

Brown-Forman: What Should the Board Require If a Proposal Returns?

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Case information cutoff: September 2, 2026, 5:00 p.m. Eastern Time. This instructional case uses public information available by the cutoff. A classroom board assignment below is hypothetical. It does not describe a new proposal, a pending board decision, or undisclosed board deliberations.

A process question in a leadership transition

On July 26, Brown-Forman Corporation said its board had received an unsolicited proposal from Sazerac to acquire the company. The board said it had concluded that the proposal was “not actionable,” taking the view of Wolf Pen Branch into consideration. Neither the proposal’s price nor its form of consideration, financing, conditions, or timing was disclosed. Wolf Pen said it represented a majority of Class A shares and that the proposal did not align with its vision. The public record did not explain the board’s assessment or establish whether any proposal would return. ([Board statement, July 26, 2026](#))

At the same time, CEO Lawson Whiting had announced that he would retire when a successor was appointed. The board’s search was considering internal and external candidates; Whiting remained CEO during the search. In April, Brown-Forman and Pernod Ricard had separately announced the end of discussions about a potential combination because they could not agree on mutually acceptable terms. No terms were disclosed for those discussions either. The Pernod discussions did not establish a value benchmark for Sazerac. ([CEO succession announcement, July 13](#); [Pernod discussions termination, April 28](#))

These facts leave directors with a governance problem rather than a price-comparison exercise. A future proposal, if one arrived, would need to be assessed on its actual terms. Brown-Forman also needed a credible standalone strategy and leadership continuity. Its two classes of common shares gave holders different voting rights, so process credibility could matter even when voting control was concentrated.

Classroom assignment

Assume, for this exercise only, that you are advising Brown-Forman’s board on a decision protocol to use **if** Sazerac or another party returns with a proposal. Recommend what evidence should be required before the board decides whether to engage further, and how directors should compare a real proposal with the standalone path while the CEO search and operations continue.

Your recommendation should explain how the board would test the proposal’s value and feasibility, examine the standalone plan, make conflicts and shareholder interests visible, and communicate the process. State what information would change your recommendation. You may propose process steps, metrics, and thresholds, but label them as your classroom

recommendations; the company has not disclosed such a protocol. Do not decide whether the undisclosed Sazerac proposal was adequate: its terms are unavailable.

The standalone business case is mixed

Brown-Forman sells a portfolio of spirits brands, including Jack Daniel's, Woodford Reserve, Old Forester and New Mix. Its business depends on brand investment, production and aging, distribution relationships, product mix, and performance across markets. The company has described long-term ownership as helpful for investing in aged products and multigenerational brands. These are management's strategic claims, not proof that the current strategy will produce a particular return.

For fiscal 2026, ended April 30, Brown-Forman reported net sales of \$3.9 billion, down 1%, and operating income down 10%. On the company's organic basis, net sales were flat and operating income declined 2%. Diluted EPS was \$1.53, down 17%. Reported and organic figures use different definitions; organic results do not replace GAAP results. The company attributed differences in sales performance to market and product mix, foreign exchange and route-to-market factors. (FY2026 Form 10-K, Item 7, pp. 30-48)

The first quarter of fiscal 2027, ended July 31, showed another uneven picture. Net sales were \$911 million, down 1% both reported and organically. The company's rounded sales bridge showed volume up 7%, price and mix down 8%, acquisition/divestiture effects down 2%, other up 1%, and foreign exchange up 1%, for a reported total decline of 1%. The rounded components should not be treated as exact arithmetic. Reported operating income declined 3%, while organic operating income rose 4%; diluted EPS increased 6% to \$0.38.

New Mix net sales grew 48%, and Jack Daniel's Tennessee Blackberry contributed new volume. Several established Jack Daniel's expressions declined: Tennessee Honey by 10%, Gentleman Jack by 16%, Tennessee Apple by 8%, and Tennessee Fire by 10%. These are brand net-sales movements, not consumer demand, market share, or brand-level profit. Management cited product launches, distribution changes and shipment timing among the factors affecting results. The public data do not settle whether recent weakness is primarily temporary, structural, or a combination of both. (FY2027 Q1 Form 10-Q, MD&A pp. 22-32; Q1 results release, September 2)

Management's fiscal 2027 outlook called for approximately flat organic net sales and a 3-5% decline in organic operating income, with capital expenditures of \$60-70 million. This is company guidance, not an independent forecast or a complete standalone valuation. First-quarter operating cash flow was \$173 million and company-defined free cash flow was \$161 million; cash was \$301 million at July 31. These historical liquidity measures do not establish acquisition funding capacity or future cash generation.

Ownership and voice

Brown-Forman has voting Class A common shares and nonvoting Class B common shares. Its 2026 Form 10-K says Brown family members control a majority of voting stock and can determine director elections and votes on merger or change-of-control transactions. The filing also identifies possible differences between family and other shareholders' interests.

A June 3 Schedule 13D/A by Wolf Pen Branch reported voting power over 101,601,480 Class A shares, or 60.3% of that class, and sole dispositive power over 42,000,000 shares. Voting power and dispositive power are different. The 60.3% is not a measure of total family economic ownership. The filing predates the July proposal and should be read as a dated report, not a current transaction allocation. (FY2026 Form 10-K, Item 1A, pp. 23-24; Wolf Pen Schedule 13D/A, June 3, 2026)

The public disclosures do not reveal the board's process, any committee mandate, private deliberations, or family holders' complete economic exposure. They also do not disclose how nonvoting shareholders viewed the proposal. Students should distinguish formal voting influence, economic interests, and directors' evaluation of the company's alternatives.

What would a credible protocol need to establish?

A board response to an actual future proposal could depend on information not presently public: consideration and conditions; funding certainty; bidder plans and synergies; regulatory, execution and financing risks; and the operating assumptions behind Brown-Forman's standalone outlook. The board would also need to consider how leadership transition affects both paths. Public information supplies no basis for assuming a particular deadline, bidder rationale, or board procedure.

The board's challenge is to preserve strategic judgment while testing it. A standalone plan can be more than a defense against a sale: it can specify what has to improve, by when, and how directors will learn whether the company's portfolio and route-to-market choices are working. Likewise, a proposal cannot be judged only by its headline consideration. Its credibility, conditions, risks and distribution of value across shareholders matter. Neither "family stewardship" nor "market discipline" resolves those questions on its own.

Discussion questions

1. What must directors know before deciding whether a returned proposal warrants deeper engagement? Separate information necessary to assess value from information necessary to assess feasibility and process.
2. How should the board compare a credible proposal with a standalone path when the current outlook is management guidance and the proposal terms are unknown?
3. What process safeguards and disclosures would make the board's evaluation credible across the two share classes, given the disclosed voting structure? Which facts do not support stronger conclusions about ownership or interests?
4. What operating evidence should directors track during the CEO search to test the standalone strategy? How would the evidence distinguish launch momentum from durable performance, and reported changes from underlying trends?
5. Which missing information would most likely change your proposed protocol? Explain why.

Exhibit 1. Public chronology as of the cutoff

Date	Public event	What it establishes	What it does not establish
March 26, 2026	Brown-Forman confirmed discussions with Pernod Ricard	Discussions about a potential combination occurred	Price, terms, or relevance to another proposal
April 28, 2026	Brown-Forman and Pernod Ricard ended discussions because terms were not mutually agreeable	The discussions ended without agreement	A valuation benchmark or reason to expect another transaction
June 3, 2026	Wolf Pen filed Schedule 13D/A	Its reported voting and dispositive powers as of the filing	Total family economics or updated post-proposal holdings
July 13, 2026	Whiting announced retirement effective when a successor is appointed	Succession is underway; search includes internal and external candidates	A deadline, successor, or link to any proposal
July 26, 2026	Brown-Forman disclosed Sazerac's unsolicited proposal and described it as "not actionable" after considering Wolf Pen's view	Proposal received and board's public characterization	Terms, rationale, future status, or board process
September 2, 2026	FY2027 Q1 results and 10-Q became public	Latest operating results and company outlook included in this case	Independent forecast or later-period performance

Sources: The linked Brown-Forman releases, SEC Schedule 13D/A, FY2026 10-K and FY2027 Q1 10-Q cited above. Dates are publication dates. No post-cutoff event is included.

Exhibit 2. Operating evidence: reported results and outlook

Measure	FY2026	Q1 FY2027	Definition / caution
Net sales	\$3.9B; -1% reported, flat organic	\$911M; -1% reported and organic	Organic is company-defined; reported results are GAAP-based
Operating income	-10% reported; -2% organic	\$252M; -3% reported; +4% organic	Do not blend reported and organic measures
Diluted EPS	\$1.53; -17%	\$0.38; +6%	Q1 is one quarter, not a full-year trend
Q1 sales bridge	-	Volume +7%; price/mix -8%; acquisition/divestiture -2%; other +1%; FX +1%; total -1%	Rounded company bridge; components are not exact arithmetic
Q1 brand examples	-	New Mix +48%; Tennessee Honey -10%; Gentleman Jack -16%; Tennessee Apple -8%; Tennessee Fire -10%	Brand net sales, not demand, share or profit
FY2027 outlook	-	Organic net sales approximately flat; organic operating income down 3-5%; capex \$60-70M	Management guidance, not independent forecast

Sources: Brown-Forman FY2026 Form 10-K, Item 7; FY2027 Q1 Form 10-Q, MD&A and liquidity sections; September 2 earnings release. Organic metrics are company-defined. Brand comparisons are company-reported net sales.

Exhibit 3. Ownership disclosures: different measures

Public disclosure	Reported figure	Interpretation limit
Wolf Pen Branch voting power over Class A	101,601,480 shares; 60.3% of the class	Voting power is not total family economic ownership
Wolf Pen Branch sole dispositive power	42,000,000 shares	A different measure from voting power; not necessarily an economic-interest total for the family
Brown-Forman share classes	Class A voting; Class B nonvoting	The exhibit does not state transaction consideration or allocation to either class

Sources: Wolf Pen Branch Schedule 13D/A filed June 3, 2026, cover page and Items 5-6; Brown-Forman FY2026 Form 10-K, Item 1A and Item 12. Figures are from different disclosure descriptions and should not be combined.

Exhibit 4. Proposal facts and unknowns

Publicly disclosed by September 2	Not disclosed in the sources reviewed
Sazerac made an unsolicited proposal to acquire Brown-Forman; the board called it “not actionable,” taking Wolf Pen Branch’s view into consideration	Price, consideration form, funding, conditions, diligence, timetable, bidder synergies, board rationale, outside advice, or future status
Wolf Pen said the proposal did not align with its vision	Full economic exposure or views of all family members and other shareholders
The board’s public statement and the company’s filings	A board process, committee mandate, or protocol to use if another proposal arrives

Source: Brown-Forman board statement dated July 26, 2026, and company disclosures cited above. “Not disclosed” means not present in the sources reviewed by the cutoff; it is not a claim about what directors knew privately.

This case is designed for classroom discussion. Its hypothetical protocol assignment is not company guidance or a statement about Brown-Forman’s actual board process.