DPS</b>	\$0.56	\$0.59	\$0.63	\$0.65	\$0.70	\$0.72	\$0.75	\$0.81	\$0.85	\$0.89	<b>\$0.92</b>	<b>\$1.12</b>
<b>Shares<sup>1</sup></b>	494	480	481	480	480	479	479	479	477	473	<b>470</b>	<b>460</b>

Brown-Forman has a reasonable growth track record. The company was able to increase its earnings-per-share during the Great Recession, which can be explained by the fact that demand for alcohol is not very cyclical. During the 2015-to-2025 time frame, Brown-Forman grew its earnings-per-share at a mid-single digit rate. Earnings-per-share were driven by a combination of several factors, including revenue growth, rising margins, and buybacks.

Underlying sales growth has been solid during the last couple of years. Due to currency headwinds – the strong dollar resulted in lower reported sales when sales in other currencies are translated back to USD – the reported revenue growth rate was not as strong during that time frame, however. Thanks to the fact that Brown-Forman owns strong brands and is active in the super- and ultra-premium alcoholic beverages markets, which see relative consistent market growth, Brown-Forman should be able to keep its revenues growing in the long run, backing out currency movements. This has been the most important growth factor for Brown-Forman's earnings-per-share in the past. With its Jack Daniels brand, and its American super-premium whiskeys, the company has a strong market share in the whiskey industry. In the long run, we believe that Brown-Forman will continue on its growth track and that earnings-per-share will rise meaningfully through the 2020s, with share repurchases likely playing a role in rising earnings-per-share as well. Due to investment patterns and the ups and downs in currency exchange rates, it is possible that there will be temporary earnings declines from time to time, however.

<sup>1</sup> In Millions

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## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	28.8	27.6	33.2	32.0	30.6	35.8	40.4	38.5	39.9	22.4	<b>18.8</b>	<b>20.0</b>
Avg. Yld.	1.3%	1.5%	1.1%	1.1%	1.2%	1.1%	0.9%	1.1%	1.2%	1.8%	<b>3.0%</b>	<b>2.7%</b>

Shares of Brown-Forman never were especially cheap, but shares got even more expensive in 2020-2023, with shares trading at as much as 40x net profits. Following a significant share price pullback over the last two years, the company is now valued at around 19x this year's expected net profits. This represents a small discount compared to our target of 20x net earnings, which we would deem fair based on the company's past valuation and forward growth outlook.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	41%	36%	38%	38%	40%	38%	43%	50%	40%	48%	<b>56%</b>	<b>53%</b>

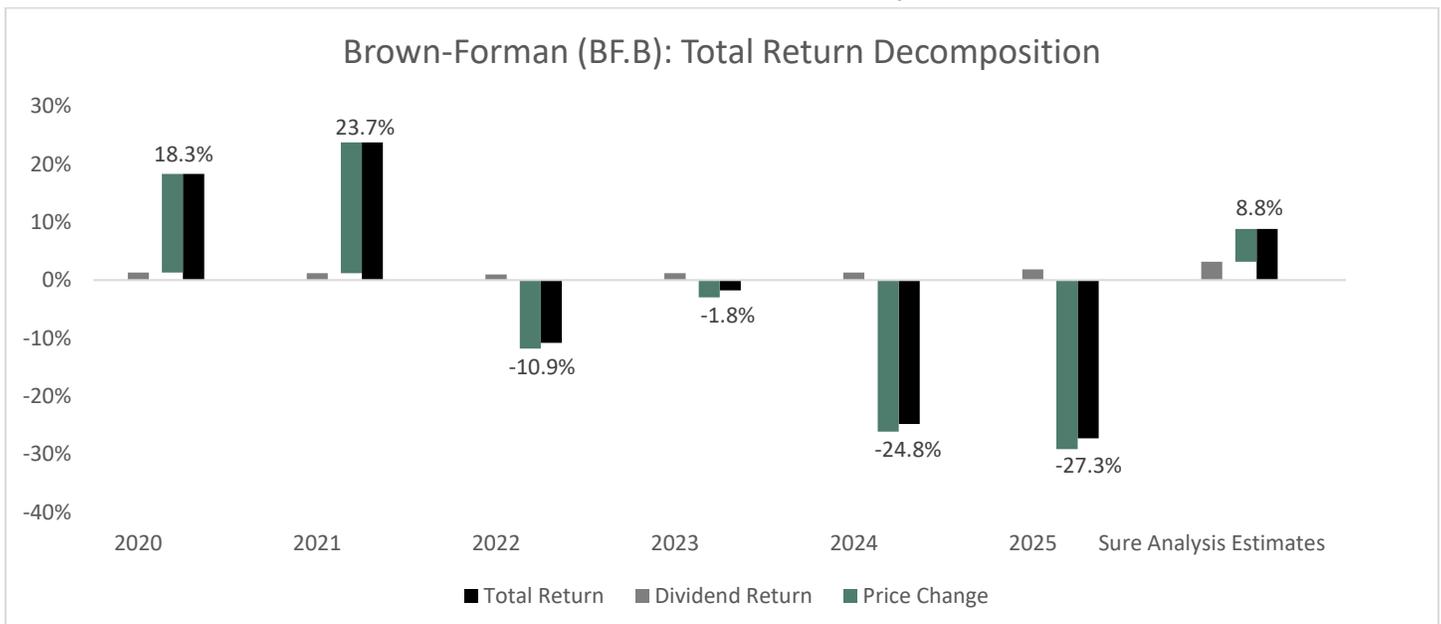
Brown-Forman's dividend payout ratio has risen over the last decade, as the company paid out 40% of its profits a decade ago, versus around 56% this year. The reliable dividend growth track record and the still reasonable payout ratio mean that Brown-Forman's dividend looks relatively sustainable and safe.

Brown-Forman's strong brands and the tendency of customers to stick with the brands they like is a huge competitive advantage. This, along with the fact that Brown-Forman is one of the largest players in its industry, which allows for better economies of scale and a wider geographic reach, makes the company highly competitive. During the Great Recession, Brown-Forman remained highly profitable and actually increased its earnings, which is unsurprising, as demand for alcohol tends to be quite non-cyclical. The impact from the coronavirus pandemic was small as well.

## Final Thoughts & Recommendation

Brown-Forman is active in an attractive, relatively non-cyclical industry. Brown-Forman also is a high-quality company that has achieved solid earnings and dividend growth rates for long periods of time. Following the recent share price decline, Brown-Forman is now trading at an undemanding valuation, with total returns being forecasted at a very solid level. We rate Brown-Forman's stock a hold right now.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Revenue</b>	3,089	2,994	3,248	3,324	3,363	3,461	3,933	4,228	4,178	3,975
<b>Gross Profit</b>	2,144	2,021	2,202	2,166	2,127	2,094	2,391	2,494	2,526	2,343
<b>Gross Margin</b>	69.4%	67.5%	67.8%	65.2%	63.2%	60.5%	60.8%	59.0%	60.5%	58.9%
<b>SG&amp;A Exp.</b>	1,105	1,029	1,170	1,037	1,025	1,070	1,128	1,248	1,355	1,228
<b>D&amp;A Exp.</b>	56	58	64	72	74	77	79	80	87	87
<b>Operating Profit</b>	1,048	1,010	1,048	1,144	1,091	1,039	1,204	1,127	1,147	1,167
<b>Operating Margin</b>	33.9%	33.7%	32.3%	34.4%	32.4%	30.0%	30.6%	26.7%	27.5%	29.4%
<b>Net Profit</b>	1,067	669	717	835	827	903	838	783	1,024	869
<b>Net Margin</b>	34.5%	22.3%	22.1%	25.1%	24.6%	26.1%	21.3%	18.5%	24.5%	21.9%
<b>Free Cash Flow</b>	414	541	525	679	611	755	798	457	419	431
<b>Income Tax</b>	422	264	260	207	182	178	276	234	274	212

## Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total Assets</b>	4,183	4,625	4,976	5,139	5,766	6,522	6,373	7,777	8,166	8,086
<b>Cash &amp; Equivalents</b>	263	182	239	307	675	1,150	868	374	446	444
<b>Accounts Receivable</b>	559	557	639	609	570	753	813	855	769	830
<b>Inventories</b>	1,054	1,270	1,379	1,520	1,685	1,751	1,818	2,283	2,556	2,511
<b>Goodwill &amp; Int. Ass.</b>	1,185	1,394	1,433	1,398	1,391	1,455	1,347	2,621	2,445	2,486
<b>Total Liabilities</b>	2,621	3,255	3,660	3,492	3,791	3,866	3,636	4,509	4,649	4,093
<b>Accounts Payable</b>	121	137	154	150	131	172	218	308	267	243
<b>Long-Term Debt</b>	1,501	2,149	2,556	2,440	2,602	2,559	2,269	2,913	3,100	2,733
<b>Shareholder's Equity</b>	1,562	1,370	1,316	1,647	1,975	2,656	2,737	3,268	3,517	3,993
<b>LTD/E Ratio</b>	0.96	1.57	1.94	1.48	1.32	0.96	0.83	0.89	0.88	0.68

## Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Return on Assets</b>	25.5%	15.2%	14.9%	16.5%	15.2%	14.7%	13.0%	11.1%	12.8%	10.7%
<b>Return on Equity</b>	61.6%	45.6%	53.4%	56.4%	45.7%	39.0%	31.1%	26.1%	30.2%	23.1%
<b>ROIC</b>	34.7%	20.3%	19.4%	21.0%	19.1%	18.4%	16.4%	14.0%	16.0%	13.0%
<b>Shares Out.</b>	494	480	481	480	480	479	479	479	477	473
<b>Revenue/Share</b>	6.05	6.13	6.71	6.90	7.00	7.20	8.18	8.80	8.75	8.40
<b>FCF/Share</b>	0.81	1.11	1.08	1.41	1.27	1.57	1.66	0.95	0.88	0.91

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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