



BECLE, S.A.B. de C.V. Reports Third Quarter 2017 Earnings

Mexico City, Mexico, October 26, 2017 /BUSINESSWIRE/ -- BECLE, S.A.B. de C.V. ("Cuervo", "BECLE" or the "Company") (BMV: CUERVO) today announced financial results for the quarter ended September 30, 2017.

All figures in this release are derived from the Interim Consolidated Financial Statements of the Company as of September 30, 2017 and for the three-month period then ended and are prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" of the International Financial Reporting Standard (IFRS), which have been published in the Bolsa Mexicana de Valores (BMV).

Third Quarter 2017 Highlights

- Net Sales increased by 24.3% to \$5,765 million pesos;
- Volume increased 15.2%, with United States and Canada volumes growing 17.0%;
- Gross profit increased 20.7% to \$3,292 million pesos;
- Operating profit decreased 5.3% to \$1,143 million pesos due to pressure on production costs related to third party agave purchases, as well as the lower AMP in the prior year due to seasonality experienced during the third quarter of 2016. Operating profit during the first nine months of 2017 increased by 15.5% against the same period last year, which represents 27.2% of net sales.
- EBITDA decreased 6.4% to \$1,243 million pesos. This resulted in an EBITDA margin of 21.6%. EBITDA year to date as of September grew 15.2%, which represents 29.0% of net sales value; and
- Consolidated net income increased 13.1% to \$856 million pesos, resulting in earnings per share of \$0.24.

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

"We delivered strong third quarter net sales growth of 24.3% on volume growth of 15.2%. Volume growth was strong in all major regions and across categories. The US and Canada reported significantly accelerated growth as sales trends have begun to normalize after the effects of the price increase earlier this year, while Mexico growth remained robust. We are well positioned for the seasonally strong fourth quarter."

Third Quarter 2017 Results

During the third quarter of 2017, volume growth was driven by 17.0% growth in the United States and Canada, a 6.3% increase in sales volumes in Mexico and a 36.3% increase in the Rest of World (RoW) region. Volume growth in the United States and Canada benefited from the normalization of sales trends following the January price increase, which had impacted volume during the first half of fiscal 2017. As a result, consolidated third quarter sales volumes were 4.7 million nine-liter cases, up 15.2% from 4.1 million nine-liter cases in the same period last year.

Volume by Region 3Q17 (in 000s nine-liter cases)

REGION	3Q17	3Q16	(VAR.% YOY)	2Q17	(VAR.% QOQ)
US & CANADA	2,688	2,298	17.0%	3,876	-30.6%
MEXICO	1,479	1,391	6.3%	1,344	10.0%
<u>ROW</u>	<u>537</u>	<u>394</u>	<u>36.3%</u>	<u>588</u>	<u>-8.7%</u>
TOTAL	4,704	4,083	15.2%	5,809	-19.0%

Net sales increased 24.3% to \$5,765 million pesos compared to the same period in 2016, driven by the selective price increase and volume growth in all regions. In the third quarter of 2017, the US and Canada region represented 63.2% of total net sales for the Company. Net sales in this region increased 28.5% versus the same period last year, largely explained by volume growth and the January price increase, partially offset by the unfavorable effect of foreign exchange. In the same period, Mexico represented 22.6% of total net sales and net sales in the region increased by 22.8% over the prior year period. Finally, net sales of the RoW represented 14.2% of total net sales and increased its net sales by 10.4% over the third quarter of 2016.

Net Sales by Region 3Q17 (in MXN\$ millions)

REGION	3Q17	3Q16	(VAR.% YOY)	2Q17	(VAR.% QOQ)
US & CANADA	3,645	2,837	28.5%	5,080	-28.3%
MEXICO	1,304	1,062	22.8%	1,060	23.0%
<u>ROW</u>	<u>816</u>	<u>739</u>	<u>10.4%</u>	<u>784</u>	<u>4.1%</u>
TOTAL	5,765	4,637	24.3%	6,924	-16.7%

Volume of Jose Cuervo increased 24.3% compared the same period in 2016 and represented 33.4% of total volume for the third quarter of 2017. The Company's Other Tequila brands represented 15.3% of total volume with volume increasing 14.3% compared to the prior year period. The Company's Other Spirits brands represented 18.3% of total volume in the period and experienced a 15.8% increase in volume over the third quarter of last year. Volume of Non-alcoholic and Other represented 21.3% of total volume and volume increased by 6.7% compared to the prior year period. Finally, volume of ready-to-drink (RTDs) represented 11.8% of total volume and increased by 8.4% compared to the prior year period.

Volume by Category 3Q17 (in 000s nine-liter cases)

CATEGORY	3Q17	3Q16	(VAR.% YOY)	2Q17	(VAR.% QOQ)
JOSE CUERVO	1,571	1,264	24.3%	1,888	-16.8%
OTHER TEQUILAS	717	628	14.3%	705	1.8%
OTHER SPIRITS	860	743	15.8%	829	3.6%
NON-ALCOHOLIC & OTHER	1,002	939	6.7%	1,398	-28.3%
<u>RTD</u>	<u>553</u>	<u>510</u>	<u>8.4%</u>	<u>989</u>	<u>-44.1%</u>
TOTAL	4,704	4,083	15.2%	5,809	-19.0%

Net Sales of Jose Cuervo represented 36.7% of total net sales for the third quarter of 2017 and reported an increase in its net sales of 32.4% compared the same period in 2016. The Company's Other Tequila brands represented 23.1% of total net sales and increased its net sales 18.6% compared to the prior year period. The Company's Other Spirits brands represented 20.4% of total net sales in the period and reported a 25.7% increase in net sales compared to the third quarter last of year. Net sales of Non-alcoholic and Other represented 12.7% of total net sales and reported an increase in net sales of 21.6% compared to the prior year period. Finally, net sales of ready-to-drink (RTDs) represented 7.1% of total net sales and reported an increase of 7.9% compared to the prior year period.

Net sales by Category 3Q17 (in MXN\$ millions)

CATEGORY	3Q17	3Q16	(VAR.% YOY)	2Q17	(VAR.% QOQ)
JOSE CUERVO	2,115	1,598	32.4%	2,735	-22.7%
OTHER TEQUILAS	1,333	1,124	18.6%	1,355	-1.6%
OTHER SPIRITS	1,175	935	25.7%	1,169	0.6%
NON-ALCOHOLIC & OTHER	733	603	21.6%	871	-15.8%
<u>RTD</u>	<u>407</u>	<u>378</u>	<u>7.9%</u>	<u>794</u>	<u>-48.7%</u>
TOTAL	5,765	4,637	24.3%	6,924	-16.7%

Gross profit during the third quarter of 2017 increased 20.7% over the same period in 2016 to \$3,292 million pesos. Gross margin as a percent of sales was 57.1% for the third quarter of 2017 compared to 58.8% for the third quarter of 2016. Gross margin was negatively impacted by higher input costs partially offset by a favorable pricing effect traceable to US and Mexico price increases, product mix and translation effect.

Advertising, marketing and promotion (AMP) increased 41.0% to \$1,267 million pesos compared to the third quarter of 2016. As a percentage of net sales, AMP increased to 22.0% from 19.4% in the prior year period. The increase was primarily due to lower base of third quarter last year due to seasonality.

During the third quarter of 2017, operating profit decreased 5.3% to \$1,143 million pesos compared to the same period last year. Operating margin as a percentage of sales decreased to 19.8% as compared to 25.9% in the prior year period. The decreased in operating margin reflects pressure in production cost due to third party agave purchases as well as the seasonality of AMP

partially offset by decreases in selling and administrative (SG&A) costs and distribution costs, both as a percentage of revenue.

EBITDA in the third quarter of 2017 decreased by 6.4% to \$1,243 million pesos compared to \$1,328 million pesos during the third quarter of 2016. Year to date, EBITDA grew 15.2% when compared the prior year.

Net financial results and other were a benefit of \$114 million pesos during the third quarter, mainly due to Mexican Peso devaluation against the US Dollar on the company's cash position..

Consolidated net income in the third quarter of 2017 was \$856 million pesos, a 13.1% increase compared to the prior year period. Earnings per share were P\$0.24 in the third quarter of 2017.

Balance Sheet and Cash Flow

As of September 30, 2017, the Company did not experience material changes in its debt position, maintaining as the only long term debt the \$500 million U.S. dollar bond due in 2025. Net cash was \$9,547 million pesos at September 30, 2017, reflecting cash and equivalents of \$18,677 million pesos relative to total debt of \$9,130 million pesos.

Company's total liabilities as of September 30, 2017 amounted to \$16,009 million pesos, a decrease of 9.2% compared to December 31, 2016. This decrease is primarily explained by a reduction in trade accounts payable during the third quarter of 2017 (seasonality) as well as the changes derived from the peso appreciation.

During the third quarter of 2017, the Company invested \$146 million pesos in capital expenditures.

Conference Call

The Company plans to host a conference call for investors at 8:00 a.m. Central Time (9:00 a.m. Eastern Time) on Friday, October 27, 2017, to discuss the Company's third quarter 2017 financial results. Interested parties may also listen to a simultaneous webcast of the conference call by logging onto the Company's website at www.ircuervo.com in the Investor Relations – Standing News section.

Third Quarter 2017 Earnings Conference Call Details:

Date:	Friday, October 27, 2017	
Time:	8:00 a.m. Central Time (9:00 a.m. Eastern Time)	
Dial-In:		
	Mexico Toll-free	001 800 514 5965
	Mexico City Local	+52 55 4777 2674
	U.S. Toll-free	1-888-359-3627
	Toll/International	1-719-457-2085
	U.K. Toll-free	0 808 101 1147
	U.K. London Local	+44 (0) 20 8150 0794
Conference ID:	3963652	
Webcast:	http://public.viavid.com/index.php?id=126845 or www.ircuervo.com	

For those unable to participate during the live broadcast, a replay of the webcast will be available for approximately 30 days following the call.

About the Company

BECLE, S.A.B. de C.V. is a globally renowned Company in the spirits industry and the world's largest producer of tequila. Its extraordinary portfolio of over 30 spirit 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 perspective, serving the world's most relevant alcoholic beverage markets and attending key consumer preferences and tendencies. The portfolio strength of Cuervo is based in the profound legacy of its iconic brands internally developed as Jose Cuervo®, combined with complementary acquisitions such as Three Olives®, Hangar 1®, Stranahan's®, Bushmills® or Boodles®, as well as a key focus on innovation, that during the years has helped Cuervo to internally develop renowned brands such as 1800®, Maestro Tequilero®, Maestro Tequilero® Dobel®, Centenario®, Kraken®, Jose Cuervo® Margaritas and B:oost®, among Cuervo's brands, some of them are sold and distributed in more than 85 countries.

EBITDA

EBITDA is a measure used in the Company's financial analysis that are not recognized under IFRS but are 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 loss (gain).

EBITDA is not a IFRS measure of liquidity or performance, nor is EBITDA recognized financial measures 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 alternatives 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 report contains certain forward-looking statements which are based on Cuervo'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 Mexican prospectus filed with the Comisión Nacional Bancaria y de Valores (Mexican National Banking and Securities Commission). This information, as well as future statements made by Cuervo or by any of its legal representatives, either written 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. Cuervo undertakes no obligation and does not intend to update or review any of such projections and estimations, whether as a result of new information, future developments and other related events.

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Profit and Loss Statement

	Third Quarter Ended September 30, 2017		Third Quarter Ended September 30, 2016		Year over Year Variance	
		% of net sales		% of net sales	\$	%
(Ps\$ in millions, except per share amounts)						
Net Sales	5,765		4,637		1,127	24.3
Cost of goods	2,473	42.9	1,911	41.2	562	29.4
Gross profit	3,292	57.1	2,727	58.8	566	20.7
Advertising, marketing & promotion	1,267	22.0	898	19.4	369	41.0
Distribution	182	3.2	168	3.6	13	7.9
Selling and administrative	594	10.3	574	12.4	20	3.5
Other (income) expenses, net	107	1.9	(121)	-2.6	228	NM
Operating profit	1,143	19.8	1,207	26.0	(64)	(5.3)
Financial results, net	(114)	-2.0	81	1.7	(195)	NM
Profit before tax	1,257	21.8	1,126	24.3	131	11.6
Total income taxes	401	7.0	369	8.0	32	8.6
Consolidated net income	856	14.8	757	16.3	99	13.1
Non-controlling interest	(1)	0.0	0	0.0	NM	NM
Net income to equity holders of the company	857	14.9	757	16.3	101	13.3
Other comprehensive income, net of income tax	(586)	-10.2	585	12.6	(1,171)	NM
Net comprehensive income	271	4.7	1,342	28.9	(1,071)	(79.8)
Depreciation & Amortization	100		121			
EBITDA	1,243	21.6	1,328	28.6	(85)	(6.4)
Earnings per share	0.24					
Shares (in millions) used in calculation of earnings per share	3,596					

Balance Sheet

(Ps\$ in millions)	September 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents	18,677	5,128
Accounts receivable, net	4,726	6,396
Inventories, net	7,095	5,943
Other current assets	2,952	2,258
Total Current Assets	33,449	19,725
Non-current inventories	3,548	3,178
Property, plant and equipment, net	4,486	4,641
Intangible assets and trademarks, net	10,755	11,771
Goodwill	5,699	5,992
Other assets	386	380
Total Long-Term Assets	24,875	25,963
Total Assets	58,324	45,688
Liabilities & Stockholders' Equity		
Current installment of notes payable to Banks	132	53
Trade accounts payable	1,829	2,407
Accruals	1,955	1,708
Other liabilities	296	288
Total current liabilities	4,211	4,457
Long term debt, excluding current interest payable	8,998	10,207
Environmental reserve	115	118
Other long-term liabilities	104	95
Deferred income taxes	2,581	2,759
Total Long-Term Liabilities	11,798	13,179
Total Liabilities	16,009	17,636
Total controlling interest	42,285	28,022
Non-controlling interest	31	30
Total Stockholders' Equity	42,316	28,052
Total Liabilities and Stockholders' Equity	58,324	45,688

Cash Flow Statement

(Ps\$ in millions,)	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Operating Activities		
Income before income taxes:	3,360	3,642
Items relating to investing activities:		
Depreciation and amortization	314	285
Loss on sale of property, plant and equipment	28	(10)
Investment in associates	(5)	0
Items relating to financing activities:		
Interest income	(76)	(18)
Interest expense	297	274
Subtotal	3,919	4,174
Changes in:		
Accounts receivable	1,671	1,626
Related parties	75	(209)
Other receivables	(474)	(1,289)
Inventories	(1,522)	(1,299)
Prepayments	(263)	(394)
Trade accounts payable	(579)	251
Other assets	(11)	(105)
Other liabilities	(23)	(301)
Accruals	246	89
Income taxes paid	(1,246)	(967)
Employee statutory profit	(1)	(11)
Changes in direct employee benefits	9	7
	(2,117)	(2,603)
Net cash provided by operating activities	1,802	1,572
Investing Activities		
Capital expenditures	(361)	(484)
Other stockholders movements	(30)	0
Interest collected	76	18
Income from sale of property, plant and equipment	0	11
Cash surplus to be applied in financing activities	(315)	(457)
Financing Activities		
Dividends paid	(2,600)	(2,202)
Treasury Stock	(1,789)	0
Cash inflow from increase in capital stock	1,722	1,206
Share premium	16,275	0
Interest paid	(218)	(178)
Net cash provided by financing activities	13,390	(1,173)
Net increase in cash and cash equivalents	14,877	(59)
Impacts due to the fx rate on cash	(1,328)	1,411
Cash and cash equivalents:		
At beginning of the period	5,128	4,139
At end of period	18,677	5,491

EBITDA Reconciliation

(Ps\$ MM)	Quarter ended	
	September 30, 2017	September 30, 2016
Net Income	856	757
Plus: Depreciation and Amortization	100	121
Plus: Income taxes	401	369
Plus: Interest expense	107	87
Minus: Interest income	(29)	(7)
Plus: Foreign exchange loss (gain), net	(192)	1
EBITDA	1,243	1,328