



## **Becle, S.A.B. de C.V. Reports First Quarter 2021 Unaudited Financial Results**

Mexico City, Mexico, April 26, 2021 /BUSINESSWIRE/ -- BECLE, S.A.B. de C.V. (“Cuervo”, “Becle” or the “Company”) (BMV: CUERVO) today announced financial results for the quarter ended March 31, 2021.

All figures in this release are derived from the interim consolidated financial statements of the Company as of March 31, 2021, and for the three-month period then ended, which are prepared in accordance with International Financial Reporting Standard (IFRS).

### **First quarter 2021 highlights**

- Volume increased 43.4% to 4.8 million nine-liter cases;
- Net sales increased 37.7% to P\$7,168 million pesos;
- Gross profit increased 42.9% to P\$3,843 million pesos. Gross margin was 53.6%, an increase of 1.9 percentage points year over year;
- EBITDA increased 173.4% to P\$1,881 million pesos. EBITDA margin was 26.2%, an increase of 13.0 percentage points year over year;
- Consolidated net income increased 77.0% to P\$1,234 million pesos. Net margin was 17.2%, an increase of 3.8 percentage points year over year and;
- Earnings per share were P\$0.34.

All abovementioned increases and decreases have been determined in comparison to the corresponding period in the preceding year.

### **Management commentary**

The first quarter of 2021 continued to present challenges in many of the Company’s markets due to the extended COVID-19 pandemic and the on premise channel still affected. However, the Company was able to adapt quickly to the difficult and often changing market conditions and continued to execute its business plan effectively. As a result, Becle delivered 38% net sales growth year on year. This was driven by another quarter of strong results in the United States and Canada, as well as a gradual recovery in the Mexico region.

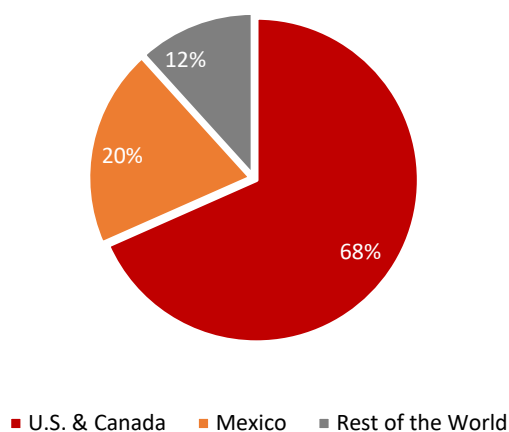
The Company is confident that its work over the years to build a portfolio of leading, trusted, and desirable brands, focused on high-growth spirits categories and supported by a global distribution network, will allow it to further generate value for its shareholders.

## First quarter 2021 results

### Volume by region 1Q21 (in 000s nine-liter cases)

Region	1Q21	1Q20	(Var.% YoY)
U.S. & Canada	3,296	2,117	55.7%
Mexico	960	748	28.5%
<u>Rest of the World</u>	<u>564</u>	<u>499</u>	<u>13.2%</u>
Total	4,821	3,363	43.4%

### Volume breakdown by region 1Q21

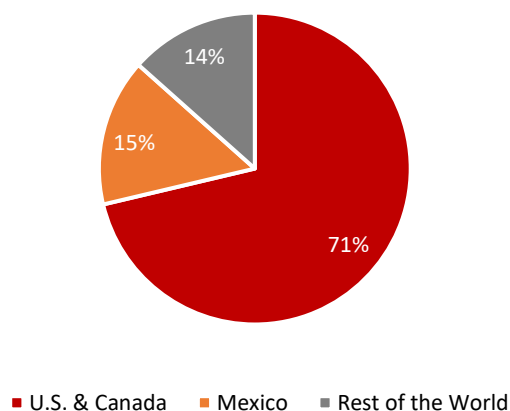


During the first quarter of 2021, total volume increased 43.4% to 4.8 million nine-liter cases. The year over year growth is explained by a 55.7% volume increase in the U.S. and Canada, driven by strong depletions for our brands, mainly ready-to-drink (RTD), Alcohol-free mixers and tequilas. There was a 28.5% year on year volume increase in Mexico due to an improvement in the business operating environment as well as the comparable base effect of our energy drink portfolio in the first quarter of 2020. There was a 13.2% year on year volume increase in the Rest of the World (RoW) region mainly driven by strong depletions, reflecting the recovery of certain countries within the region.

### Net sales by region 1Q21 (in MXN\$, millions)

Region	1Q21	1Q20	(Var.% YoY)
U.S. & Canada	5,111	3,520	45.2%
Mexico	1,096	946	15.9%
<u>Rest of the World</u>	<u>961</u>	<u>739</u>	<u>30.0%</u>
Total	7,168	5,205	37.7%

### Net sales breakdown by region 1Q21



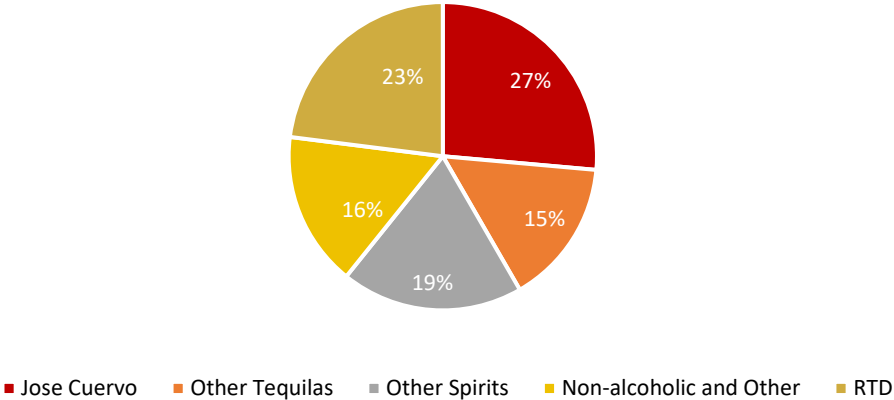
First quarter 2021 net sales increased 37.7% year on year to P\$7,168 million pesos. U.S. and Canada net sales increased 45.2% year on year, primarily reflecting a product mix skewed towards lower sales per case brands partially offset by price increases and the Mexican peso depreciation against the U.S. dollar on a year over year basis. In the same period, net sales in Mexico increased 15.9%, primarily due by the effect of the recovery in our energy drink portfolio and by year on year price increases in our portfolio. Net sales for the RoW region increased by 30.0% when compared to the first quarter of 2020, primarily reflecting a better product mix, price increases in the region as well as the exchange rate effect within the region.



**Volume by category 1Q21 (in 000s nine-liter cases)**

Category	1Q21	1Q20	(Var.% YoY)
Jose Cuervo	1,274	1,167	9.1%
Other Tequilas	736	506	45.3%
Other Spirits	921	735	25.3%
Non-Alcoholic and Other	783	376	107.9%
<u>RTD</u>	<u>1,109</u>	<u>578</u>	<u>91.8%</u>
Total	4,821	3,363	43.4%

**Volume breakdown by category 1Q21**

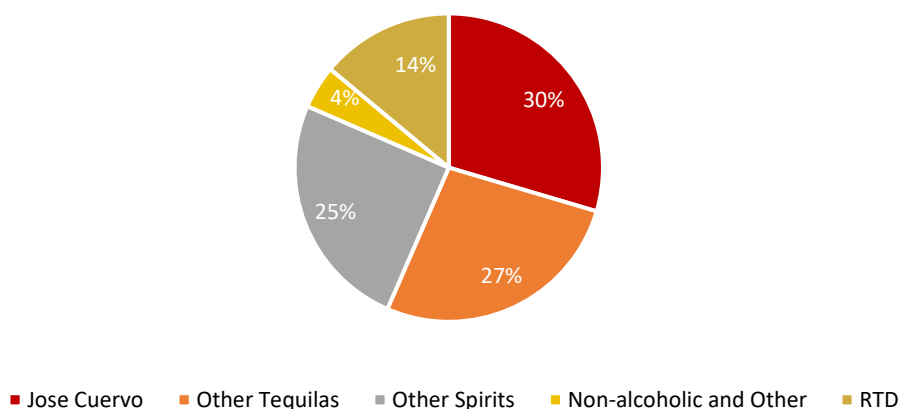


Volume of 'Jose Cuervo' increased 9.1% compared to the same period in 2020 and represented 26.4% of total volume for the first quarter of 2021. 'Other Tequila' brands represented 15.3% of total volume, with volume increasing 45.3% compared to the prior year period. 'Other Spirits' brands represented 19.1% of total volume in the period and experienced a 25.3% increase in volume over the first quarter of 2020. Volume of 'Non-alcoholic and Other' represented 16.2% of total volume and increased 107.9% compared to the prior year period. Volume of 'RTD' represented 23.0% of total volume and grew by 91.8% compared to the same period in the previous year.


### Net sales by category 1Q21 (in MXN\$, millions)

Category	1Q21	1Q20	(Var.% YoY)
Jose Cuervo	2,120	1,941	9.2%
Other Tequilas	1,931	1,215	59.0%
Other Spirits	1,792	1,253	43.0%
Non-alcoholic and other	324	301	7.9%
<u>RTD</u>	<u>1,000</u>	<u>496</u>	<u>101.6%</u>
Total	7,168	5,205	37.7%

### Net sales breakdown by category 1Q21



Net sales of 'Jose Cuervo' increased 9.2% compared to the same period in 2020 and represented 29.6% of total net sales for the first quarter of 2021. Net sales of 'Other Tequila' brands increased 59.0% compared to the prior year period and represented 26.9% of total net sales. 'Other Spirits' brands represented 25.0% of total net sales in the period and increased 43.0% compared to the first quarter of last year. Net sales of 'Non-alcoholic and Other' represented 4.5% of total net sales and increased 7.9% compared to the prior year period. Net sales of 'RTD' represented 14.0% of total net sales and increased 101.6% compared to the same period in the previous year.



Gross profit during the first quarter of 2021 increased 42.9% over the same period in 2021 to P\$3,843 million pesos. Gross margin was 53.6% for the first quarter of 2021 compared to 51.7% for the first quarter of 2020, reflecting year-over-year input cost stabilization and an improved region mix.

Advertising, marketing and promotion (AMP) expenses decreased 17.5% to P\$1,025 million pesos when compared to the first quarter of 2020. This AMP expense decrease was the result of reduced opportunities to execute local programming with stay-at-home restrictions, compared to the first quarter of 2020. As a percentage of net sales, AMP decreased to 14.3% from 23.9% in the same period of the previous year.

Distribution expenses increased 94.0% to P\$365 million pesos when compared to the first quarter of 2020, driven by higher volume and increased logistics costs.

Selling and administrative (SG&A) expenses increased 1.1% to P\$773 million pesos when compared to the first quarter of 2020. As a percentage of net sales, SG&A decreased to 10.8% from 14.7% in the same period of 2020, primarily driven by effective cost control management.

Operating income during the first quarter of 2021 increased 227.9% to P\$1,683 million pesos compared to the same period of 2020. Operating margin increased to 23.5% compared to 9.9% in the same prior year period.

EBITDA in the first quarter of 2021 increased 173.4% to P\$1,881 million pesos compared to the first quarter of 2020. The EBITDA margin was 26.2% for the first quarter of 2021 versus 13.2% for the first quarter of 2020.

Net financial result was a loss of P\$15 million pesos during the first quarter of 2021 compared to a gain of P\$429 million pesos in the same period of 2020. This loss was mainly derived from net interest expenses partially offset by the Mexican peso depreciation versus the U.S. dollar when compared to the fourth quarter of 2020.

Consolidated net income in the first quarter of 2021 increased 77.0% to P\$1,234 million pesos, compared to P\$698 million pesos in 2020. Net margin was 17.2% for the first quarter of 2021, compared to 13.4% for the first quarter of 2020. Earnings per share were P\$0.34 in the first quarter of 2021, compared to P\$0.19 in the same period of the prior year.



### **Financial position and cash flow**

As of March 31, 2021, cash and cash equivalents were P\$10,953 million pesos, and total financial debt was P\$13,476 million pesos. During the first quarter of 2021, the Company generated net cash from operating activities of P\$686 million pesos, and the Company used P\$503 million pesos in net investing activities. Net cash generated in financing activities was P\$2,944 million pesos for the period ended in March 31, 2021.

### **Credit ratings affirmation**

On March 30, 2021, Fitch Ratings affirmed Becele's investment grade long-term foreign and local currency ratings of "BBB+" with a "Stable Outlook".

### **New credit facility and increase in equity participation of Eire Born Spirits**

On March 26, 2021, the Company borrowed US\$150 million (P\$3,107 million pesos equivalent) in funding under a new term loan credit facility (the "Facility"). The net proceeds of the Facility, plus cash on hand, were used to finance the acquisition of additional equity interests of Eire Born Spirits LLC ("EBS"). On April 23, 2021, the Company completed the exercise of its option to acquire additional equity interests of EBS. EBS owns and markets the Proper No. Twelve Irish Whiskey brand.



## **IFRS 9; IFRIC 16: Net investment hedge disclosures**

### **Financial instruments to hedge net investments in foreign operations**

Beginning January 1, 2020, the Company designated its US\$500 million senior notes as a hedging instrument for its net investment in Sunrise Spirits Holdings, Inc., which is a sub-holding entity of the U.S. operations, with the objective of mitigating the exchange rate risk arising between the functional currency of these operations and the functional currency of the holding company that has such investment.

The Company formally designated and documented the hedging relationship, setting the objectives, risk-hedging strategy, identification of the hedging instrument, hedged item, nature of the risk to be hedged, and effectiveness assessment methodology. Since the exchange rate hedging relationship is clear, the method the Company used to assess the effectiveness consisted of a qualitative effectiveness test by comparing the critical terms between the hedging instruments and the hedged items.

### **Accounting policy**

#### **Net investment hedge in a foreign operation**

The Company applies hedge accounting to the foreign exchange risk resulting from its investments in foreign operations because of changes in exchange rates arising between the functional currency of that operation and the functional currency of the holding company, regardless of whether the investment is held directly or through a sub-holder. The change in exchange rates is recognized in Other Comprehensive Income as part of the translation effect when the foreign operation is consolidated.

To this end, the Company designates the debt denominated in foreign currency as hedging instruments; therefore, the exchange effects arising from such debt are recognized in Other Comprehensive Income, in the translation effects line, to the extent that the hedge is effective. When the hedge is not effective, exchange rate differences are recognized in foreign exchange gain or loss in the consolidated income statement.



## Conference call

The Company plans to host a conference call for investors at 9:00 a.m. Mexico City Time (10:00 a.m. E.T.) on, Tuesday, April 27, 2021, to discuss the Company's first quarter 2021 unaudited financial results. Interested parties may also listen to a simultaneous webcast of the conference call by logging onto the Company's website at:

<http://public.viavid.com/index.php?id=144384> or [www.becle.com.mx](http://www.becle.com.mx).

## First Quarter 2021 Unaudited Financial Results Conference Call and Webcast Details

Date:	Tuesday, April 27, 2021	
Time:	9:00 a.m. Mexico City Time (10:00 a.m. E.T.)	
Participants:	Juan Domingo Beckmann (CEO) Fernando Suárez (CFO)	
Dial-in:		
	Mexico Toll-free	800-522-0034
	U.S. Toll-free	1-877-407-0792
	Toll/International	1-201-689-8263
Conference ID:	13718749	

## Webcast:

<http://public.viavid.com/index.php?id=144384> or [www.becle.com.mx](http://www.becle.com.mx).

\*Those joining via webcast will be unable to participate in live Q&A

## About Becele

*Becele is a globally renowned company in the spirits industry and the world's largest producer of tequila. Its extraordinary portfolio of over 30 spirits brands, some of them owned, some of them agency brands distributed only in Mexico, has been developed throughout the years to participate in key categories with high growth potential, serving the world's most important alcoholic beverage markets and attending key consumer preferences and tendencies. Becele's portfolio strength is based on the profound legacy of its iconic internally developed brands such as Jose Cuervo®, combined with complementary acquisitions such as Three Olives®, Hangar 1®, Stranahan's®, Bushmills®, Pendleton® and Boodles®, as well as a relentless focus on innovation that over the years has created renowned brands such as 1800®, Maestro Dobel®, Centenario®, Kraken®, Jose Cuervo® Margaritas and B:oost®, among others. Some of Becele's brands are sold and distributed in more than 85 countries.*



## **EBITDA**

*EBITDA is a measure used in the Company's financial analysis that is not recognized under IFRS but is calculated from amounts that derive from the Company's financial statements. We calculate EBITDA as net income plus depreciation and amortization, income tax expense, and interest expense, less interest income, plus foreign exchange gain (loss).*

*EBITDA is not an IFRS measure of liquidity or performance, nor is EBITDA a recognized financial measure under IFRS. We believe that EBITDA can be useful to facilitate comparisons of operating performance between periods on a combined basis, but these metrics may be calculated differently by other issuers. EBITDA should not be construed as an alternative to (i) net income as an indicator of the Company's operating performance or (ii) cash flow from operating activities as a measure of the Company's liquidity.*

## **Disclaimer**

*This press release contains certain forward-looking statements which are based on Becele's current expectations and observations. Actual results obtained may vary significantly from these estimates. The information related to future performance contained in this press release should be read jointly with the risks included in the "Risk Factors" section of the Annual Report filed with the Comision Nacional Bancaria y de Valores (Mexican National Banking and Securities Commission). This information, as well as future statements made by Becele or by any of its legal representatives, either in writing or verbally, may vary significantly from the actual results obtained. These forward-looking statements speak only as of the date on which they are made, and no assurance can be made as to the actual results obtained. Becele undertakes no obligation and does not intend to update or review any such forward-looking statements, whether as a result of new information, future developments or other related events.*

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## Consolidated Income Statements

	First quarter ended March 31, 2021			First quarter ended March 31, 2020		Year over year variance	
	(U.S. \$) <sup>(1)</sup>	(Pesos)	% of net sales	(Pesos)	% of net sales	\$	%
(Figures in millions, except per share amounts)							
<b>Net sales</b>	<b>348</b>	<b>7,168</b>		<b>5,205</b>		<b>1,963</b>	<b>37.7</b>
Cost of goods sold	161	3,325	46.4	2,517	48.3	809	32.1
<b>Gross profit</b>	<b>186</b>	<b>3,843</b>	<b>53.6</b>	<b>2,689</b>	<b>51.7</b>	<b>1,154</b>	<b>42.9</b>
Advertising, marketing and promotion	50	1,025	14.3	1,243	23.9	(218)	(17.5)
Distribution	18	365	5.1	188	3.6	177	94.0
Selling and administrative	38	773	10.8	765	14.7	8	1.1
Other income, net	(0)	(4)	(0.1)	(21)	(0.4)	17	(79.6)
<b>Operating income</b>	<b>82</b>	<b>1,683</b>	<b>23.5</b>	<b>513</b>	<b>9.9</b>	<b>1,170</b>	<b>227.9</b>
Financing results	1	15	0.2	(429)	(8.2)	445	(103.6)
<b>Income before income taxes</b>	<b>81</b>	<b>1,668</b>	<b>23.3</b>	<b>943</b>	<b>18.1</b>	<b>725</b>	<b>77.0</b>
Income taxes	21	434	6.1	245	4.7	189	77.0
<b>Consolidated net income</b>	<b>60</b>	<b>1,234</b>	<b>17.2</b>	<b>698</b>	<b>13.4</b>	<b>537</b>	<b>77.0</b>
Non-controlling interest	(0)	(1)	0.0	0	0.0	NM	NM
<b>Controlling interest</b>	<b>60</b>	<b>1,235</b>	<b>17.2</b>	<b>698</b>	<b>13.4</b>	<b>538</b>	<b>77.1</b>
Depreciation and amortization	10	197	2.7	175	2.4	23	12.9
<b>EBITDA</b>	<b>91</b>	<b>1,881</b>	<b>26.2</b>	<b>688</b>	<b>13.2</b>	<b>1,193</b>	<b>173.4</b>
<b>Earnings per share</b>	<b>0.02</b>	<b>0.34</b>		<b>0.19</b>		<b>0.15</b>	<b>76.9</b>
<b>Shares (in millions) used in calculation of earnings per share</b>	<b>3,591</b>	<b>3,591</b>		<b>3,588</b>			

(1) U.S. dollars translated at 20.60 Mexican pesos solely for the convenience of the reader.

## Consolidated Statements of Financial Position

(Figures in millions)	(U.S. \$) <sup>(1)</sup>	March 31, 2021 (Pesos)	December 31, 2020 (Pesos)
<b>Assets</b>			
Cash and cash equivalents	532	10,953	7,646
Trade receivables - Net	332	6,848	9,214
Related parties	2	40	57
Recoverable income tax	35	722	624
Other recoverable taxes and receivables	65	1,344	1,291
Inventories	593	12,214	11,194
Financial Instruments at fair value through profit and loss	15	314	304
Biological assets	12	246	292
Prepayments	49	1,011	1,005
<b>Total current assets</b>	<b>1,635</b>	<b>33,694</b>	<b>31,627</b>
Inventories	311	6,405	5,960
Biological assets	256	5,280	4,895
Investments in associates	79	1,636	1,580
Property, plant and equipment - Net	521	10,727	10,169
Intangible assets	769	15,850	15,447
Goodwill	347	7,153	6,891
Right-of-use assets	110	2,265	2,352
Deferred income tax	114	2,351	2,357
Employee benefits - net	11	233	235
Other assets	3	63	68
<b>Total non-current assets</b>	<b>2,522</b>	<b>51,963</b>	<b>49,955</b>
<b>Total assets</b>	<b>4,157</b>	<b>85,657</b>	<b>81,582</b>
<b>Liabilities</b>			
Bank loan	150	3,092	0
Senior Notes	7	147	49
Trade payables	158	3,255	3,062
Related parties	6	114	170
Lease liabilities	24	497	617
Other accounts payable	153	3,148	4,810
<b>Total current liabilities</b>	<b>498</b>	<b>10,253</b>	<b>8,708</b>
Senior Notes	497	10,237	9,907
Lease liabilities	90	1,846	1,844
Environmental reserve	6	132	126
Other liabilities	27	552	508
Deferred income taxes	288	5,926	5,743
<b>Total non-current liabilities</b>	<b>907</b>	<b>18,693</b>	<b>18,129</b>
<b>Total liabilities</b>	<b>1,405</b>	<b>28,946</b>	<b>26,837</b>
Stockholders' equity attributable to controlling interest	2,749	56,633	54,666
Non-controlling interest	4	78	79
<b>Total stockholders' equity</b>	<b>2,752</b>	<b>56,711</b>	<b>54,745</b>
<b>Total liabilities and stockholders' equity</b>	<b>4,157</b>	<b>85,657</b>	<b>81,582</b>

(1) U.S. dollars translated at 20.60 Mexican pesos solely for the convenience of the reader.

## Consolidated Statements of Cash Flow

(Figures in millions)	Three months ended March 31, 2021	Three months ended March 31, 2020
(U.S. \$) <sup>(1)</sup>	(Pesos)	(Pesos)
<b>Operating activities:</b>		
Income before income taxes	81	1,668
Adjustment from non-cash items :		943
Depreciation and amortization	10	197
Loss on sale of property, plant and equipment	0	3
Items not implying cash	1	26
Interest income	(1)	(18)
Unrealized foreign exchange profit	(4)	(85)
Interest expense	5	101
Equity method	(0)	(5)
Subtotal	92	1,886
<b>(Increase) decrease in:</b>		
Trade receivables	110	2,270
Related parties	(2)	(38)
Other recoverable taxes and receivables	2	33
Inventories	(60)	(1,239)
Biological assets	(16)	(327)
Prepayments	1	20
Other assets	4	80
<b>Increase (decrease) in:</b>		
Trade accounts payable	8	160
Other accounts payables	(85)	(1,758)
Employee benefits	0	7
Income taxes paid or recoverable	(20)	(409)
Net cash from operating activities	33	686
<b>Investing Activities:</b>		
Property, plant and equipment	(24)	(504)
Intangible assets	(1)	(17)
Investment in associates	0	0
Interest income	1	18
Net cash from investing activities	(24)	(503)
<b>Financing activities:</b>		
Bank loan	151	3,107
Principal lease payment	(7)	(137)
Interest paid	(1)	(25)
Net cash from financing activities	143	2,944
Net increase (decrease) of cash and cash equivalents	152	3,128
Cash and cash equivalents at beginning of the period	371	7,646
Effects of exchange rate changes on cash and cash equivalents	9	179
<b>Cash and cash equivalents at end of period</b>	532	10,953
		9,862

(1) U.S. dollars translated at 20.60 Mexican pesos solely for the convenience of the reader.