

Jose Cuervo®



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

J.P. MORGAN

2019 Mexico Opportunities Conference

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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

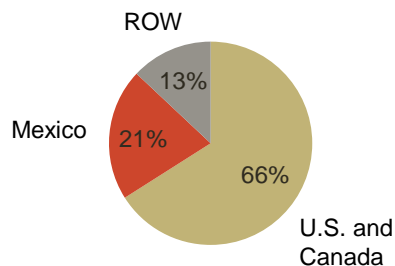


- ✓ **Undisputed leader in tequila globally**, ~30% market share⁽¹⁾
- ✓ Comprehensive portfolio of **over 30 brands** retailed in more than 90 countries.
- ✓ Track record of **innovation and value enhancing/strategic M&A**
- ✓ **Strong geographic diversification** and relevant exposure to the U.S. and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

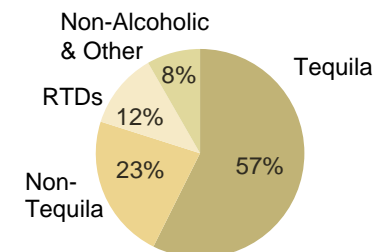
Key Figures – Financial Statements	1 st Half 2019
Volume (9L cases)	10.8mm
Net Sales	P\$10,893 MM
EBITDA	P\$2,538 MM
EBITDA Margin	20.7%

Net Sales Value Breakdown 1st Half 2019

By Region



By Category



Source: Company information and IWSR 2019

Notes:

1. Based on IWSR total volume 2019





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



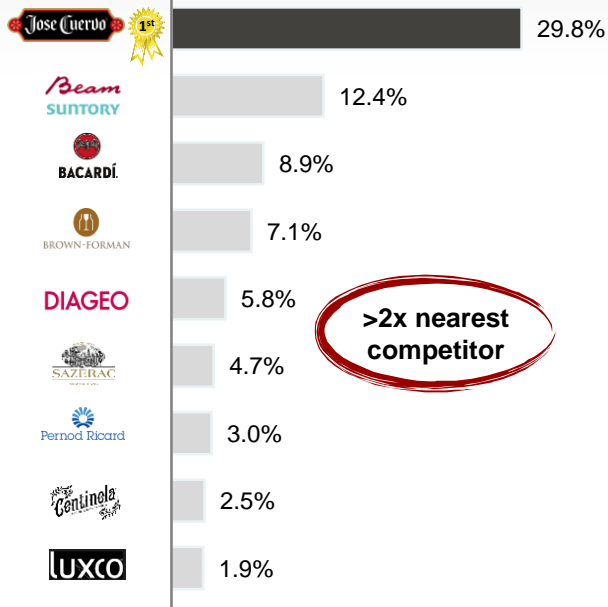
Undisputed leader in Tequila worldwide



Tequila Global Market Share

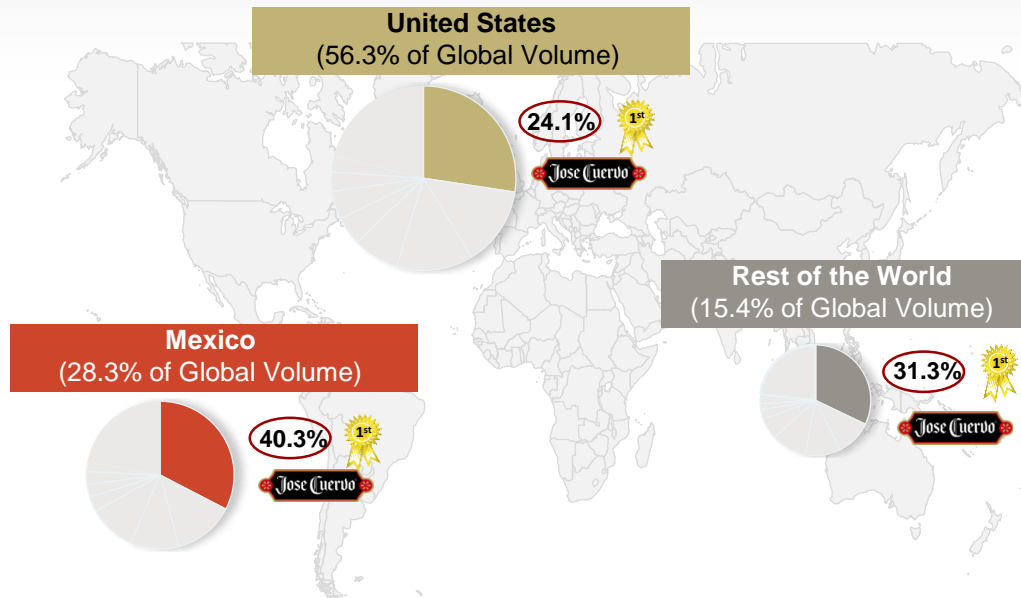
As % of volume – 2018

Total Market Size 32.5mm 9L Cases

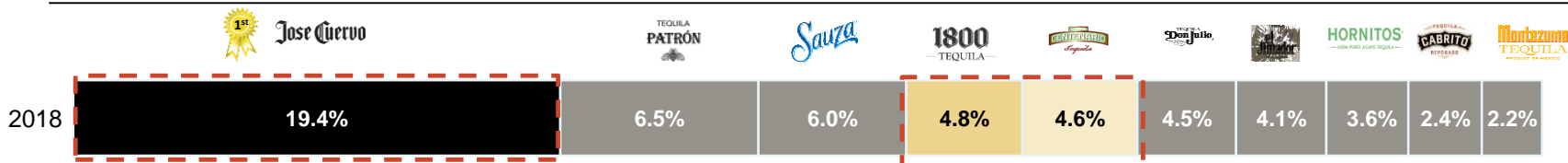


Tequila Market Share by Region

As % of volume – 2018



Cuervo is the owner of 3 of the Top 5 selling Tequila brands by volume globally



Source: IWSR 2019






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...

			
			Brand
Premium	Super Premium	Super Premium	Segment
			Main Markets
			Market Position in Segment

Focus on brand premiumization

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

		
		
Super Premium/ Ultra Premium	Ultra Premium	Prestige
		
		

Source: Company information, IWSR 2019





Extensive portfolio of leading Spirits brands



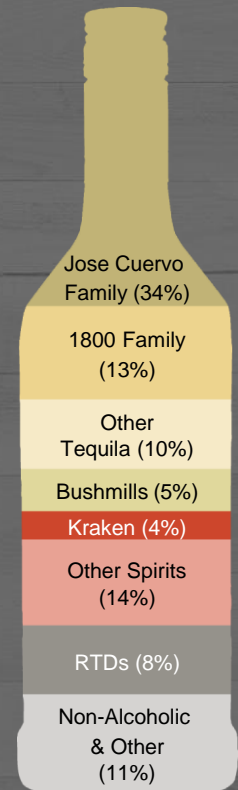
- Over 15 brands in other spirits categories

Net Sales by Family / Category

2018

Total

Pes\$28,158 MM



Irish & American Whiskey

- BUSHMILLS: Premium / Ultra Premium
- Stranahan's: Ultra Premium
- TINCUP: Premium
- PENDELTON: Premium / Ultra Premium

Rum

- KRAKEN: Premium
- Castillo: Standard

Vodka

- Hangar 1: Ultra Premium
- Three Olives: Premium
- GÖTLAND: Premium
- OSO NEGRO: Value

Gin

- BOODLES: Premium

Mezcal

- CREYENTE: Ultra Premium
- 400 CONEJOS: Premium

RTD's

- 1800: Premium
- Jose Cuervo Margarita: Mid Price
- GOLDEN: Premium

Non-alcoholic

- Jose Cuervo Refreshing Margarita: Premium
- b:oot_: Premium
- Jose Cuervo Pilsener: Premium
- Sanchez: Premium

Source: Company information, IWSR 2019 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:

- 13.9% CAGR 2012-2018 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



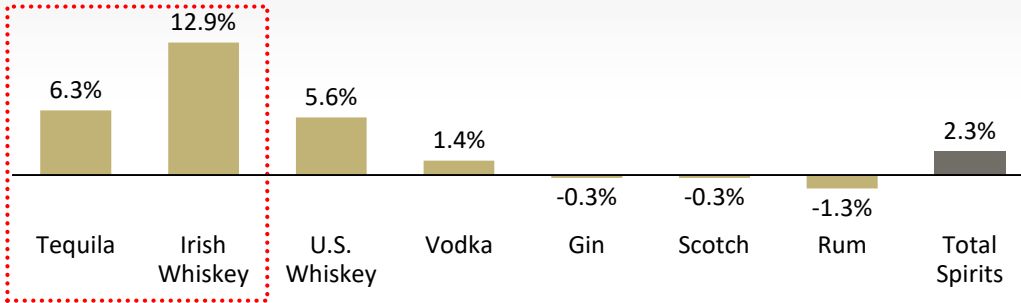


Right brands / right categories / right markets



U.S. Spirits – Growth

2013-2018 Volume CAGR



Spirits Categories – Global Market Share

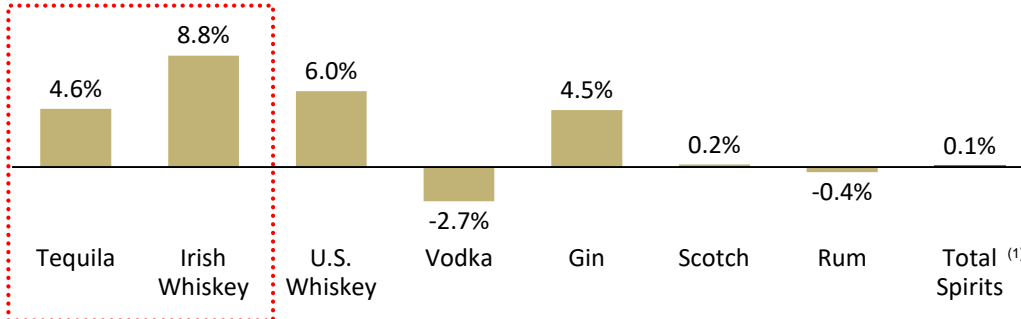
% Volume – 2018



Tequila & Irish Whiskey remain underrepresented categories within spirits

Global Spirits – Growth

2013-2018 Volume CAGR



Source: IWSR 2019

Notes:

1. Excludes Baiju





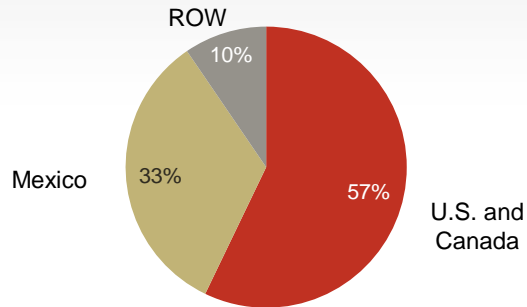
Global reach and established U.S. platform



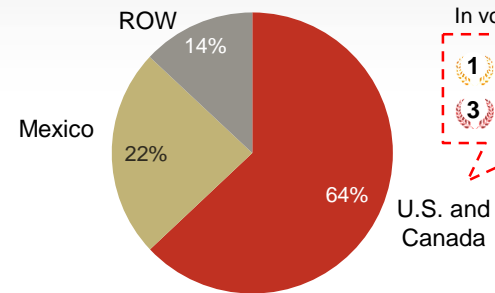
Continued Geographic Diversification: U.S. and Canada represent ~64% of the Company's Revenues in 2018

Net Sales by Region

2013A



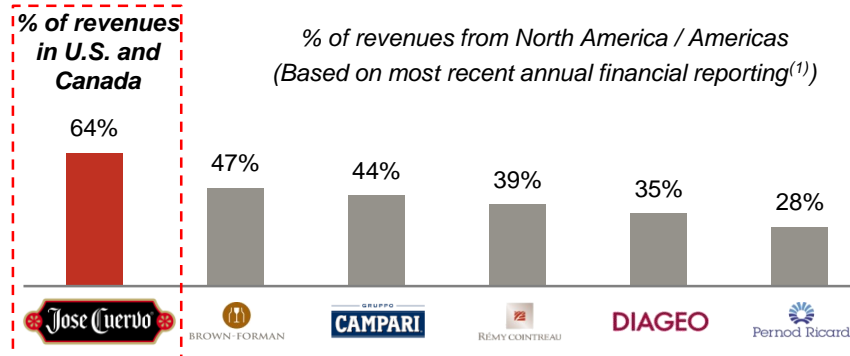
2018



In volume and value:
1 in Tequila
3 in Irish Whiskey

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, Rémy Cointreau and Pernod Ricard: defined as Americas; Diageo: defined as North America (U.S. Spirits, Diageo-Guinness U.S. and Canada)



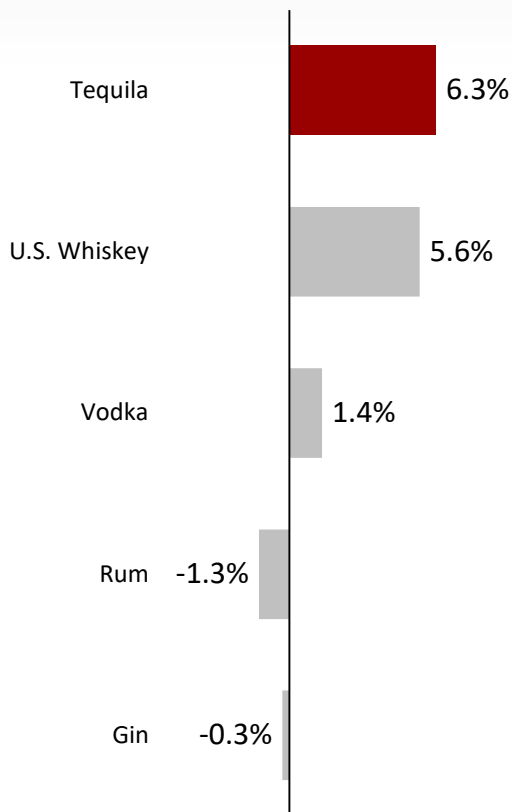


Tequila's attractiveness in the U.S.



Tequila: Among the Fastest Growing Spirits...

13A – 18A Volume CAGR in the U.S.



...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

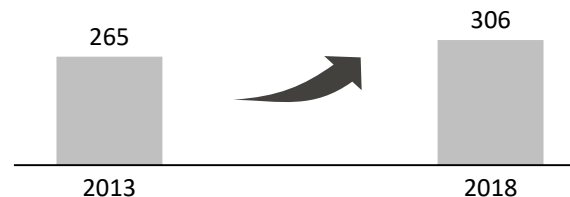
Craftsmanship and Heritage

- 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 2019

Source: IWSR





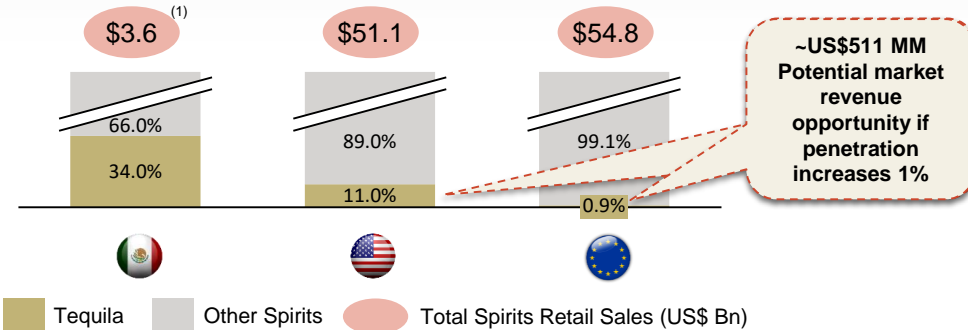
Untapped international growth



Key Categories Underpenetrated Outside Core Markets

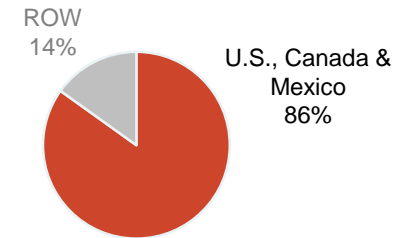
Tequila

As % of Total Spirits Retail Sales – 2018



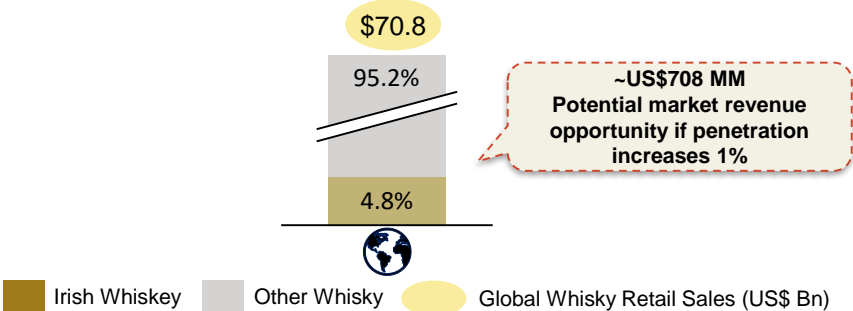
Cross-leverage Platforms to Accelerate Expansion

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

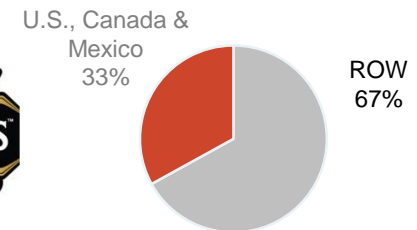


Irish Whiskey

As % of Global Whisky Retail Sales – 2018



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



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

Source: IWSR 2019, Company information





Integrated platform



1 Agriculture

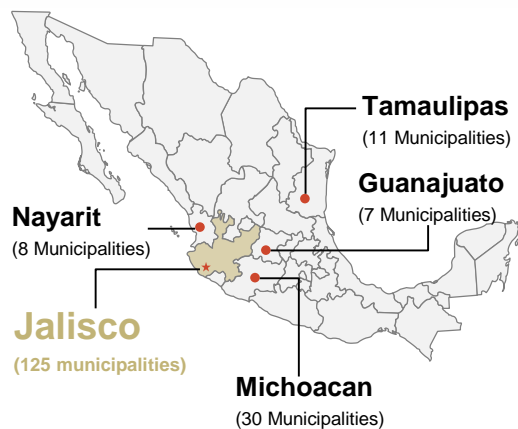


2 Production



Competitive Advantage Resulting from Appellation of Origin for Tequila

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



- La Rojeña (Tequila)
- Camichines (Tequila)
- EDISA Bottling Facility
- 1800 Distillery (Tequila) In construction



- Stranahan's (Colorado)
- Hangar 1 (California)
- Proximo Bottling (Indiana)



- Old Bushmills Distillery and Bottling (Northern Ireland)
- In expansion

- 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





Unique Route-to-Market distribution



3 Distribution



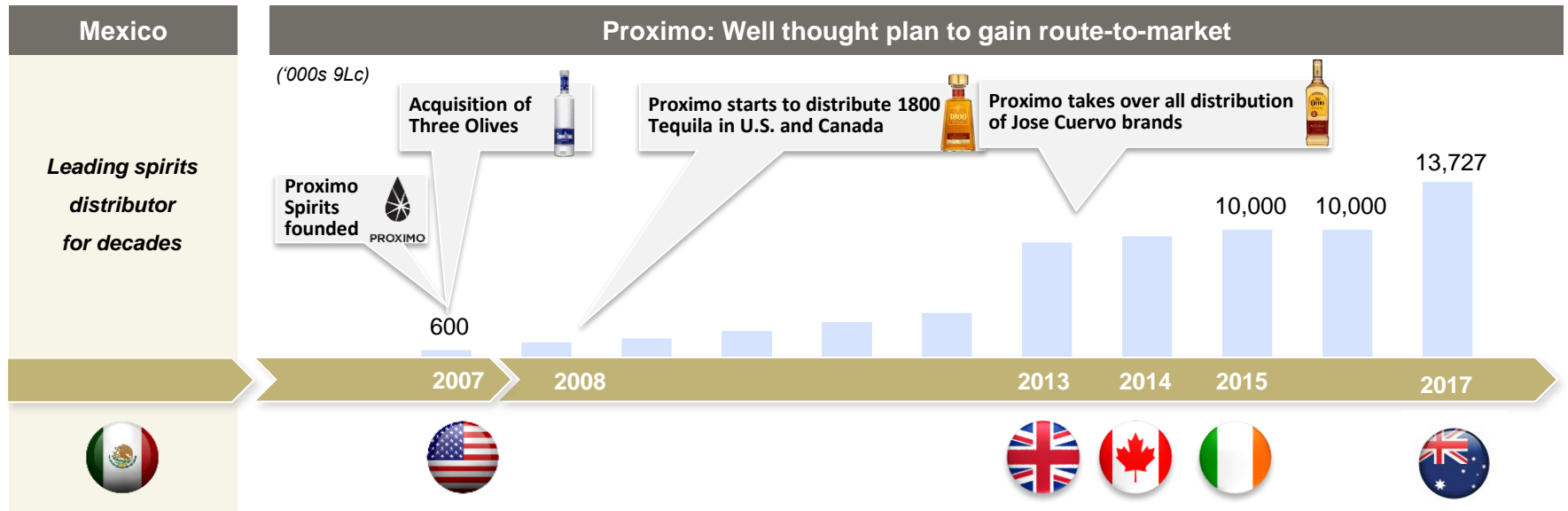
Own Distribution Platform to Control Route-to-Market and Brand Building Strategy

Volume through own distribution network from ~25% in 2007 to ~92% as of 2018



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 Case Study



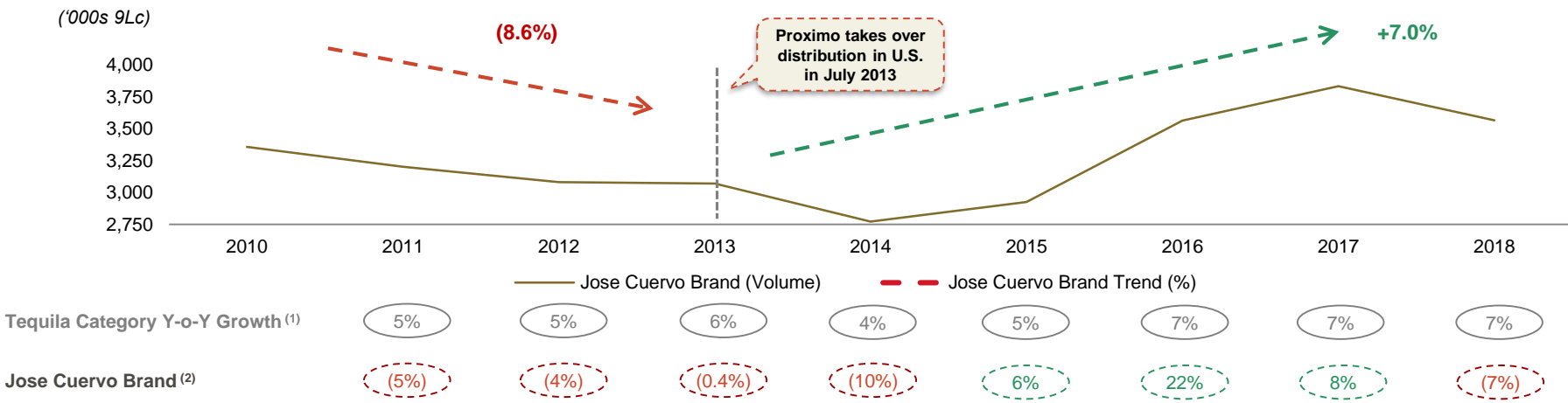
Jose Cuervo

Since Proximo took over the distribution of Jose Cuervo from Diageo, volume grew 7% 2014 to 2018 (CAGR).

Key Turnaround Initiatives

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

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



Source: Company information, Internal information.
 Notes:
 1. Considers IWSR volume for U.S. tequila category growth Y-o-Y
 2. Refers to Y-o-Y growth rate



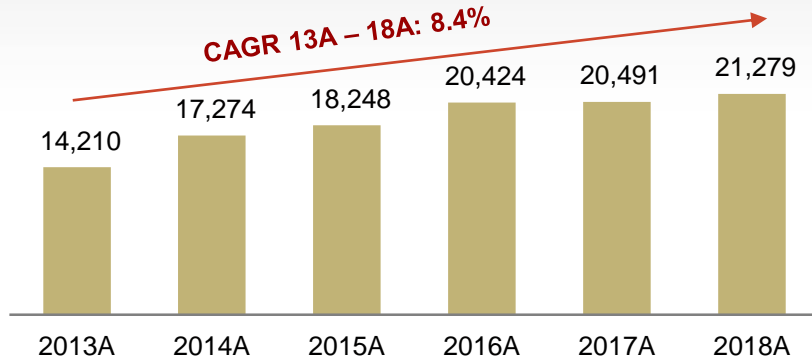


Track record of sustainable growth



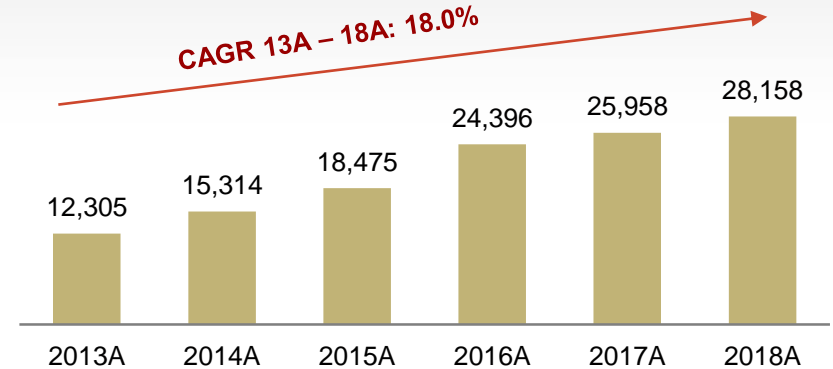
Combined Volume

(000s of 9 Liter Cases)



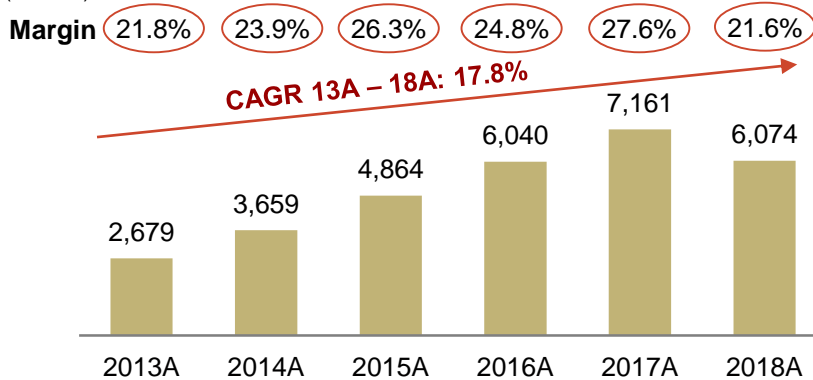
Combined Net Sales

(Ps\$MM)⁽¹⁾



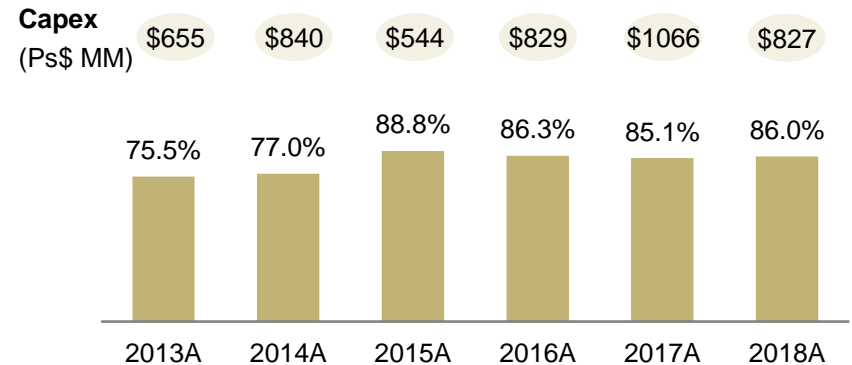
Combined EBITDA⁽²⁾ and Margin

(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



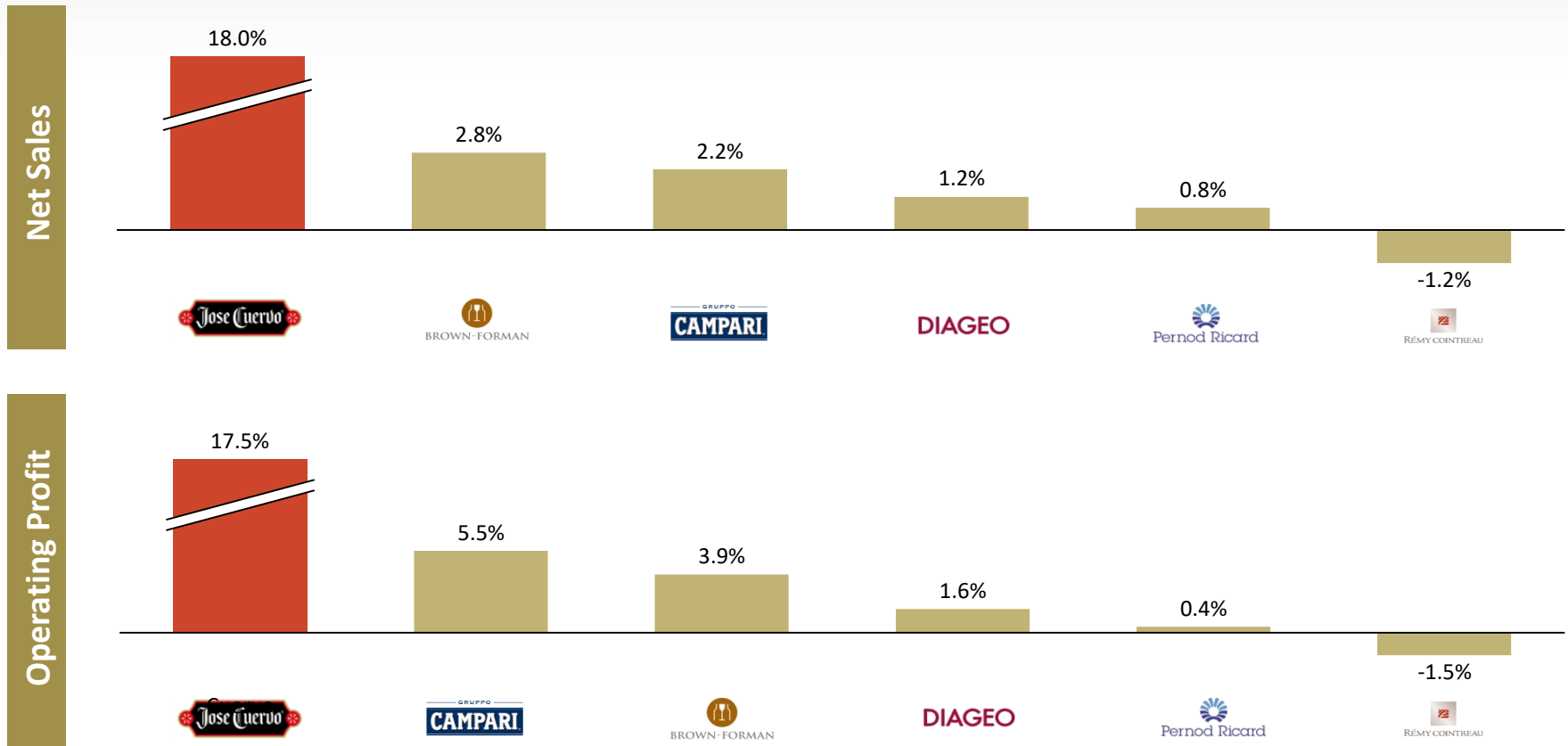


Above sector growth



Income Statement Past Performance – 2013A-2018A CAGR

(Fiscal Years, in Reporting Currency)



Source: Company Audited Financial Statements and most recent publicly available annual financial statements for our peers for the 2013 to 2018 periods. 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.





Value of Heritage and Corporate Governance



A True Mexican Success Story Lasting Over 250 Years



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



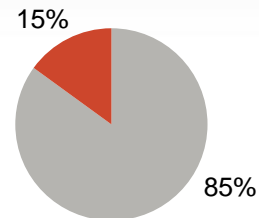
Selected Medals and Awards



Madrid (1907) London (1910) Paris (1909) Spain (1907) Barcelona (1912) Rome (1923) Rio de Janeiro (1923)

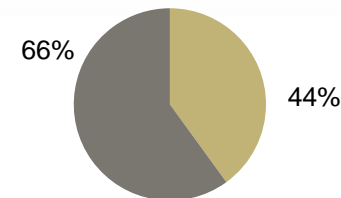
Supported by Robust Corporate Governance

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 - Unaudited



	Six months ended June 30, 2019			Six months ended June 30, 2018		Year over year variance	
	(U.S. \$) ⁽¹⁾	(Pesos)	% of net sales	(Pesos)	% of net sales	\$	%
(Figures in millions, except per share amounts)							
Net sales	639	12,247		11,483		763	6.6
Cost of goods sold	295	5,657	46.2	4,452	38.8	1,206	27.1
Gross profit	344	6,589	53.8	7,032	61.2	(442)	(6.3)
Advertising, marketing and promotion	139	2,667	21.8	2,551	22.2	116	4.5
Distribution	24	454	3.7	504	4.4	(50)	(10.0)
Selling and administrative	74	1,416	11.6	1,313	11.4	103	7.8
Other (income) expenses, net	(9)	(181)	-1.5	46	0.4	(227)	(496.2)
Operating profit	117	2,234	18.2	2,618	22.8	(384)	(14.7)
Financial results, net	7	125	1.0	412	3.6	(287)	(69.7)
Profit before income taxes	110	2,109	17.2	2,206	19.2	(97)	(4.4)
Total income taxes	29	548	4.5	613	5.3	(65)	(10.6)
Consolidated net income	81	1,561	12.7	1,593	13.9	(32)	(2.0)
Non-controlling interest	(0)	(1)	0.0	0	0.0	NM	NM
Controlling net income	82	1,561	12.8	1,592	13.9	(31)	(1.9)
Depreciation and amortization	16	304		244		-	
EBITDA	132	2,538	20.7	2,861	24.9	(324)	(11.3)

(1) U.S. dollars translated at 19.1587 Mexican pesos solely for the convenience of the reader

Source: Combined and consolidated financial statements



IFRS 16 adoption effect



(Figures in millions)	1H19 without IFRS 16 effect		1H19 with IFRS 16 effect		Effects in profit from IFRS 16
	(Pesos)	% of net sales	(Pesos)	% of net sales	
Operating profit	2,234	18	2,234	19	0
Financial results, net	80	1	125	1	45
Consolidated net income	1,606	13	1,561	14	-45
Depreciation and amortization	246	2	304	3	58
EBITDA	2,480	20	2,538	22	58

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).



H1 2019 Statement of financial position - Unaudited



(Figures in millions)	June 30, 2019		December 31, 2018
	(U.S. \$) ⁽¹⁾	(Pesos)	(Pesos)
Assets			
Cash and cash equivalents	454	8,704	12,028
Accounts receivable, net	290	5,556	8,536
Inventories, net	599	11,490	8,162
Other current assets	168	3,229	2,502
Total current assets	1,512	28,979	31,228
Non-current inventories	379	7,263	6,859
Property, plant and equipment, net	311	5,965	5,506
Right-of-use assets	101	1,942	0
Deferred income tax	74	1,417	1,454
Intangible assets and trademarks, net	744	14,263	14,664
Goodwill	323	6,192	6,354
Other assets	33	639	646
Total non-current assets	1,966	37,681	35,483
Total assets	3,478	66,660	66,711
Liabilities & stockholders' equity			
Current installment of notes payable to Banks	2	47	48
Trade accounts payable	120	2,293	2,594
Current lease liabilities	6	106	0
Accruals	87	1,658	2,348
Other liabilities	31	589	102
Total current liabilities	245	4,694	5,092
Long term debt, excluding current installment	495	9,498	9,745
Non-current lease liabilities	93	1,775	0
Environmental reserve	6	118	121
Other long-term liabilities	15	294	314
Deferred income taxes	192	3,679	3,568
Total long-term liabilities	801	15,364	13,748
Total liabilities	1,046	20,057	18,840
Total controlling interest	2,428	46,536	47,805
Non-controlling interest	3	66	67
Total stockholders' equity	2,431	46,603	47,872
Total liabilities and stockholders' equity	3,478	66,660	66,711

(1) U.S. dollars translated at 19.1685 Mexican pesos solely for the convenience of the reader



H1 2019 Summarized Cash flow statement - Unaudited



(Figures in millions)

Six months ended June 30, 2019

Six months ended June 30, 2018

	(U.S. \$) ⁽¹⁾	(Pesos)	(Pesos)
Operating activities			
Income before income taxes	110	2,109	2,206
Items relating to investing activities:	11	209	177
Items relating to financing activities:	62	1,191	280
Subtotal	183	3,509	2,663
Changes in working capital	(123)	(2,365)	(4,099)
Net cash from operating activities	60	1,144	(1,437)
Investing activities			
Net cash used in investing activities	(39)	(742)	(3,177)
Financing activities			
Net cash used in financing activities	(180)	(3,447)	(2,084)
Net decrease in cash and cash equivalents	(159)	(3,045)	(6,698)
Impacts due to the fx rate on cash	(15)	(279)	140
Cash and cash equivalents:			
At beginning of the period	627	12,028	19,996
At end of period	454	8,704	13,438

(1) U.S. dollars translated at 19.1685 Mexican pesos solely for the convenience of the reader



Mariana Rojo

marojo@cuervo.com.mx

Alfredo Rubio

alrubio@cuervo.com.mx