

Jose Cuervo®



BECLE, S.A.B. de C.V.

**Santander's 19th Annual "Cinco de Mayo"
Mexico Conference in New York**

May 2nd, 2019

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A Leading Global Spirits Company and Undisputed Leader in Tequila Worldwide



Created in 1758, **Cuervo is today an 11th generation managed**, the only Latin American public spirits company



- ✓ **Undisputed leader in tequila globally**, ~30% market share⁽¹⁾
- ✓ Comprehensive portfolio of **over 30 brands** retailed in more than 90 countries.
- ✓ Track record of **innovation and value enhancing/strategic M&A**
- ✓ **Strong geographic diversification** and relevant exposure to the U.S. and Canada, the world's largest spirits market.
- ✓ Strong market position in high growth Irish Whiskey category with **Bushmills, Sexton and Proper Twelve**
- ✓ **Most vertically integrated player in Tequila** from production to distribution

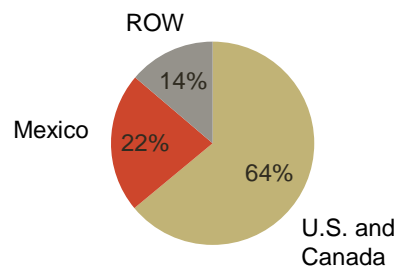
Key Figures – Financial Statements

2018

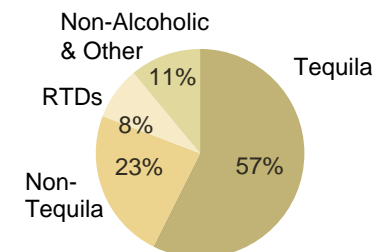
Volume (9L cases)	21.3mm
Net Sales	P\$28,158 MM
EBITDA	P\$6,074 MM
EBITDA Margin	21.6%

Net Sales Value Breakdown – 2018

By Region



By Category



Source: Company information and IWSR

Notes:

1. Based on IWSR total volume as of 2017
2. As of Full Year 2018





1 Undisputed leader in tequila worldwide

2 Unique portfolio of iconic brands in key fast-growing spirit categories, built upon an innovation focus and value enhancing M&A

3 Global spirits company with leading presence in most profitable spirits markets with significant upside potential

4 Integrated model with robust route-to-market strategy

5 Track record of sustainable growth

6 Heritage built upon continued value creation and consistent family leadership



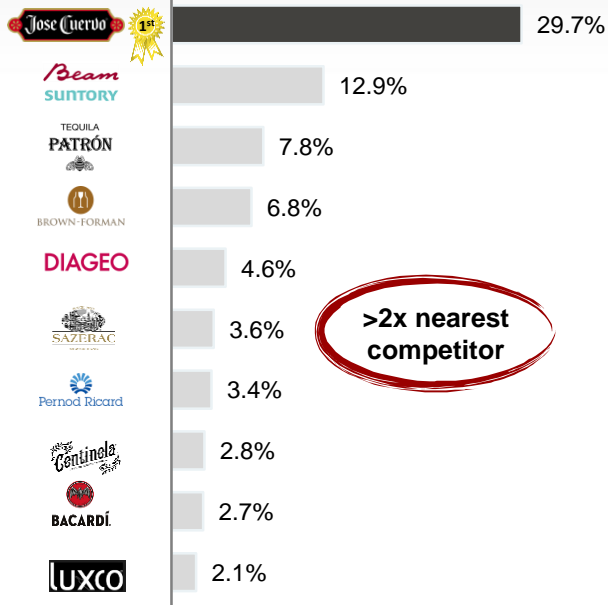
Undisputed Leader in Tequila Worldwide



Tequila Global Market Share

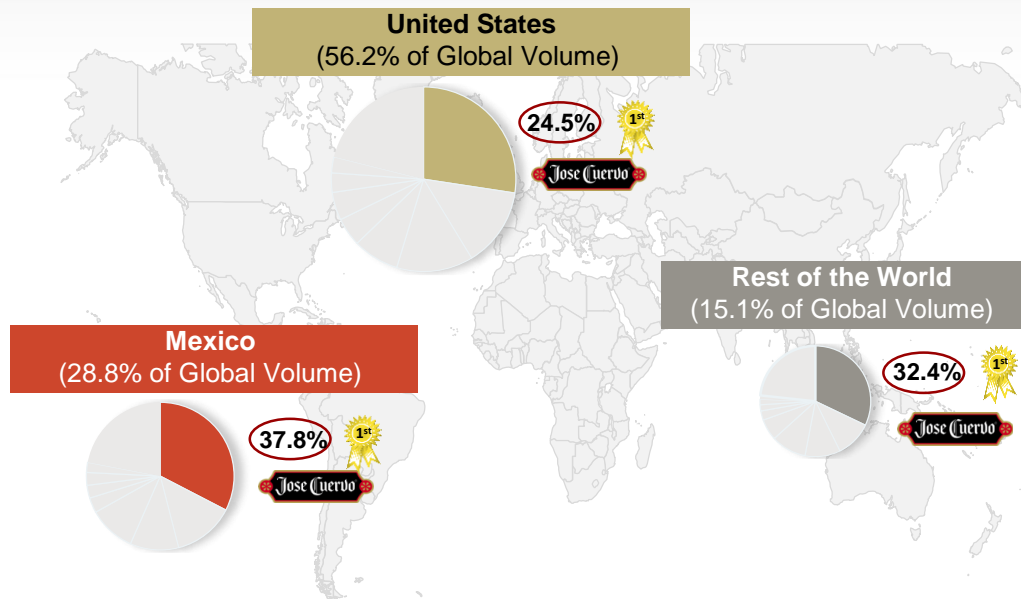
As % of volume – 2017

Total Market Size 31.2mm 9L Cases

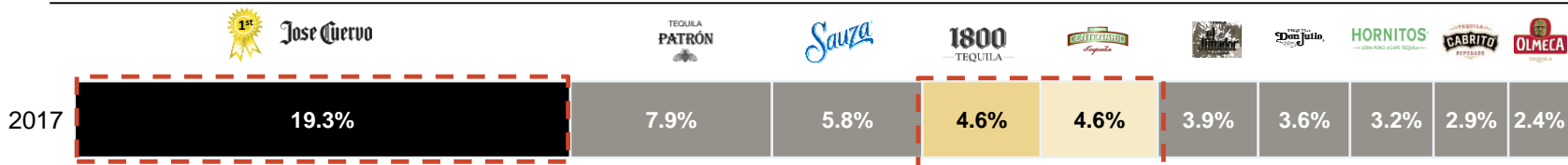


Tequila Market Share by Region

As % of volume – 2017



Cuervo Is the Owner of 3 of the Top 5 Selling Tequila Brands by Volume Globally



Source: IWSR (total volume data as of June 2017)





Tequila Portfolio Across Price Points



- Most comprehensive tequila portfolio across price segments
- Focus on premiumization with a strong portfolio of ultra premium and prestige tequila brands

Portfolio of *Powerful Established Brands*...

... With a Focus on Fast-Growing *Ultra Premium and Prestige Segments*...

						
				Brand		
Premium	Super Premium	Super Premium	Segment	Super Premium/ Ultra Premium	Ultra Premium	Prestige
			Main Markets			
			Market Position in Segment			

Source: Company information, IWSR





Extensive Portfolio of Leading Non-Tequila Brands



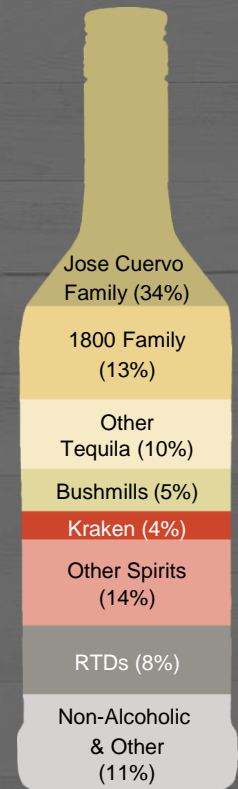
- Over 15 brands in non-tequila categories
- 8 brands in #1 / #2 position within their segment

Net Sales by Family / Category

2018

Total

Pes\$28,158 MM



Irish & American Whiskey

BUSHMILLS Premium / Ultra Premium (US #2, Global #3)

Stranahan's Ultra Premium (US #7)

TINCUP Premium (US #2)

PENDLETON WHISKY Premium / Ultra Premium (US #2)

Rum

The KRACKEN Premium (US #2, Italy #3)

Castillo Standard (Italy #3)

Vodka

Hangar 1 Ultra Premium (US #3)

Three Olives Premium (US #3)

GÖTLAND VODKA Premium (Italy #3)

OSO NEGRO Value (Italy #1)

Gin

BOODLES Premium (US #3)

Mezcal

CREYENTE Ultra Premium

RTD's

1800 Premium (US #1)

Jose Cuervo Margaritas Mid Price (US #1)

GOLDEN Premium (US #1)

Non-alcoholic

Jose Cuervo Margaritas Premium (US #1)

b:oot_ Premium (Italy #3)

Sanchez Premium (Italy #1)

Source: Company information, IWSR Note: Company's portfolio includes other brands not displayed above.





Focus on Innovation...



Fast-Growing Recently Developed Brand



Premium Rum
Launched in 2009

Key Market



Growing above category average and gaining market share in the U.S.

Developed the *Cristalino* Category



Ultra Premium Tequila
Launched in 2009

Key Markets



Ultra Premium Tequila
Launched in 2015

Key Markets



Ultra Premium Tequila
Launched in 2018

Key Markets



Cristalino brands were introduced to compete in the ultra-premium segment, the fastest growing tequila segment globally

Continuous Brand Development and Rejuvenation

Tequila



Reserva de la Familia
2016
Prestige



Maestro Tequilero
2005
Ultra Premium

Whiskey



Stranahan's Diamond Peak
2015
Ultra Premium



Bushmills Steamship (Travel Retail)
2016
Ultra Premium

Vodka / Mezcal



Hangar 1 FogPoint
2016
Ultra Premium Vodka



Creyente
2016
Ultra Premium Mezcal

RTDs



JC Especial Cans
2016
Premium Tequila RTD



JC Authentic Margarita
1993
Premium Tequila RTD





Value-Enhancing M&A



Bushmills Irish Whiskey: a Milestone in our M&A Strategy

Key Acquisition Criteria

✓ Value Creation Potential:



Irish Whiskey in the U.S. by volume



Irish Whiskey in the world by volume

✓ Category with Attractive Growth Profile:

- 17.9% CAGR 2009-2015 in volume in the U.S.

✓ Premium Brands: well known brands with broad portfolio offering

✓ Global Presence in Key Countries:

- Key Markets: 1) U.S. and Canada, 2) Eastern Europe, 3) Western Europe, 4) UK/Ireland, 5) Global Duty Free

✓ Commercial Synergies



2018 figures

Volume: 857,945 9L Cases

Revenues: Ps\$1,526 MM

CAGR (2016-2018): 5%

Source: Company information



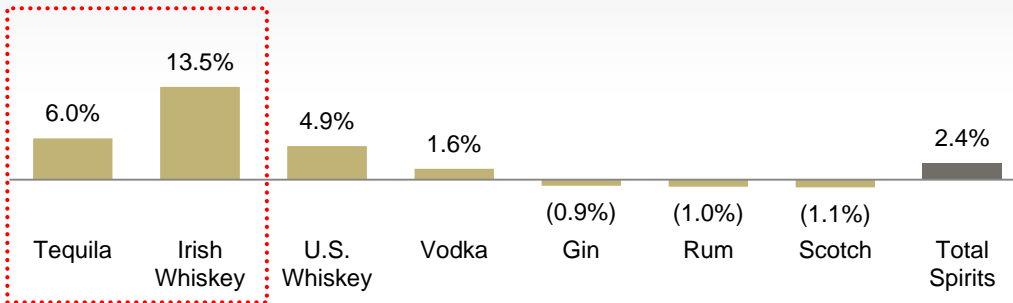


Right Brands / Right Categories / Right Markets



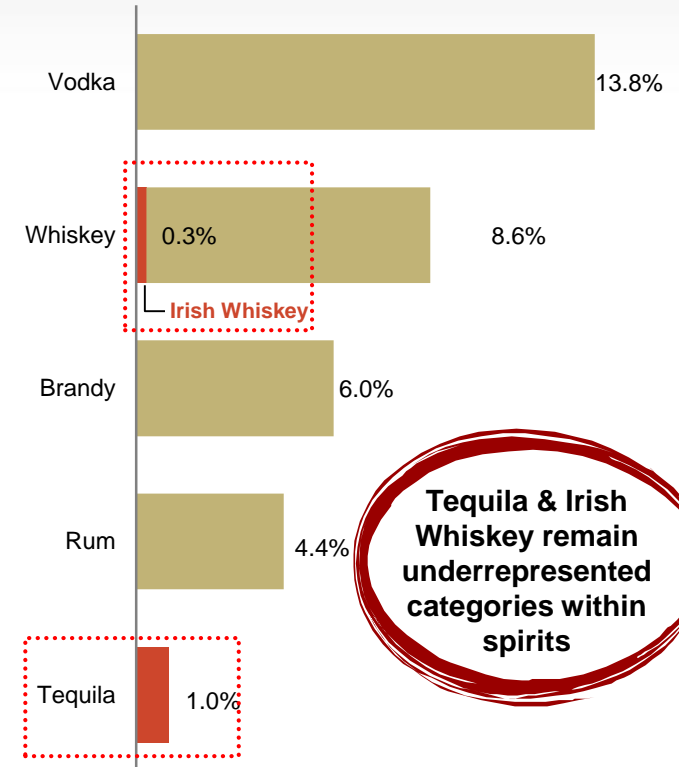
U.S. Spirits – Growth

2013-2017 Volume CAGR



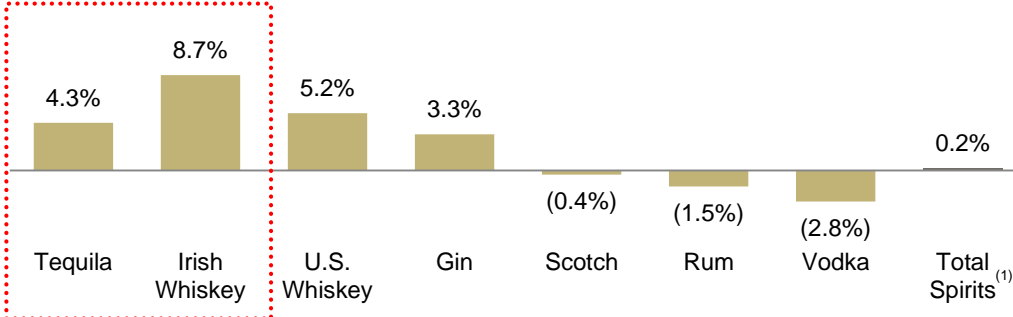
Spirits Categories – Global Market Share

% Volume – 2017



Global Spirits – Growth

2013-2017 Volume CAGR



Source: IWSR

Notes:

1. Excludes Baiju





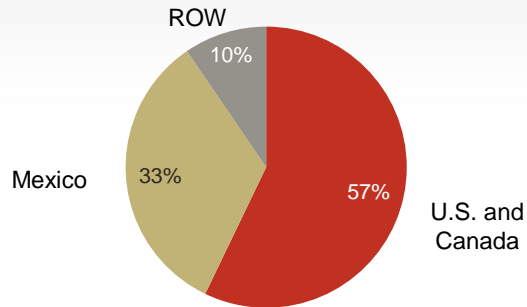
Global Reach and Established U.S. Platform



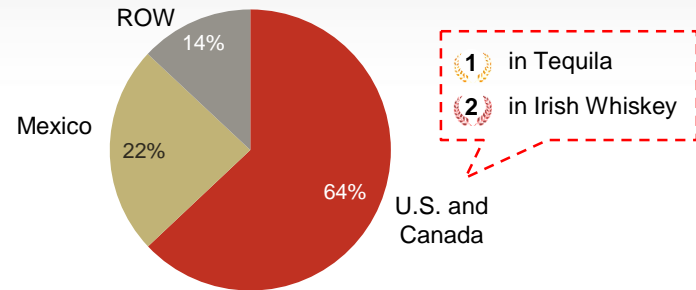
Continued Geographic Diversification: U.S. and Canada Represent ~64% of the Company's Revenues in 2018

Net Sales by Region

2013A

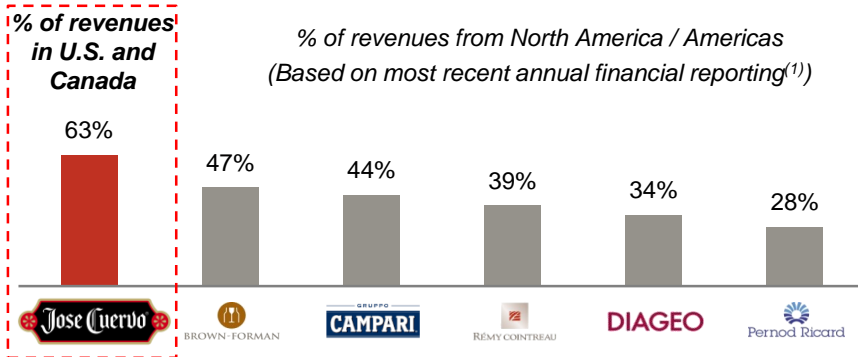


2018



Source: Company information

Higher Exposure to Dynamic U.S. Market...

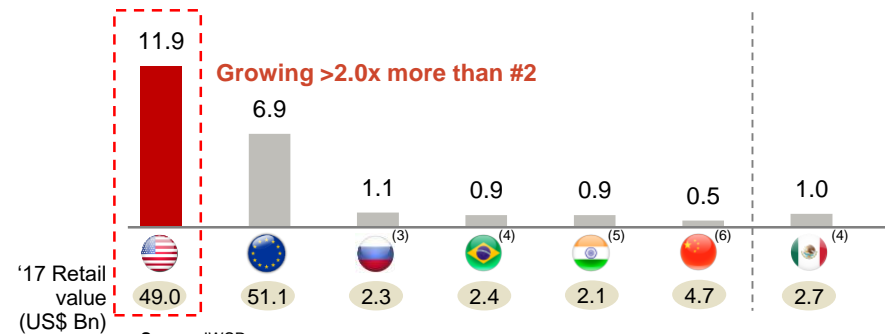


Source: Company information for Cuervo, most recent publicly available annual financial statements for peers. We cannot assure you of the accuracy of our peers' financial statements

1. Brown-Forman: defined as United States; Campari, Remy Cointreau and Pernod Ricard: defined as Americas; Diageo: defined as North America (U.S. Spirits, Diageo-Guinness U.S. and Canada)

...Among the Largest and Fastest-Growing Western Spirits Market

Retail Sales Increase '11 - '17A (US\$ Bn)



Source: IWSR

Notes:

3. Excludes Vodka and local Brandy

4. Excludes Cane

5. Excludes Rum and local Whisky and Brandy

6. Excludes Baiju



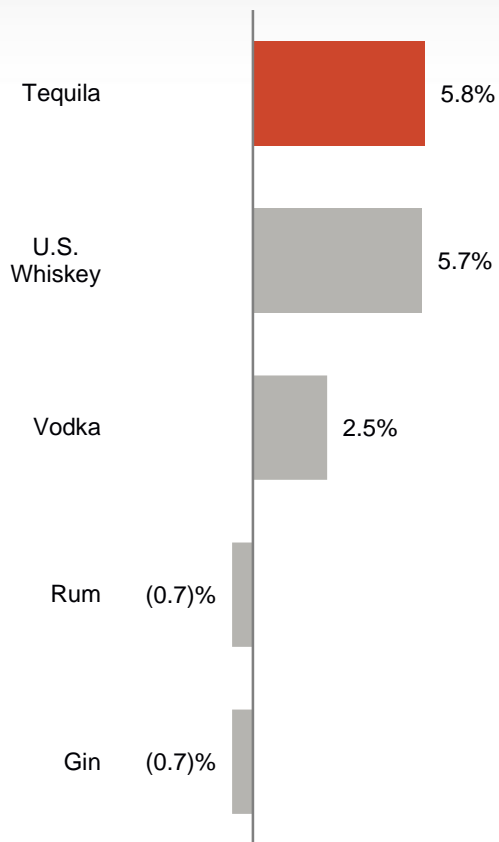


Tequila's Attractiveness in the U.S.



Tequila: Among the Fastest Growing Spirits...

11A – 17A Volume CAGR in the U.S.



Source: IWSR

...Benefiting from Favorable Secular Trends

1

Younger Consumer Preferences

- Millennials eager to try and embrace variety and differentiating innovation
- Willing to pay a higher price for distinctiveness

2

Craftsmanship and Heritage

- Preference for authenticity, heritage and provenance as differentiating factors
- Ongoing "craft" trend across alcoholic beverages

3

Premiumization

Average \$/9L Tequila Case in U.S. Market



4

Tequila is a Versatile Category Unlike Any Other

Food



Food pairing

Shots



Release

Long drinks



Social enjoyment

Source: IWSR





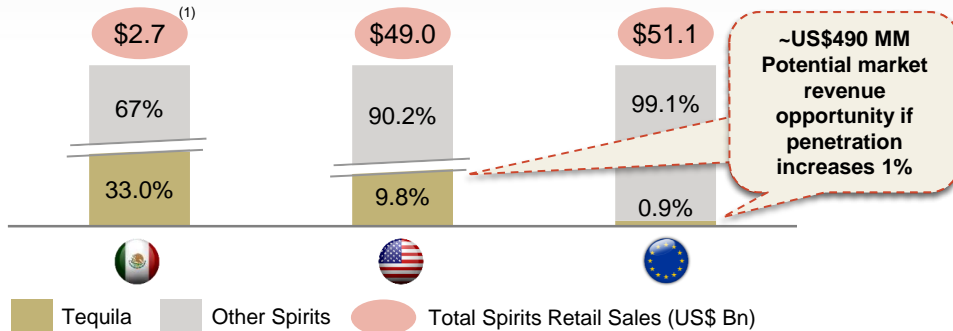
Untapped International Growth



Key Categories Underpenetrated Outside Core Markets

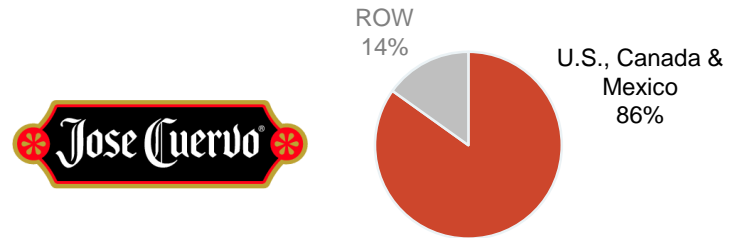
Tequila

As % of Total Spirits Retail Sales – 2017

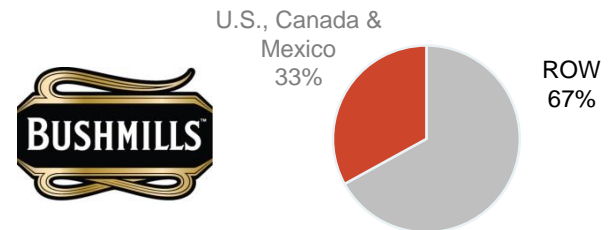


Cross-leverage Platforms to Accelerate Expansion

Cuervo derived ~86% of its 2018 net sales in value from the U.S., Canada and Mexico...

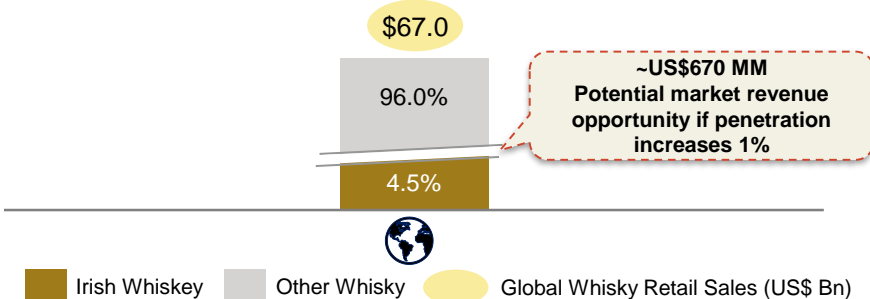


... while Bushmills brand reported ~67% coming from ROW



Irish Whiskey

As % of Global Whisky Retail Sales – 2017



Marginal growth in the underlying markets represents a significant revenue potential for Cuervo

Source: IWSR, Company information





Integrated Platform...



1 Agriculture

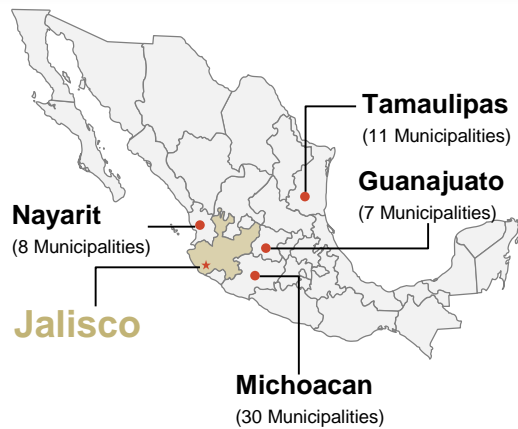


2 Production



Competitive Advantage Resulting from Appellation of Origin for Tequila

Flagship Distilleries and Bottling Facilities Support Route-to-Market Strategy



- Tequila can only be produced from Agave Azul (Tequilana Weber)
- Cuervo is the largest¹ Agave Azul producer
- Critical element in our supply and quality control strategy
- Cuervo is involved in full Agave cycle (plant, grow, harvest and freight)

Source: Company Information



La Rojeña
(Tequila)

Camichines
(Tequila)

EDISA Bottling facility



Stranahan's
(Colorado)

Hangar 1
(California)

Proximo Bottling
(Indiana)



Old Bushmills Distillery
and Bottling
(Northern Ireland)





... with Unique Route-to-Market Distribution



3 Distribution



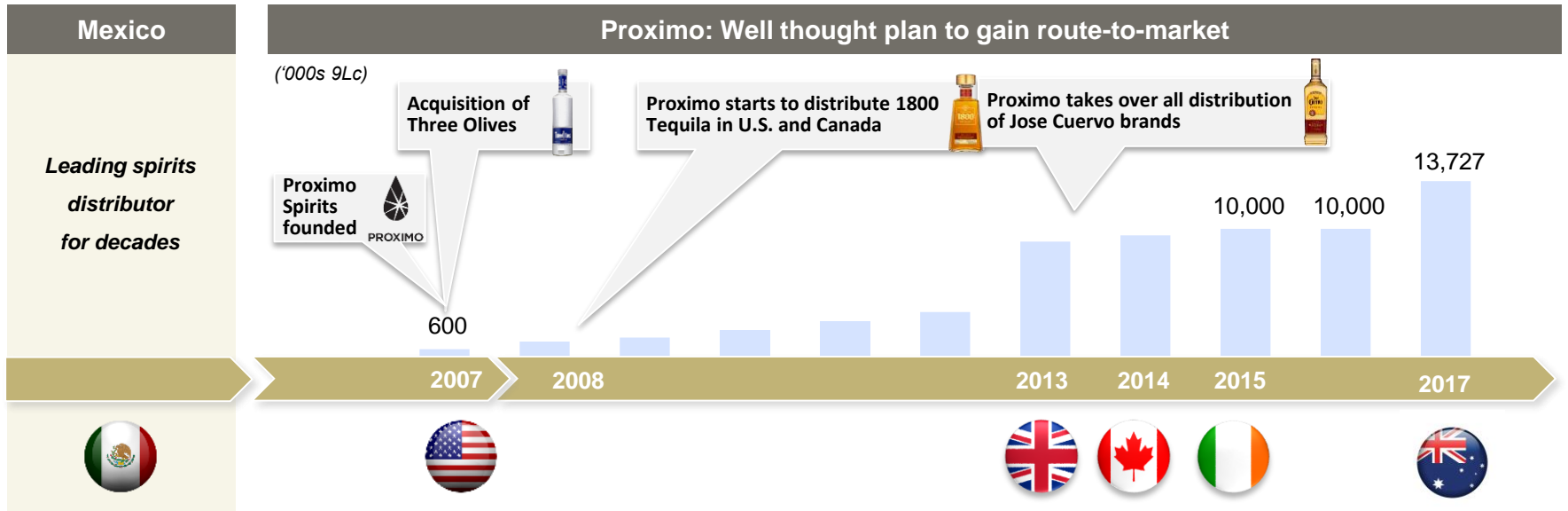
Own Distribution Platform to Control Route-to-Market and Brand Building Strategy

Volume through own distribution network from ~25% in 2007 to ~90% as of 2015



Benefits

- Vertical integration of profits
- Control and focus of own brands



Target is to selectively replicate “own distribution” model as market and scale allow

Source: Company Information






Route-to-Market Control Was Key to U.S. Success






Sales Turnaround Story in the U.S.: *Jose Cuervo Especial* Case Study



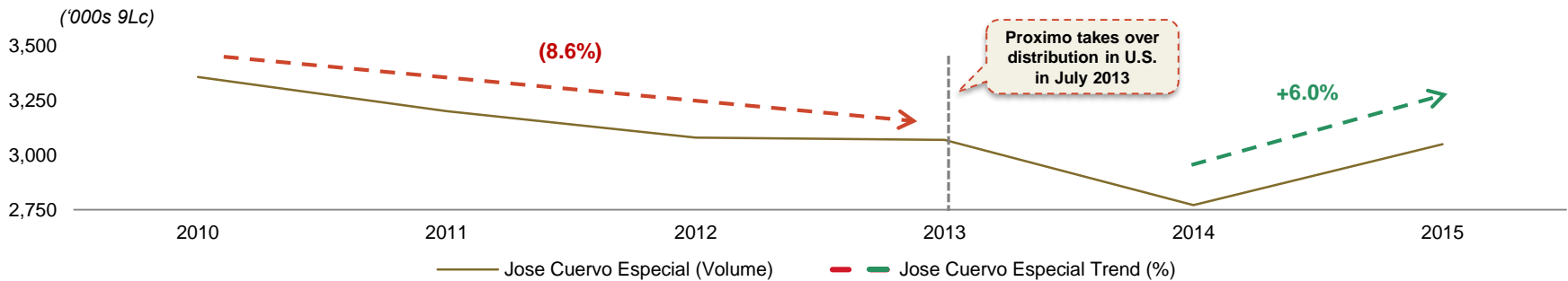
Jose Cuervo Especial

Since Proximo took over the distribution of Jose Cuervo from Diageo, volume grew 6% 2015 vs. 2014

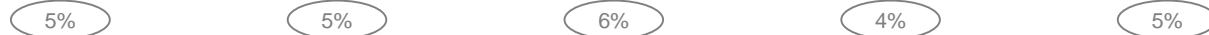
Key Turnaround Initiatives

-  1 Enhancing brand health
-  2 Focused recruitment on 22-34 year old consumers
-  3 Increased focus on *Jose Cuervo Especial* silver variant

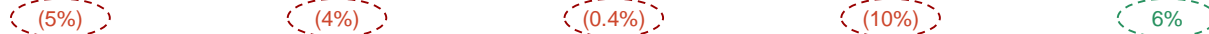
Volume Impact Since Proximo Took Over Distribution in the U.S.



Tequila Category Y-o-Y Growth ⁽¹⁾



Jose Cuervo Especial ⁽²⁾



Source: Company information, Internal information.

Notes:

1. Considers IWSR volume for U.S. tequila category growth Y-o-Y excluding Mezcal
2. Refers to Y-o-Y growth rate



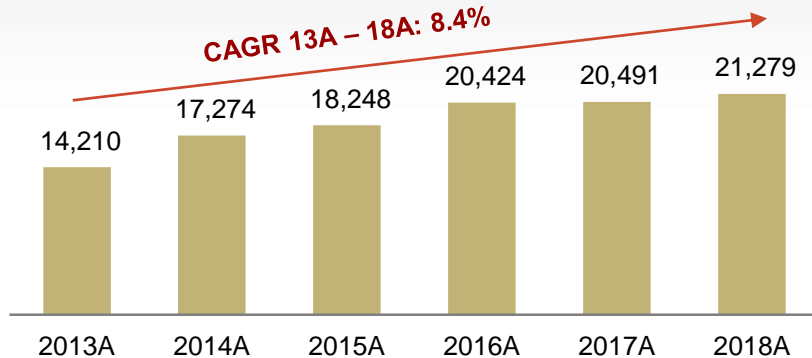


Track Record of Sustainable Growth



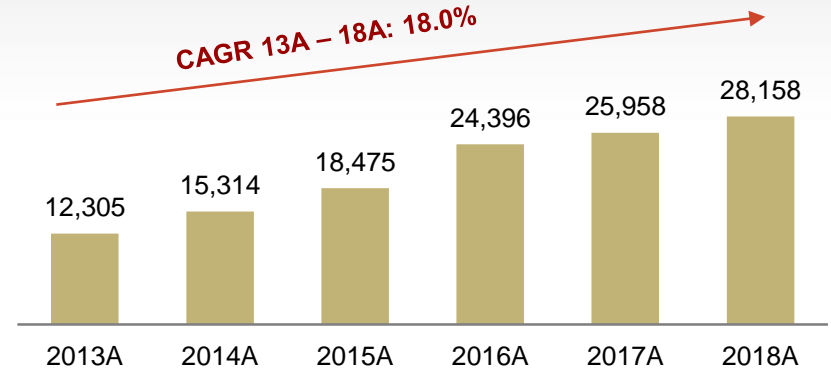
Combined Volume

(000s of 9 Liter Cases)



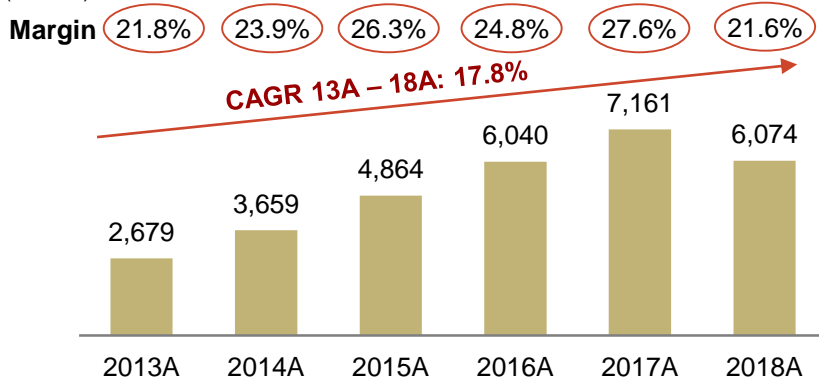
Combined Net Sales

(Ps\$MM)⁽¹⁾



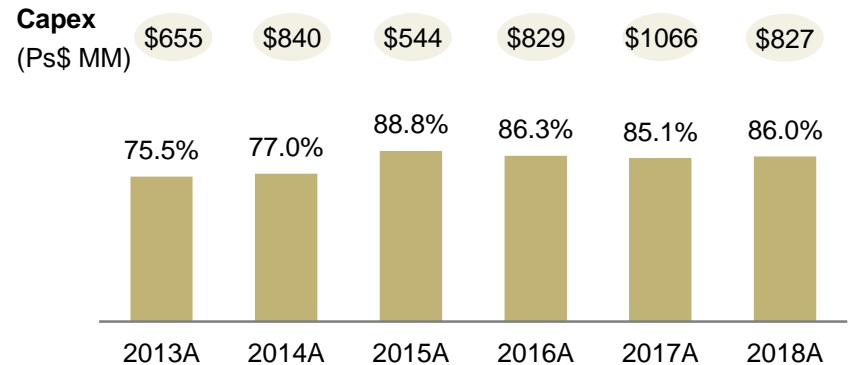
Combined EBITDA⁽²⁾ and Margin

(Ps\$MM)



Cash Flow Conversion⁽³⁾

(%)



Source: Company combined financials statements, Company information

Notes:

- 2015A Considers pro forma 10 months of Bushmills
- EBITDA calculated as net income plus interest expense, income tax expense and depreciation and amortization, less gain on sale of joint venture available for sale, interest income, foreign exchange loss (gain), net, and equity method in joint venture
- Calculated as (EBITDA-Capex)/EBITDA



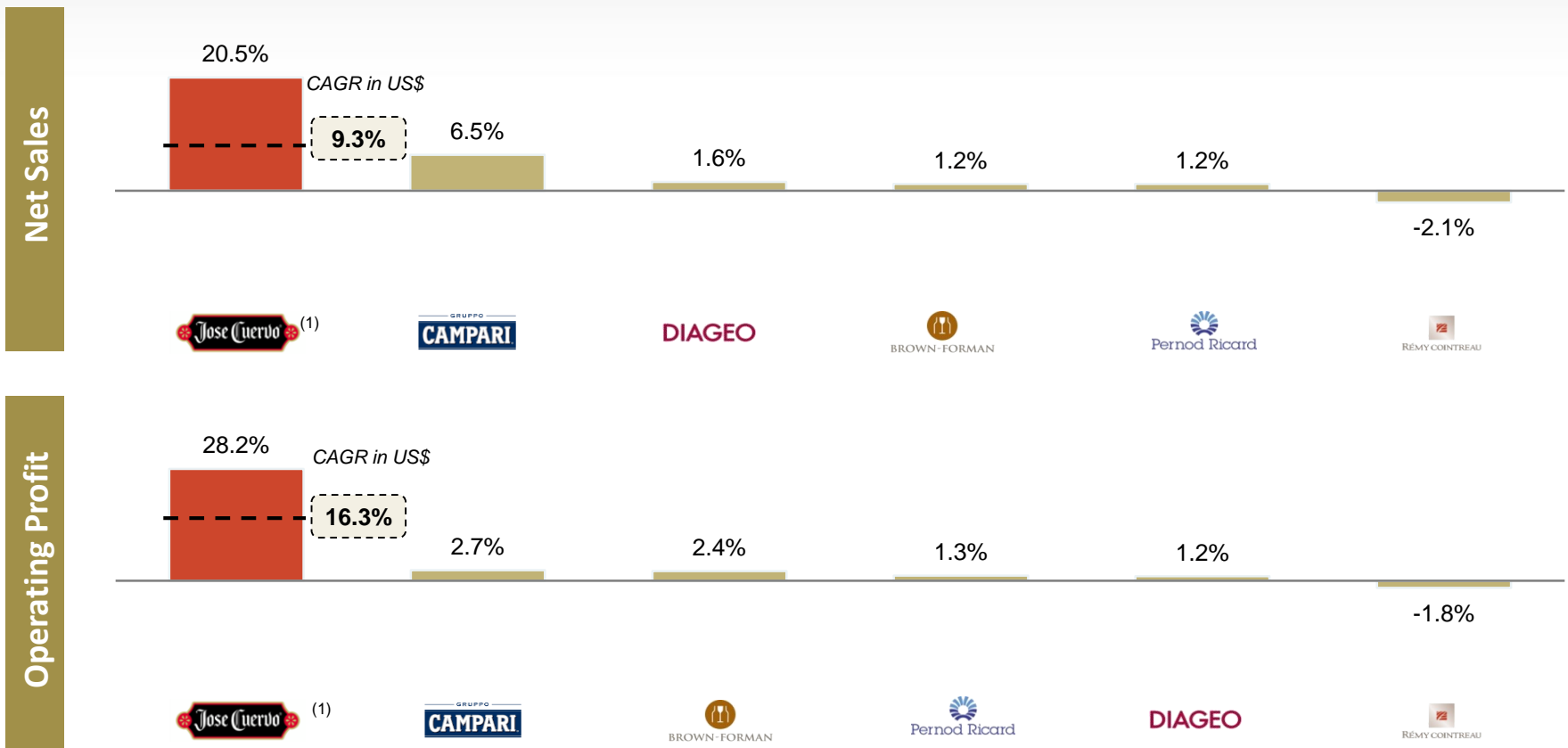


Above Sector Growth



Income Statement Past Performance – 2013A-2017A CAGR

(Fiscal Years, in Reporting Currency)



Source: Company Audited Financial Statements and most recent publicly available annual financial statements for our peers. We have included the information presented in this chart for illustrative purposes only and we cannot assure you of the accuracy or comparability of our peers' financial statements. Operating profit may be measured differently by our peers for many reasons, including the fact that entities may differ in their application of accounting principles

Notes:

1. Figures denominated in pesos were converted at an exchange rate of MXN12.7573, MXN13.2985, MXN15.8373, MXN18.6376 and MXN18.8597 per U.S. dollar for 2013, 2014, 2015, 2016 and 2017, respectively







Value of Heritage and Corporate Governance





A True Mexican Success Story Lasting Over 250 Years


1758 2017

1795 First license ever to sell tequila 

1812 Oldest distillery in Mexico 

1852 First export to the U.S. 

1880 First distiller to bottle tequila in glass bottles 

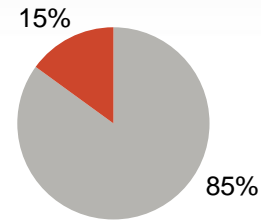
1945 Margarita invented using *Jose Cuervo* tequila 

Selected Medals and Awards



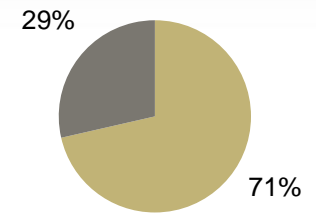
Supported by Robust Corporate Governance

Post IPO Ownership



- Beckmann Family
- Public Float

Independent Board



- Independent
- Non-Independent

- Led by the 11th generation of the Beckmann family
- Independent and experienced Board of Directors
- Experienced management team, with over 140 years of combined experience leading Cuervo



Financial Results



Statement of Comprehensive Income



For the three months ended Mar 31 2019

(MXN MM)	2018		2019	
	Abs	%NSV	Abs	%NSV
Volume 9L	3,433		3,884	
Net sales	4,307		5,278	
Cost of goods	1,662	38.6%	2,493	47.2%
Gross profit	2,645	61.4%	2,785	52.8%
AMP	830	19.3%	1,065	20.2%
Distribution	192	4.5%	219	4.1%
PLE	1,623	37.7%	1,501	28.4%
SG&A	682	15.8%	692	13.1%
Other (income) exp	(16)	-0.4%	(179)	-3.4%
Operating profit	957	22.2%	987	18.7%
Financial results, net	779	18.1%	37	0.7%
Profit before tax	178	4.1%	951	18.0%
Total income taxes	36	0.8%	247	4.7%
Consolidated net income	142	3.3%	703	13.3%
EBITDA	1,074	24.9%	1,147	21.7%

Var (19-18)	
Abs	%
451	13
971	23
831	50
140	5
235	28
27	14
(122)	(8)
10	2
(163)	1,006
30	3
(742)	(95)
772	433
211	582
561	395
73	7

Source: Combined and consolidated financial statements



IFRS 16 adoption effect



(Figures in millions)	1Q19 without IFRS 16 effect		1Q19 with IFRS 16 effect		Effects from IFRS 16
	(Pesos)	% of net sales	(Pesos)	% of net sales	
Operating profit	987	19	987	19	0
Financial results, net	2	0	37	1	35
Net income	738	14	703	13	(35)
Depreciation and amortization	131	2	160	3	29
EBITDA	1,118	21	1,147	22	29

The Company adopted IFRS 16 initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 was recognized as an adjustment to the opening balance (increase in assets and liabilities).



Assets

	Dec 31, 2018	Mar 31, 2019
(Ps\$ MM)	2018	2019 MXN
Cash and cash equivalents	12,028	12,789
Accounts receivable, net	8,536	5,097
Inventories, net	8,162	10,343
Other current assets	2,502	2,727
Total Current Assets	31,228	30,956
Inventories (Non-current)	6,859	6,557
Property, plant and equipment, net	5,506	5,534
Right-Of-Use	0	1,930
Intangible assets and trademarks, net	14,664	14,450
Goodwill	6,354	6,398
Other assets	2,100	2,061
Total Assets	66,711	67,888

Liabilities and Equity

(Ps\$ MM)	2018	2019
Current installment of notes payable to Banks	48	138
Trade accounts payable	2,594	2,316
Short-Term Lease Liability	0	154
Accruals	2,348	1,768
Other liabilities	102	145
Total current liabilities	5,092	4,521
Long term debt, excluding current interest payable	9,745	9,598
Long-Term Lease Liability	0	1,747
Other long-term liabilities	121	119
Environmental reserve	314	352
Deferred income taxes	3,568	3,485
Total Liabilities	18,840	19,823
Total controlling interest	47,805	48,010
Non-controlling interest	67	55
Total Stockholders' Equity	47,872	48,065
Total Liabilities and Stockholders' Equity	66,711	67,888

Q1 2019 Cash Flow Statement



	Mar 31, 2018	Mar 31, 2019
(Ps\$ MM)	2018	2019
Income before income taxes	178	950
Items related to investing activities	133	157
Items related to financing activities	-296	-150
Changes In Working Capital	-562	147
Net Cash provided by operating activities	-547	1,104
Net Cash provided by financing activities	-335	-47
Net Cash provided by investing activities	-3,732	-105
Net increase in cash and cash equivalents	-4,615	953
Translation effect in cash and cash equivalents	-873	-93
Net increase in cash and cash equivalents	-5,488	860
Cash and cash equivalents at beginning of period	19,996	12,028
Effects on exchange rate changes on cash and cash equivalents held in foreign currencies	206	-99
Cash and Cash Equivalents at end of period	14,715	12,789



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