



## Becle, S.A.B. de C.V. Reports Third Quarter 2019 Unaudited Financial Results

Mexico City, Mexico, October 24, 2019 /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, 2019.

All figures in this release are derived from the Interim Consolidated Financial Statements of the Company as of September 30, 2019 and for the three-month periods ended and are prepared in accordance with International Financial Reporting Standard (IFRS).

### Third Quarter 2019 highlights

- Volume increased 6.8% on an underlying basis to 5.3 million nine-liter cases;
- Net sales increased 12.5% on an underlying basis to P\$7,024 million pesos;
- Gross profit increased 12.0% to P\$3,764 million pesos. Gross margin was 53.6% compared to 52.5%;
- EBITDA increased 31.5% to P\$1,299 million pesos. EBITDA margin was 18.5% compared to 15.4%;
- Consolidated net income increased 91.0% to P\$728 million pesos. Net margin was 10.4% compared to 5.9% and;
- Earnings per share were P\$0.20 compared to P\$0.11.

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

### Management commentary

Becle generated strong third quarter net sales with an increase of 12.5% on an underlying basis (+9.6% reported) and produced significant growth in both EBITDA and Consolidated net income. Volume increased 6.8% on an underlying basis (+3.3% reported), reflecting strong depletion trends across each region and volume rise across each product category. Becle's growth continues to outpace the broader spirits category and the Company remains well positioned with strong brands in high growth categories.

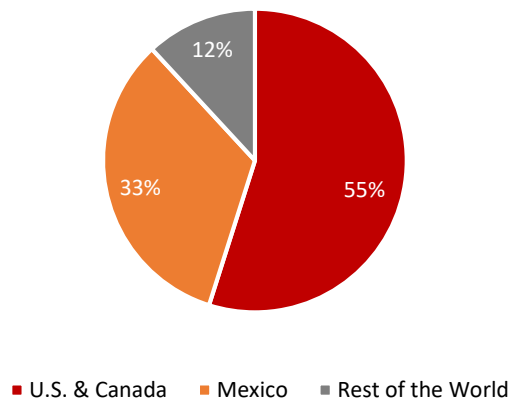
### Third Quarter 2019 results

#### Volume by region 3Q19 (in 000s nine-liter cases)

Region	3Q19	3Q18	3Q18 PF*	(Var.% YoY)	(Var. % YoY) PF*
U.S. & Canada	2,882	2,813	2,660	2.4%	8.4%
Mexico	1,745	1,701	1,698	2.6%	2.8%
<u>Rest of the World</u>	<u>623</u>	<u>570</u>	<u>560</u>	<u>9.3%</u>	<u>11.4%</u>
Total	5,250	5,084	4,918	3.3%	6.8%

\* Pro forma for the non-renewal of the distribution agreement for the Cholula Food Company in April of this year. For comparison purposes only.

## Volume breakdown by region 3Q19



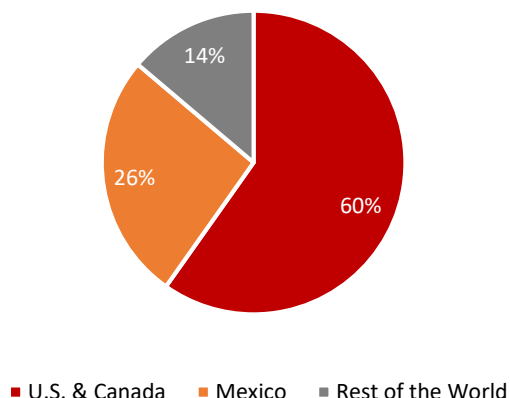
During the third quarter of 2019, total volume increased 6.8% on an underlying basis to 5.3 million nine-liter cases (+3.3% reported). The year-over-year growth reflected 8.4% growth in the U.S. and Canada on an underlying basis (+2.4% reported), driven by strong consumer take-away and depletion trends, led by continued strong growth of tequila; a 2.8% increase in Mexico on an underlying basis (+2.6% reported), driven by continued strong shipments of tequila partially offset by a deceleration of the non-alcoholic beverage portfolio; and an 11.4% increase in the Rest of the World (RoW) region on an underlying basis (+9.3% reported).

### Net sales by region 3Q19 (in MXN\$ millions)

Region	3Q19	3Q18	3Q18 PF*	(Var.% YoY)	(Var. % YoY) PF*
U.S. & Canada	4,200	3,969	3,820	5.8%	10.0%
Mexico	1,854	1,613	1,611	14.9%	15.0%
<u>Rest of the World</u>	<u>970</u>	<u>825</u>	<u>811</u>	<u>17.6%</u>	<u>19.7%</u>
Total	7,024	6,407	6,242	9.6%	12.5%

\* Pro forma for the non-renewal of the distribution agreement for the Cholula Food Company in April of this year and a base comparison effect resulting from the delay in billing of discounts in the U.S. from a large distributor that occurred during last year's second quarter and were effectively applied during the third quarter of 2018. For comparison purposes only.

## Net sales breakdown by region 3Q19



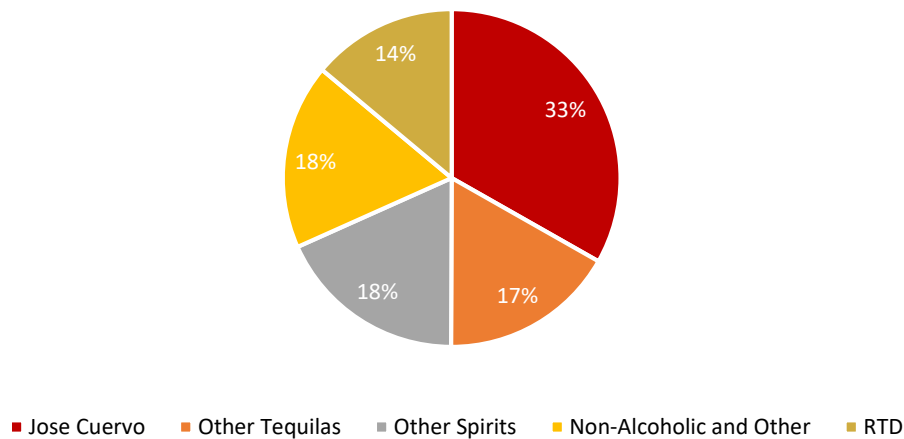
Third quarter 2019 net sales increased 12.5% on an underlying basis to P\$7,024 million pesos (+9.6% reported). Net sales in Mexico increased 15.0% on an underlying basis (+14.9% reported), primarily driven by the strong volume growth in super premium tequilas and the effect of the price increases implemented year-to-date. In the same period, U.S. and Canada net sales increased 10.0% on an underlying basis (+5.8% reported), primarily reflecting the non-renewal of the distribution agreement for the Cholula Food Company and a base comparison effect resulting from the delay in billing of discounts in the U.S. from a large distributor that occurred during last year's second quarter-and were effectively applied during the third quarter of 2018. Net sales of the RoW region increased by 19.7% on an underlying basis (+17.6% reported) when compared to the third quarter of 2018.

### Volume by category 3Q19 (in 000s nine-liter cases)

Category	3Q19	3Q18	3Q18 PF*	(Var.% YoY)	(Var. % YoY) PF*
Jose Cuervo	1,753	1,598	1,598	9.7%	9.7%
Other Tequilas	889	814	814	9.3%	9.3%
Other Spirits	963	956	956	0.7%	0.7%
Non-alcoholic and Other	938	1,078	912	-13.0%	2.8%
<u>RTD</u>	<u>707</u>	<u>638</u>	<u>638</u>	<u>10.8%</u>	<u>10.8%</u>
Total	5,250	5,084	4,918	3.3%	6.8%

\* Pro forma for the non-renewal of the distribution agreement for the Cholula Food Company in April of this year. For comparison purposes only.

## Volume breakdown by category 3Q19



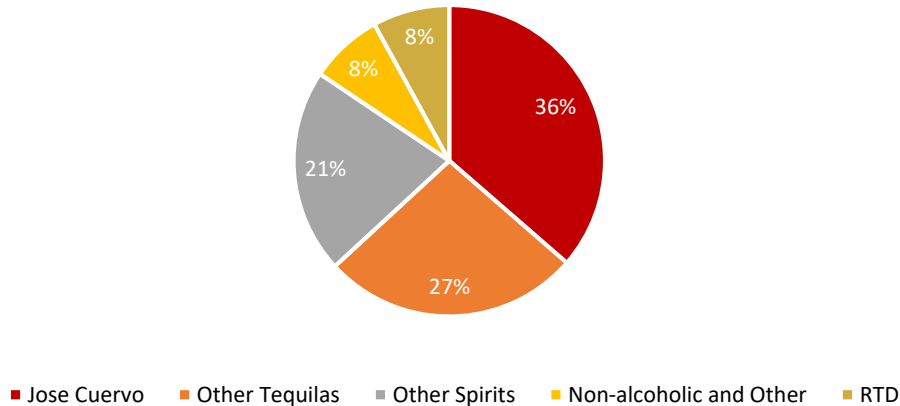
Volume of Jose Cuervo increased 9.7% compared to the same period in 2018 and represented 33.4% of total volume for the third quarter of 2019. Other Tequila brands represented 16.9% of total volume, with volume increasing 9.3% compared to the prior year period. Other Spirits brands represented 18.3% of total volume in the period and experienced a 0.7% increase in volume over the third quarter of 2018. Volume of Non-alcoholic and Other represented 17.9% of total volume and volume increased 2.8% on an underlying basis (-13.0% reported) compared to the prior year period primarily driven by the non-renewal of the distribution agreement for the Cholula Food Company brand in April of this year. Volume of ready-to-drink (RTD) represented 13.5% of total volume and grew by 10.8% compared to the prior year period.

### Net sales by category 3Q19 (in MXN\$ millions)

Category	3Q19	3Q18	3Q18 PF*	(Var.% YoY)	(Var. % YoY) PF*
Jose Cuervo	2,556	2,036	2,095	25.5%	22.0%
Other Tequilas	1,879	1,537	1,552	22.3%	21.1%
Other Spirits	1,494	1,481	1,504	0.9%	-0.7%
Non-alcoholic and other	534	860	579	-38.0%	-7.8%
<u>RTD</u>	<u>561</u>	<u>493</u>	<u>512</u>	<u>13.8%</u>	<u>9.5%</u>
Total	7,024	6,407	6,242	9.6%	12.5%

\* Pro forma for the non-renewal of the distribution agreement for the Cholula Food Company in April of this year and a base comparison effect resulting from the delay in billing of discounts in the U.S. from a large distributor that occurred during last year's second quarter and were effectively applied during the third quarter of 2018. For comparison purposes only.

## Net sales breakdown by category 3Q19



Net sales of Jose Cuervo increased 22.0% on an underlying basis (+25.5% reported) compared to the same period in 2018 and represented 36.4% of total net sales for the third quarter of 2019. Net sales of Other Tequila brands increased 21.1% on an underlying basis (+22.3% reported) compared to the prior year period and represented 26.8% of total net sales. Other Spirits brands represented 21.3% of total net sales in the period and decreased 0.7% decrease in net sales on an underlying basis (+0.9% reported) compared to the third quarter of last year. Net sales of Non-alcoholic and Other represented 7.6% of total net sales and decreased 7.8% on an underlying basis (-38.0% reported) compared to the prior year period reflecting the non-renewal of the distribution agreement for the Cholula Food Company. Net sales of RTDs represented 8.0% of total net sales and increased 9.5% on an underlying basis (+13.8% reported) compared to the prior year period. All of our net sales figures by category include the effect of a base comparison resulting from the delay in billing of discounts in the U.S. from a large distributor that occurred during last year's second quarter and were effectively applied during the third quarter of 2018.

Gross profit during the third quarter of 2019 increased 12.0% over the same period in 2018 to P\$3,764 million pesos. Gross margin was 53.6% for the third quarter of 2019 compared to 52.5% for the third quarter of 2018.

Advertising, marketing and promotion (AMP) expenses increased 6.3% to P\$1,602 million pesos when compared to the third quarter of 2018. As a percentage of net sales, AMP decreased to 22.8% from 23.5% in the prior year period. This decrease reflects the planned timing of AMP spend relative to the prior year period.

Selling and administrative (SG&A) expenses increased 3.6% to P\$727 million pesos when compared to the third quarter of 2018. As a percentage of net sales, SG&A decreased to 10.4% from 11.0% in the prior year period.

Operating profit during the third quarter of 2019 increased 31.8% to P\$1,138 million pesos compared to the same period last year. Operating margin increased to 16.2% as compared to 13.5% in the prior year period, primarily reflecting the increase in gross margin, planned timing of AMP spend relative to the prior year period and a decrease in distribution expenses mainly driven by lower fuel costs and other savings.

EBITDA in the third quarter of 2019 increased 31.5% to P\$1,299 million pesos compared to the third quarter of 2018. EBITDA margin was 18.5% for the third quarter of 2019 versus 15.4% in the same period of last year, representing a 307 basis points gain. This benefit was mainly derived from AMP planned timing, distribution savings, SG&A dilution, and an improvement in gross margin.

Net financial results were P\$155 million pesos during the third quarter of 2019 and a decrease of 52.5% versus the third quarter of 2018, derived from a lower net foreign exchange loss. On a year-over-year basis net financial results had a 171 million pesos decrease.

Consolidated net income in the third quarter of 2019 increased 91.0% to P\$728 million pesos, compared to P\$381 million pesos in the prior year period. Net margin was 10.4% for the third quarter of 2019, compared to 5.9% in the third quarter of 2018. Earnings per share were P\$0.20 in the third quarter of 2019, compared to P\$0.11 in the same period of the prior year.

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

As of September 30, 2019, cash and cash equivalents were P\$8,718 million pesos and total financial debt was P\$9,873 million pesos. During the first nine months of 2019, net cash from operating activities was P\$1,631 million pesos positive, and the Company used P\$1,275 million pesos in net investing activities. Cash used in financing activities was P\$3,512 million pesos for the nine months ended September 30, 2019.

## **IFRS 16: Leases**

IFRS 16 was issued on January 2016 and replaces existing lease guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Subsequently, the lessee recognizes an amortization expense of the assets by right of use and an interest expense on the lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases and only some disclosure requirements are added. For lessees, IFRS 16 also modifies its cash flows presentation related to leases, since cash flow outflows from operating activities are reduced and outflows of cash flows from financing activities increased.

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). As of January 1, 2019, with no restatement of comparative information.

## Conference call

The Company plans to host a conference call for investors at 8:00 a.m. Mexico City Time (9:00 a.m. U.S. Eastern Time) today, Thursday, October 24, 2019, to discuss the Company's third quarter 2019 unaudited financial results. Interested parties may also listen to a simultaneous webcast of the conference call by logging onto the Company's website at <https://engage.vevent.com/rt/beclesadecvao~10242019> or [www.becle.com.mx](http://www.becle.com.mx).

### Third Quarter 2019 Unaudited Financial Results Conference Call and Webcast Details

Date: Thursday, October 24, 2019

Time: 8:00 a.m. Mexico City Time (9:00 a.m. EST)

Participants: Juan Domingo Beckmann (CEO)  
Fernando Suárez (CFO)

Dial-in:

Mexico Toll-free	01 800 926-9157
U.S. Toll-free	1-(855) 493-3490
Toll/International	1-(720) 405-2153

Conference ID: **5054298**

Webcast: <https://engage.vevent.com/rt/beclesadecvao~10242019> or [www.becle.com.mx](http://www.becle.com.mx).

\*Those participating 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. The portfolio strength of Becele is based in 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 during 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 loss (gain).*

*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 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 press release contains certain forward-looking statements which are based on Becle'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 Becle 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. Becle undertakes no obligation and does not intend to update or review any of such forward-looking statements, whether as a result of new information, future developments and other related events.*

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## Consolidated statement of income

	Third quarter ended September 30, 2019			Third quarter ended September 30, 2018		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>359</b>	<b>7,024</b>		<b>6,407</b>		<b>617</b>	<b>9.6</b>
Cost of goods sold	166	3,259	46.4	3,046	47.5	213	7.0
<b>Gross profit</b>	<b>192</b>	<b>3,764</b>	<b>53.6</b>	<b>3,360</b>	<b>52.5</b>	<b>404</b>	<b>12.0</b>
Advertising, marketing and promotion	82	1,602	22.8	1,507	23.5	94	6.3
Distribution	12	243	3.5	305	4.8	(63)	(20.5)
Selling and administrative	37	727	10.4	702	11.0	25	3.6
Other (income) expenses, net	3	55	0.8	(18)	-0.3	73	(415.5)
<b>Operating profit</b>	<b>58</b>	<b>1,138</b>	<b>16.2</b>	<b>863</b>	<b>13.5</b>	<b>274</b>	<b>31.8</b>
Financial results, net	8	155	2.2	325	5.1	(171)	(52.5)
<b>Profit before income taxes</b>	<b>50</b>	<b>983</b>	<b>14.0</b>	<b>538</b>	<b>8.4</b>	<b>445</b>	<b>82.8</b>
Total income taxes	13	256	3.6	157	2.5	99	62.8
<b>Consolidated net income</b>	<b>37</b>	<b>728</b>	<b>10.4</b>	<b>381</b>	<b>5.9</b>	<b>347</b>	<b>91.0</b>
Non-controlling interest	(0)	(2)	0.0	(1)	0.0	NM	NM
<b>Controlling net income</b>	<b>37</b>	<b>729</b>	<b>10.4</b>	<b>382</b>	<b>6.0</b>	<b>348</b>	<b>91.2</b>
Depreciation and amortization	8	161		125			
<b>EBITDA</b>	<b>66</b>	<b>1,299</b>	<b>18.5</b>	<b>988</b>	<b>15.4</b>	<b>311</b>	<b>31.5</b>
<b>Earnings per share</b>	<b>0.01</b>	<b>0.20</b>		<b>0.11</b>			
<b>Shares (in millions) used in calculation of earnings per share</b>	<b>3,585</b>	<b>3,585</b>		<b>3,585</b>			

(1) U.S. dollars translated at 19.5911 Mexican pesos solely for the convenience of the reader

## Consolidated statement of income

	Nine months ended September 30, 2019			Nine months ended September 30, 2018		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>998</b>	<b>19,270</b>		<b>17,890</b>		<b>1,380</b>	<b>7.7</b>
Cost of goods sold	462	8,917	46.3	7,498	41.9	1,419	18.9
<b>Gross profit</b>	<b>536</b>	<b>10,354</b>	<b>53.7</b>	<b>10,392</b>	<b>58.1</b>	<b>(38)</b>	<b>(0.4)</b>
Advertising, marketing and promotion	221	4,268	22.2	4,058	22.7	210	5.2
Distribution	36	697	3.6	809	4.5	(113)	(13.9)
Selling and administrative	111	2,143	11.1	2,015	11.3	128	6.3
Other (income) expenses, net	(7)	(126)	-0.7	28	0.2	(155)	(546.0)
<b>Operating profit</b>	<b>175</b>	<b>3,372</b>	<b>17.5</b>	<b>3,481</b>	<b>19.5</b>	<b>(109)</b>	<b>(3.1)</b>
Financial results, net	14	279	1.5	737	4.1	(458)	(62.1)
<b>Profit before income taxes</b>	<b>160</b>	<b>3,093</b>	<b>16.0</b>	<b>2,744</b>	<b>15.3</b>	<b>348</b>	<b>12.7</b>
Total income taxes	42	804	4.2	770	4.3	34	4.4
<b>Consolidated net income</b>	<b>119</b>	<b>2,288</b>	<b>11.9</b>	<b>1,974</b>	<b>11.0</b>	<b>315</b>	<b>15.9</b>
Non-controlling interest	(0)	(2)	0.0	11	0.1	NM	NM
<b>Controlling net income</b>	<b>119</b>	<b>2,291</b>	<b>11.9</b>	<b>1,963</b>	<b>11.0</b>	<b>327</b>	<b>16.7</b>
Depreciation and amortization	24	465		368			
<b>EBITDA</b>	<b>199</b>	<b>3,837</b>	<b>19.9</b>	<b>3,850</b>	<b>21.5</b>	<b>(13)</b>	<b>(0.3)</b>
<b>Earnings per share</b>	<b>0.03</b>	<b>0.64</b>		<b>0.55</b>			
<b>Shares (in millions) used in calculation of earnings per share</b>	<b>3,585</b>	<b>3,585</b>		<b>3,585</b>			

(1) U.S. dollars translated at 19.3028 Mexican pesos solely for the convenience of the reader

## Consolidated statement of financial position

(Figures in millions)	September 30, 2019	December 31, 2018
	(U.S. \$) <sup>(1)</sup>	(Pesos)
<b>Assets</b>		
Cash and cash equivalents	444	8,718
Accounts receivable, net	279	5,488
Inventories, net	604	11,863
Other current assets	179	3,514
<b>Total current assets</b>	<b>1,507</b>	<b>29,583</b>
Non-current inventories	418	8,208
Property, plant and equipment, net	321	6,309
Right-of-use assets	94	1,839
Deferred income tax	68	1,327
Intangible assets and trademarks, net	737	14,462
Goodwill	313	6,140
Other assets	32	630
<b>Total non-current assets</b>	<b>1,982</b>	<b>38,915</b>
<b>Total assets</b>	<b>3,488</b>	<b>68,499</b>
<b>Liabilities and stockholders' equity</b>		
Current installment of notes payable to Banks	7	140
Trade accounts payable	115	2,258
Current lease liabilities	3	65
Accruals	92	1,811
Other liabilities	39	761
<b>Total current liabilities</b>	<b>256</b>	<b>5,035</b>
Long term debt, excluding current installment	496	9,733
Non-current lease liabilities	92	1,801
Environmental reserve	6	123
Other long-term liabilities	12	243
Deferred income taxes	204	4,005
<b>Total long-term liabilities</b>	<b>810</b>	<b>15,905</b>
<b>Total liabilities</b>	<b>1,066</b>	<b>20,940</b>
Total controlling interest	2,419	47,494
Non-controlling interest	3	65
<b>Total stockholders' equity</b>	<b>2,422</b>	<b>47,559</b>
<b>Total liabilities and stockholders' equity</b>	<b>3,488</b>	<b>68,499</b>

(1) U.S. dollars translated at 19.6363 Mexican pesos solely for the convenience of the reader

## Consolidated statement of cash flows

(Figures in millions)	(U.S. \$) <sup>(1)</sup>	Nine months ended September 30, 2019 (Pesos)	Nine months ended September 30, 2018 (Pesos)
<b>Operating activities:</b>			
Income before income taxes	157	3,093	2,744
Items relating to investing activities:			
Depreciation and amortization	24	465	368
Loss on sale of property, plant and equipment	4	86	20
Interest income	(8)	(150)	(126)
Proceeds from sale of subsidiary, net	(9)	(186)	0
Items relating to financing activities:			
Cancellation of shares	60	1,170	0
Unrealized foreign exchange profit	(1)	(23)	(462)
Long-term debt amortization	1	11	14
Interest expense	20	393	298
Subtotal	247	4,858	2,856
Changes in:			
Accounts receivable	160	3,146	2,024
Related parties	2	46	(31)
Other receivables	(40)	(780)	(1,211)
Inventories	(249)	(4,889)	(3,391)
Security deposits	(0)	(5)	0
Prepayments	(14)	(283)	(322)
Trade accounts payable	(10)	(202)	(59)
Other assets	1	13	(4)
Other liabilities	30	590	(38)
Accruals	(28)	(554)	(319)
Income taxes paid	(16)	(320)	(913)
Employee statutory profit sharing	0	4	(14)
Changes in direct employee benefits	0	8	(50)
Net cash from operating activities	83	1,631	(1,473)
<b>Investing activities:</b>			
Investment in property, plant and equipment	(64)	(1,254)	(346)
Investment in intangible assets	(6)	(120)	(2,953)
Investment in associate	0	0	(228)
Other stockholders' movements	(3)	(59)	0
Interest collected	8	150	126
Goodwill	(1)	(21)	0
Proceeds from sale of subsidiary	1	19	0
Proceeds from sale of property, plant and equipment	0	9	3
Net cash used in investing activities	(65)	(1,275)	(3,397)
<b>Financing activities:</b>			
Dividends paid	(100)	(1,962)	(1,819)
Repurchase of shares, net	6	115	(188)
Cancellation of shares	(60)	(1,170)	0
Payments of lease liability	(16)	(315)	0
Interest paid	(9)	(181)	(183)
Net cash used in financing activities	(179)	(3,512)	(2,190)
Net decrease in cash and cash equivalents	(161)	(3,156)	(7,061)
Impacts due to the fx rate on cash	(8)	(154)	(815)
<b>Cash and cash equivalents:</b>			
At beginning of the period	613	12,028	19,996
At end of period	444	8,718	12,120

(1) U.S. dollars translated at 19.6363 Mexican pesos solely for the convenience of the reader