ModernGraham Valuation

Company Name: Brown-Forman Corporation Class B

Company Ticker: BF.B

Date of Analysis: 3/12/2019

Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

Defensive Investor; must pass 6 out of the following 7 tests.

1. Adequate Size of the Enterprise
   Market Cap > $2Bil
   $24,015,987,587 Pass

2. Sufficiently Strong Financial Condition
   Current Ratio > 2
   3.08 Pass

3. Earnings Stability
   Positive EPS for 10 years prior
   Pass

4. Dividend Record
   Dividend Payments for 10 years prior
   Pass

5. Earnings Growth
   Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end
   60.76% Pass

6. Moderate PEmg Ratio
   PEmg < 20
   31.88 Fail

7. Moderate Price to Assets
   PB Ratio < 2.5 OR PB*PEmg < 50
   16.19 Fail

Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.

1. Sufficiently Strong Financial Condition
   Current Ratio > 1.5
   3.08 Pass

2. Sufficiently Strong Financial Condition
   Debt to NCA < 1.1
   1.24 Fail

3. Earnings Stability
   Positive EPS for 5 years prior
   Pass

4. Dividend Record
   Currently Pays Dividend
   Pass

5. Earnings Growth
   EPSmg greater than 5 years ago
   Pass

Score

Suitability

Defensive No
Enterprising Yes

Stage 2: Determination of Intrinsic Value

EPSmg $1.58
MG Growth Estimate 5.27%

MG Value $30.07
MG Value based on 3% Growth $22.90
MG Value based on 0% Growth $13.42
Market Implied Growth Rate 11.69%

MG Opinion

Current Price $50.35
% of Intrinsic Value 167.46%

Opinion Overvalued
MG Grade C+

Stage 3: Information for Further Research

Net Current Asset Value (NCAV) -$1.91
Graham Number $10.05
PEmg 31.88
Current Ratio 3.08
PB Ratio 16.19
Current Dividend $0.61
Dividend Yield 1.21%
Number of Consecutive Years of Dividend Growth 20

Useful Links:

ModernGraham tagged articles
Morningstar
Google Finance
MSN Money
Yahoo Finance
Seeking Alpha
GuruFocus
SEC Filings
<table>
<thead>
<tr>
<th>EPS History</th>
<th>EPSmg History</th>
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<tbody>
<tr>
<td>Next Fiscal Year Estimate</td>
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<tr>
<td>Apr2018 $1.48</td>
<td>Apr2018 $1.53</td>
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<tr>
<td>Apr2017 $1.37</td>
<td>Apr2017 $1.51</td>
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<tr>
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<td>Apr2015 $1.26</td>
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<td>Apr2013 $1.10</td>
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<td>Apr2012 $0.95</td>
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<td>Apr2011 $1.04</td>
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<td>Apr1999 $0.31</td>
<td>Apr1999 $0.31</td>
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**Balance Sheet Information 1/1/2019**

- Total Current Assets: $2,755,000,000
- Total Current Liabilities: $895,000,000
- Long-Term Debt: $2,301,000,000
- Total Assets: $5,163,000,000
- Intangible Assets: $1,405,000,000
- Total Liabilities: $3,670,000,000
- Shares Outstanding (Diluted Average): 480,099,000

**MG Value and Stock Price**

- MG Value
- Stock Price
Disclaimer:
This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

Recommended Reading:

Other ModernGraham posts about the company
- Brown-Forman Corp Valuation – May 2018 $BF.B
- Brown-Forman Corporation – February 2017 $BF.B
- 5 Speculative and Overvalued Companies to Avoid – November 2015
- Brown-Forman Corporation Analysis – September 2015 Update $BF/B
- Brown-Forman Corporation Analysis – June 2015 Update $BF_B

Other ModernGraham posts about related companies
- Constellation Brands Inc Valuation – March 2019 $STZ
- Philip Morris International Inc Valuation – January 2019 $PM
- Altria Group Inc Valuation – January 2019 $MO
- Molson Coors Brewing Co Valuation – January 2019 $SAM
- Boston Beer Company Inc Valuation – July 2018 $SAM
- Constellation Brands Inc Valuation – May 2018 $STZ
- Brown-Forman Corp Valuation – May 2018 $BF.B
- Philip Morris International Inc Valuation – March 2018 $PM
- Altria Group Inc Valuation – March 2018 $MO
- Molson Coors Brewing Co Valuation – March 2018 $STAP