



*Beclé, S.A.B. de C.V.*  
**Santander's 23rd  
Annual Latin America Conference**  
*January, 2019*

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# A Leading Global Spirits Company and Undisputed Leader in Tequila Worldwide



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

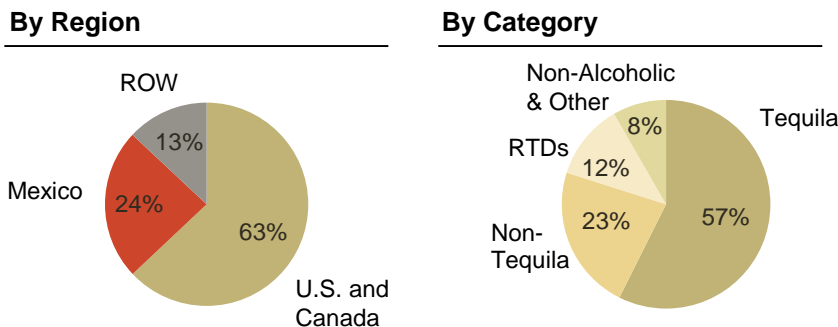


- ✓ **Undisputed leader in tequila globally**, ~30% market share<sup>(1)</sup>
- ✓ Comprehensive portfolio of **over 30 brands** retailed in more than 90 countries.
- ✓ Track record of **innovation and value enhancing/strategic M&A**
- ✓ **Strong geographic diversification** and relevant exposure to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

## Key Figures – Combined Financial Statements TTM<sup>2</sup>

Volume (9L cases)	20.4mm
Net Sales	<b>P\$26,228 MM</b>
EBITDA	<b>P\$5,897 MM</b>
EBITDA Margin	<b>22.5%</b>

## Net Sales Value Breakdown – TTM<sup>2</sup>



Source: Company information and IWSR

Notes:

1. Based on IWSR total volume as of 2017

2. As of 3Q18





**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 profitable growth and resilient cash flow generation

**6** Heritage built upon continued value creation and consistent family leadership



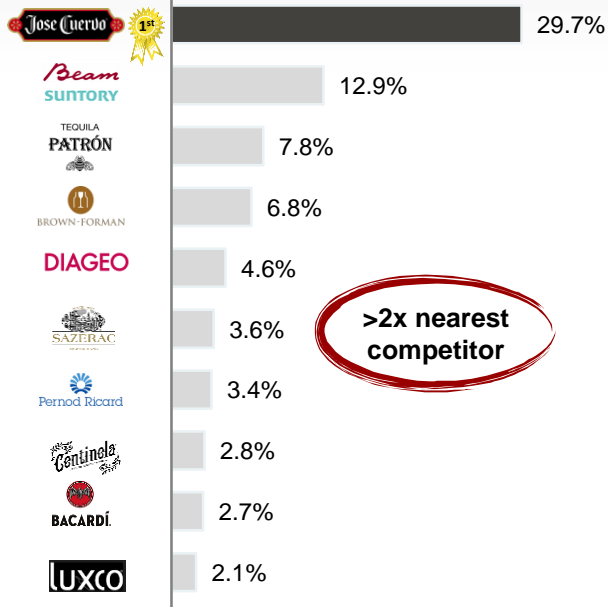
# Undisputed Leader in Tequila Worldwide



## Tequila Global Market Share

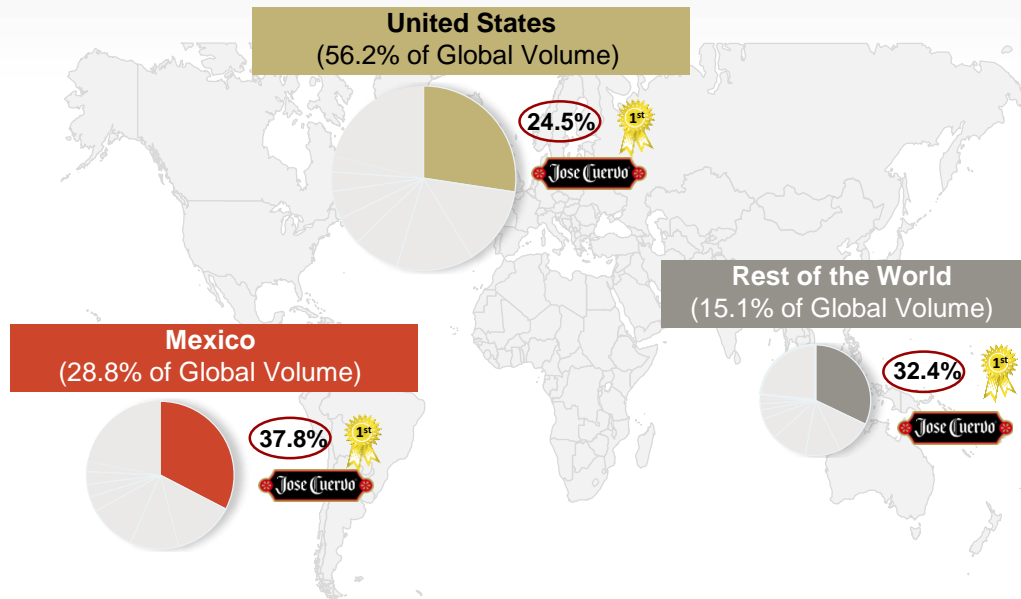
As % of volume – 2017

Total Market Size 31.2mm 9L Cases

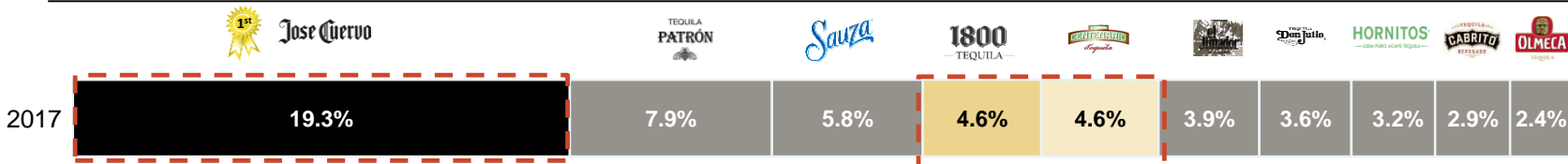


## Tequila Market Share by Region

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...

			<b>Focus on brand premiumization</b>			
<b>Jose Cuervo Especial</b>	<b>CENTENARIO Tequila</b>	<b>JOSE CUERVO TRADICIONAL</b>		<b>Brand</b>	<b>1800 TEQUILA</b>	<b>MAESTRO TEQUILERO</b>
Premium	Super Premium	Super Premium	<b>Segment</b>	Super Premium/ Ultra Premium	Ultra Premium	Prestige
			<b>Main Markets</b>			
 			<b>Market Position in Segment</b>	 	 	

Source: Company information, IWSR





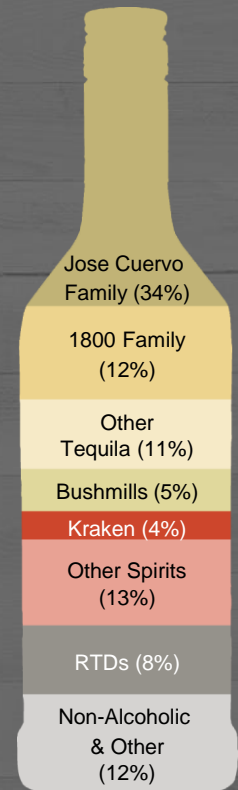
# Extensive Portfolio of Leading Non-Tequila Brands



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

## Net Sales by Family / Category

TTM<sup>1</sup>  
Total  
Ps\$26,228 MM



### Irish & American Whiskey

 <b>BUSHMILLS</b> Premium / Ultra Premium USA #2, Global #3	 <b>Stranahan's</b> Ultra Premium USA #7	 <b>TINCUP</b> Premium	 <b>PENDLETON</b> Premium / Ultra Premium USA #2
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### Rum

 <b>KRAKEN</b> Premium USA #2, Italy #2	 <b>Castillo</b> Standard Italy #3
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### Vodka

 <b>Hangar 1</b> Ultra Premium USA #3	 <b>Three Olives</b> Premium USA #3	 <b>GÖTLÄND VODKA</b> Premium Italy #3	 <b>OSO NEGRO</b> Value Italy #1
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### Gin

 <b>BOODLES</b> Premium USA #3
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### Mezcal

 <b>CREYENTE</b> Ultra Premium
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### RTD's

 <b>1800</b> Premium USA #1	 <b>Jose Cuervo MARGARITA</b> Mid Price USA #1	 <b>GOLDEN</b> Premium USA #1
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### Non-alcoholic

 <b>Jose Cuervo</b> Premium USA #1	 <b>b:oot_</b> Premium Italy #3	 <b>Sanchez</b> Premium Italy #1
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Source: Company information, IWSR Note: Company's portfolio includes other brands not displayed above. 1. As of 3Q18





# 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



*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



2015A figures (10 months)<sup>(1)</sup>

Volume: 579,071 9L Cases

Revenues: Ps\$867 MM

Source: Company information

Notes:

1. From March to December



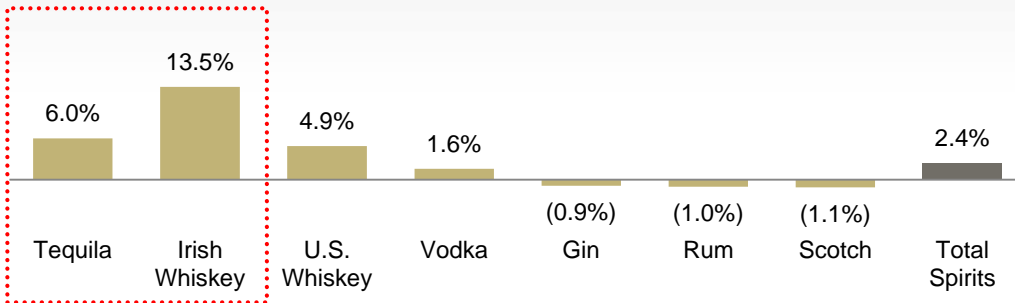


# Right Brands / Right Categories / Right Markets



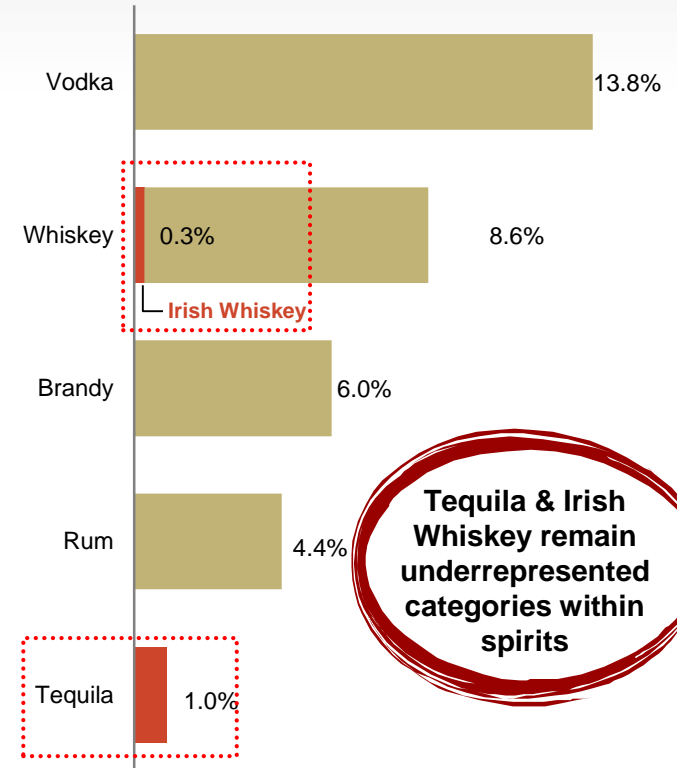
## U.S. Spirits – Growth

2013-2017 Volume CAGR



## Spirits Categories – Global Market Share

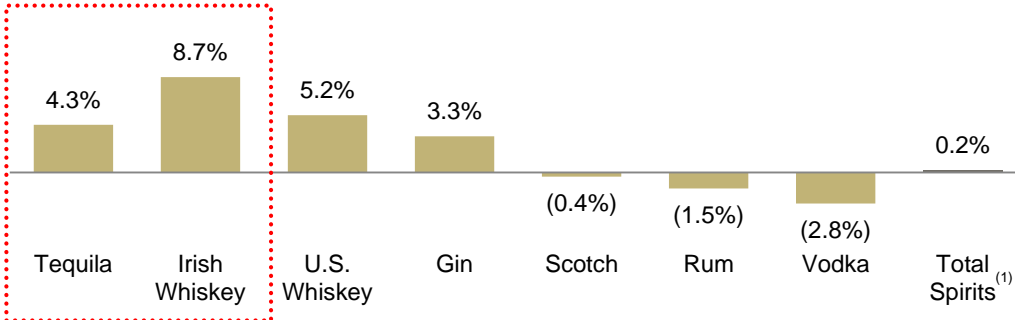
% Volume – 2017



**Tequila & Irish Whiskey remain underrepresented categories within spirits**

## Global Spirits – Growth

2013-2017 Volume CAGR



Source: IWSR

Notes:

1. Excludes Baiju





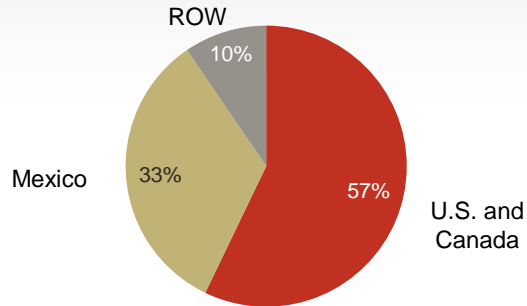
# Global Reach and Established U.S. Platform



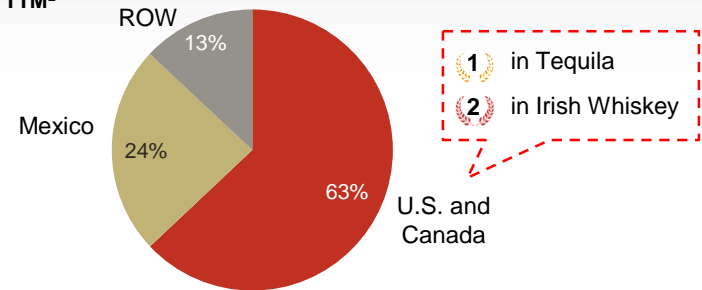
## Continued Geographic Diversification: U.S. and Canada Represent ~63% of the Company's Revenues in TTM<sup>2</sup>

### Net Sales by Region

2013A

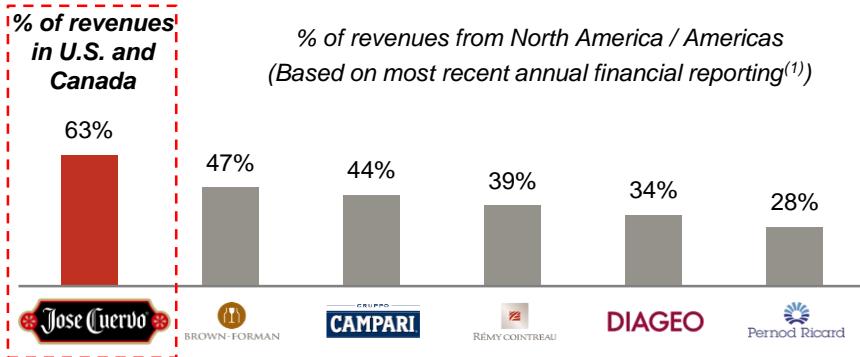


2018 TTM<sup>2</sup>



Source: Company information

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

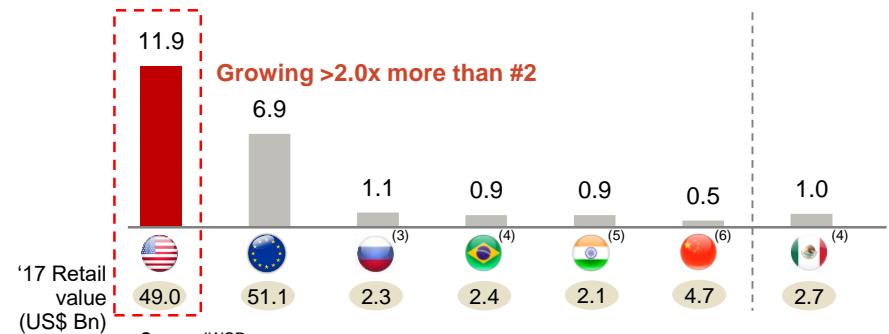


Source: Company information for Cuervo, most recent publicly available annual financial statements for peers. We cannot assure you of the accuracy of our peers' financial statements

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)
2. As of 3Q18

## ...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 Whiskey and Brandy
6. Excludes Baiju



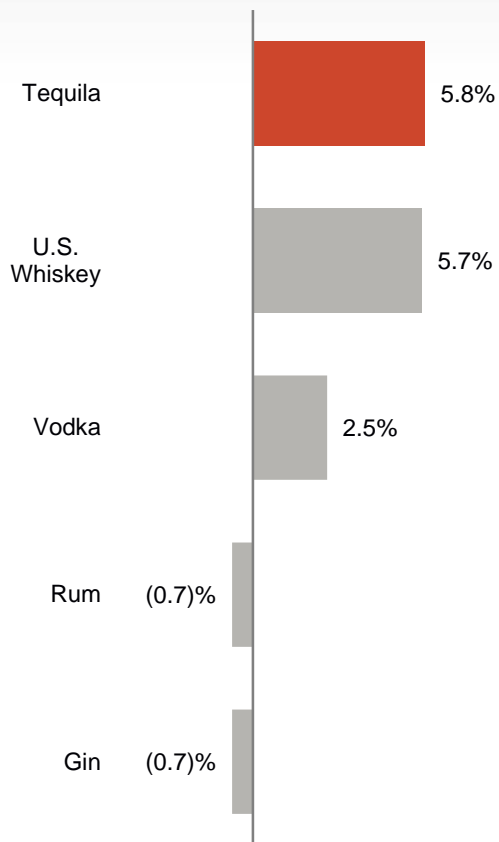


# Tequila's Attractiveness in the U.S.



## Tequila: Among the Fastest Growing Spirits...

11A – 17A Volume CAGR in the U.S.



## ...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

Source: IWSR





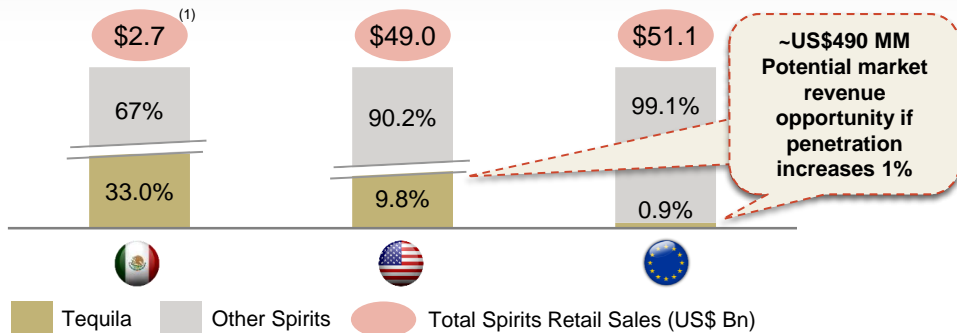
# Untapped International Growth



## Key Categories Underpenetrated Outside Core Markets

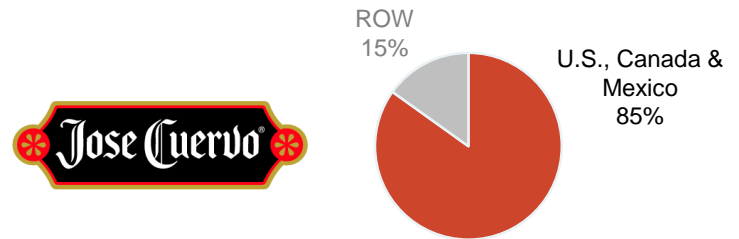
### Tequila

As % of Total Spirits Retail Sales – 2017

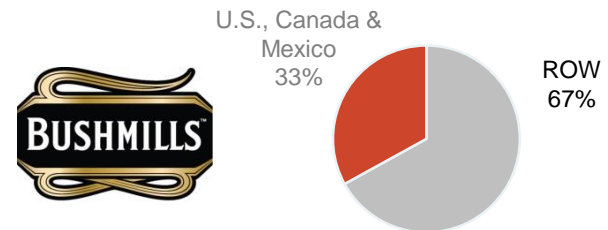


## Cross-leverage Platforms to Accelerate Expansion

Cuervo derived ~85% of its 2017 net sales in value from the U.S., Canada and Mexico...

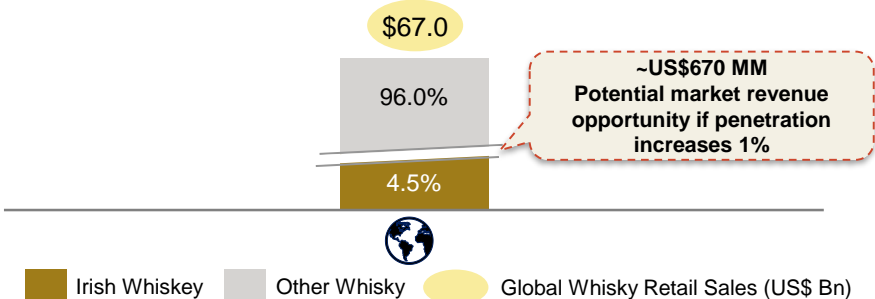


... while Bushmills brand reported ~67% coming from ROW



### 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

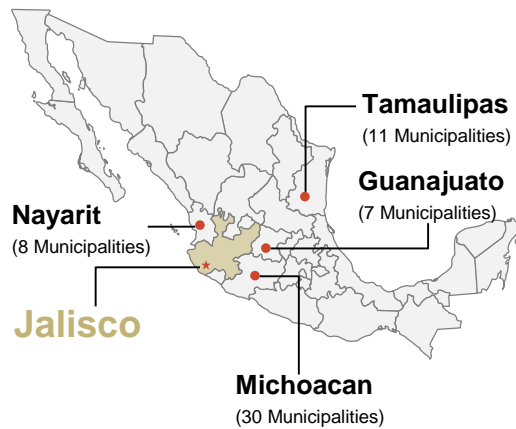


## 2 Production



**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 largest<sup>1</sup> 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



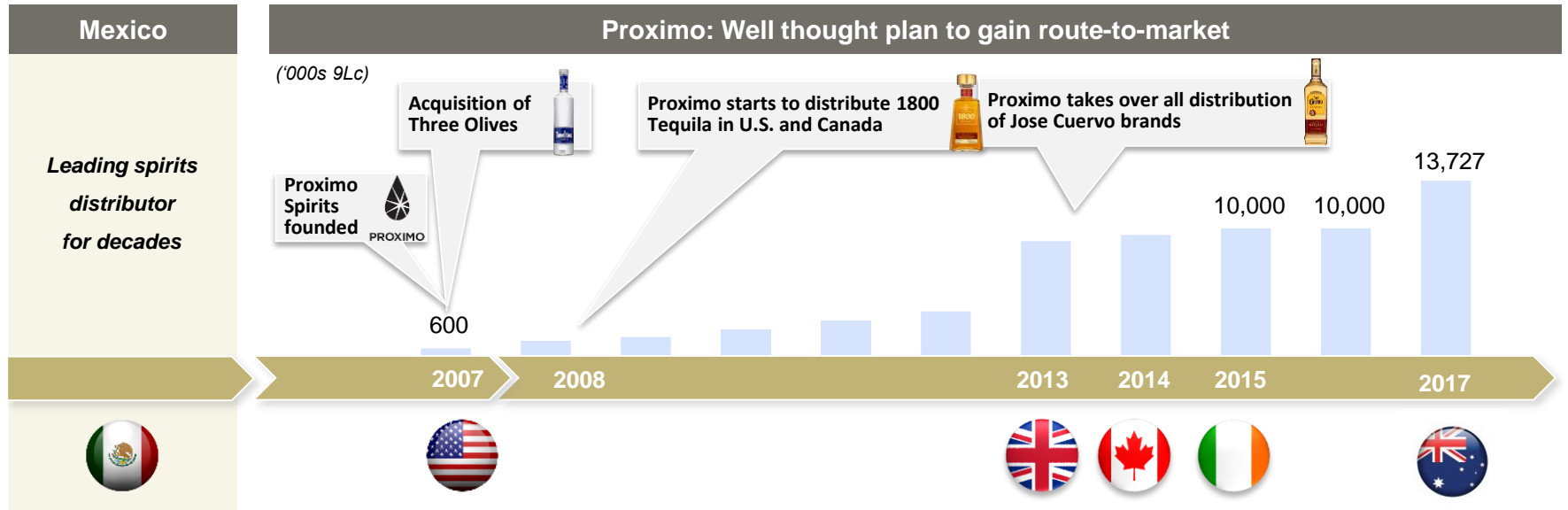
### Own Distribution Platform to Control Route-to-Market and Brand Building Strategy

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



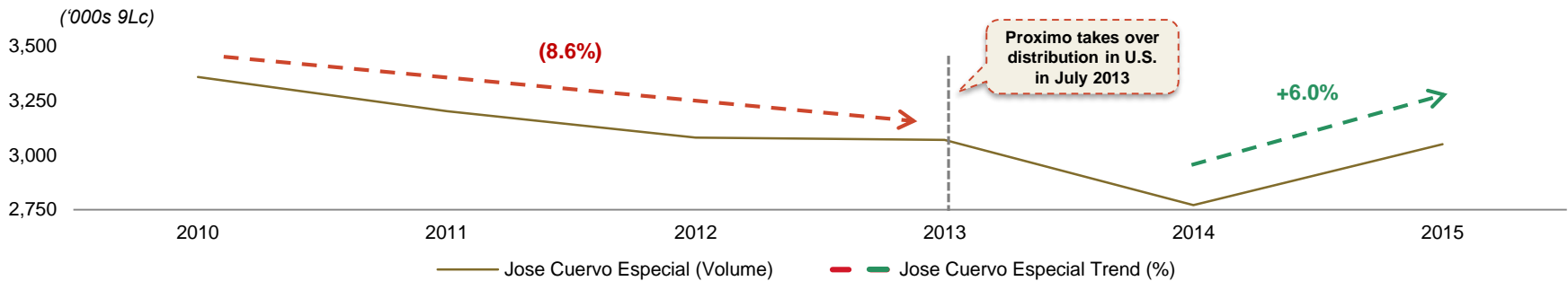
**Jose Cuervo Especial**

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

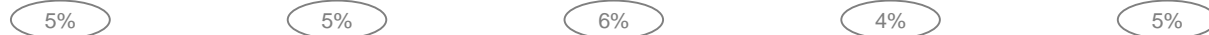
### Key Turnaround Initiatives

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

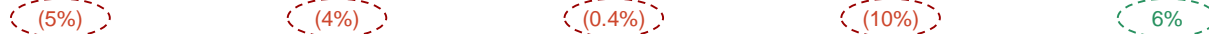
### Volume Impact Since Proximo Took Over Distribution in the U.S.



Tequila Category Y-o-Y Growth <sup>(1)</sup>



Jose Cuervo Especial <sup>(2)</sup>



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





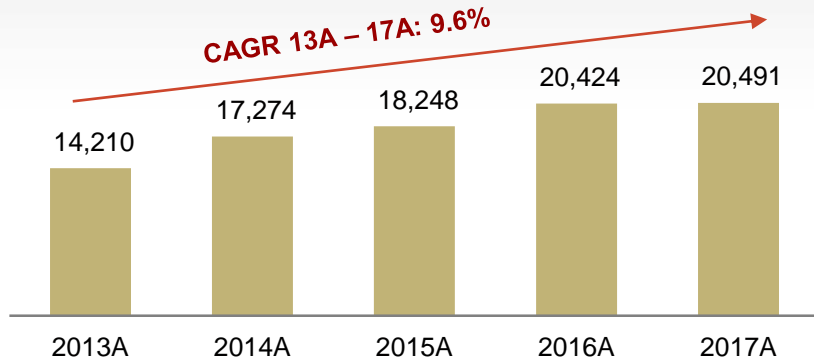


# Track Record of Profitable Growth and Cash Flow Generation Capacity...



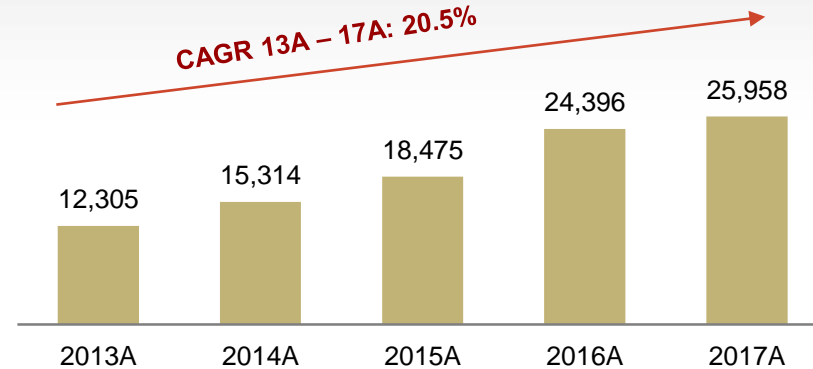
## Combined Volume

(000s of 9 Liter Cases)



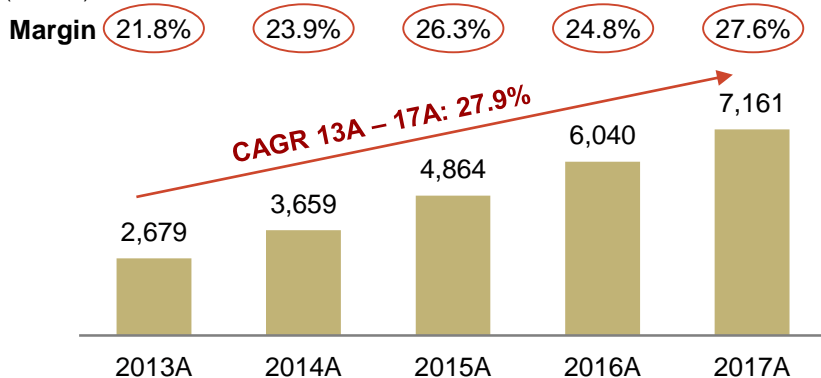
## Combined Net Sales

(Ps\$MM)<sup>(1)</sup>



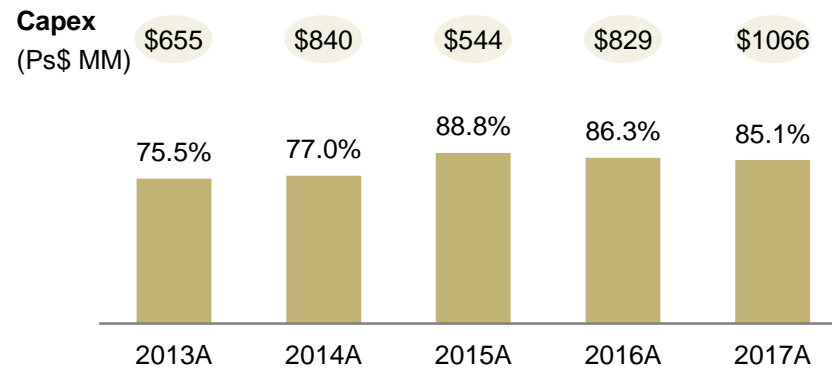
## Combined EBITDA<sup>(2)</sup> and Margin

(Ps\$MM)



## Cash Flow Conversion<sup>(3)</sup>

(%)



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



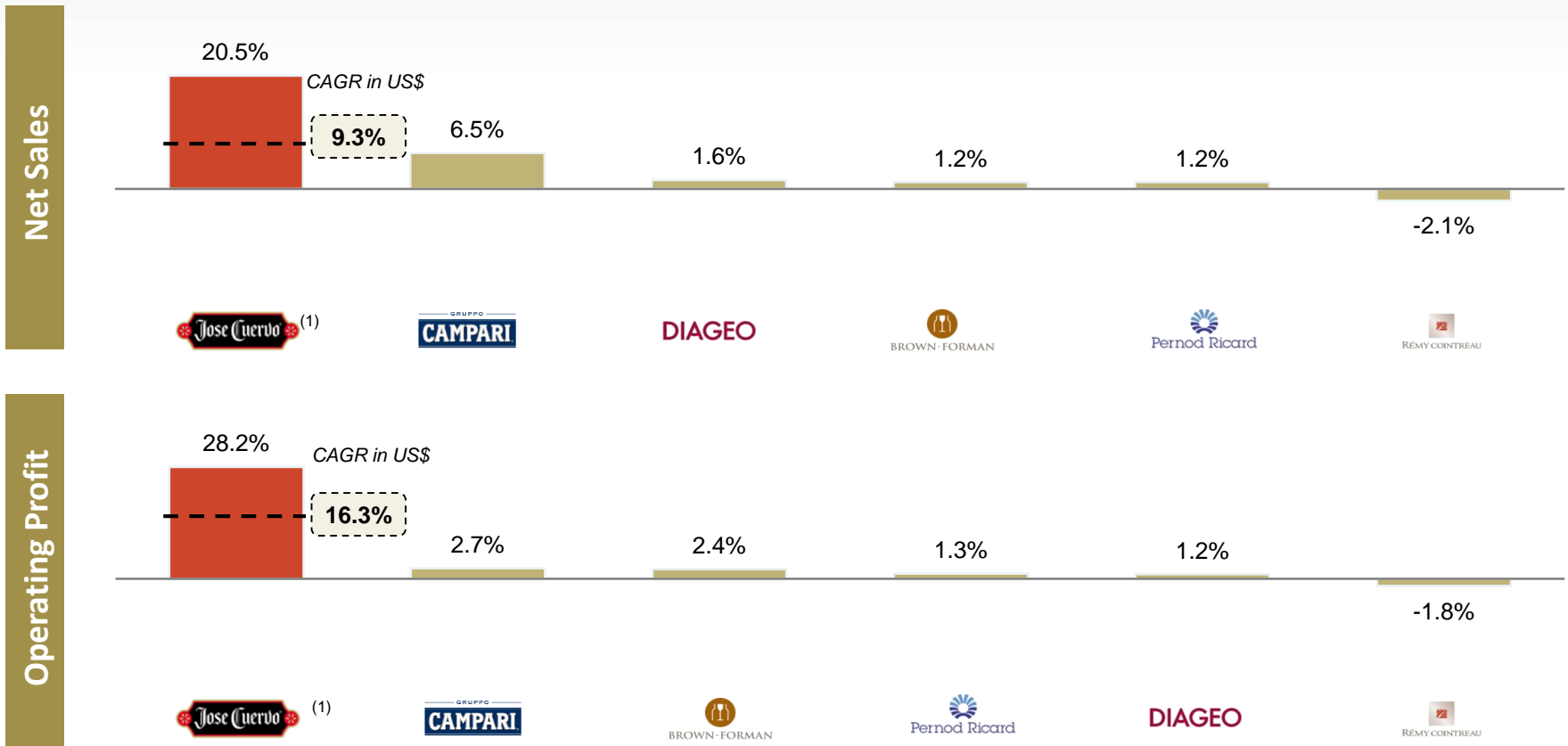


# Above Sector Growth



## 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

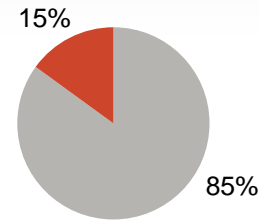


Madrid (1907) London (1910) Paris (1909) Spain (1907) Barcelona (1912) Rome (1923) Rio de Janeiro (1923)



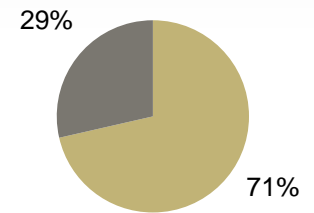
## Supported by Robust Corporate Governance

### Post IPO Ownership



Beckmann Family  
Public Float

### Independent Board



Independent  
Non-Independent

- Led by the 11<sup>th</sup> 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



# YTD September Statement of Comprehensive Income



As of Sept 30 2018

(MXN MM)	2017		Act 2018		Var (18-17)	
	Abs	%NSV	Abs	%NSV	Abs	%
<b>Ex Rate</b>	<b>18.9351</b>		<b>19.0275</b>		<b>0.1</b>	<b>0.5</b>
Volume 9L	14,075		13,976		-99	-0.7
<b>Net Sales</b>	<b>17,620</b>		<b>17,890</b>		<b>270</b>	<b>1.5</b>
Cost of goods	6,368	36.1%	7,498	41.9%	1,130	17.8
<b>Gross profit</b>	<b>11,252</b>	<b>63.9%</b>	<b>10,392</b>	<b>58.1%</b>	<b>-860</b>	<b>-7.6</b>
AMP	3,819	21.7%	4,058	22.7%	239	6.3
Distribution	616	3.5%	809	4.5%	194	31.5
<b>PLE</b>	<b>6,818</b>	<b>38.7%</b>	<b>5,524</b>	<b>30.9%</b>	<b>-1,293</b>	<b>-19.0</b>
SG&A	1,866	10.6%	2,015	11.3%	149	8.0
Other Exp	153	0.9%	28	0.2%	-125	-81.5
<b>Operating profit</b>	<b>4,798</b>	<b>27.2%</b>	<b>3,481</b>	<b>19.5%</b>	<b>-1,317</b>	<b>-27.4</b>
Financial results, net	1,433	8.1%	737	4.1%	-696	-48.6
<b>Profit before tax</b>	<b>3,365</b>	<b>19.1%</b>	<b>2,744</b>	<b>15.3%</b>	<b>-621</b>	<b>-18.5</b>
Total income taxes	1,068	6.1%	770	4.3%	-297	-27.9
<b>Consolidated Net income</b>	<b>2,292</b>	<b>13.0%</b>	<b>1,974</b>	<b>11.0%</b>	<b>-319</b>	<b>-13.9</b>
<b>EBITDA</b>	<b>5,113</b>	<b>29.0%</b>	<b>3,850</b>	<b>21.5%</b>	<b>-1,263</b>	<b>-24.7</b>

EPS (MXN)	
Q3 2017	Q3 2018
0.24	0.11

Source: Combined and consolidated financial statements

Notes: 1. Includes differences in exchange rates arising from overseas operations



# Q3 2018 Statement of Financial Position



## Assets

	Dec 31, 2017	Sep 30, 2018
<b>(Ps\$ MM)</b>	<b>2017</b>	<b>2018</b>
Cash and cash equivalents	19,996	12,120
Accounts receivable, net	7,260	5,235
Inventories, net	7,419	8,552
Other current assets(1)	1,923	3,516
<b>Total Current Assets</b>	<b>36,598</b>	<b>29,423</b>
Inventories (Non-current)	3,878	6,135
Property, plant and equipment, net	5,280	5,051
Intangible assets and trademarks, net	11,365	13,935
Goodwill	6,274	5,760
Other assets(2)	1,538	1,153
<b>Total Assets</b>	<b>64,933</b>	<b>61,457</b>

## Liabilities and Equity

	Dec 31, 2017	Sep 30, 2018
<b>(Ps\$ MM)</b>	<b>2017</b>	<b>2018</b>
Current installment of notes payable to Banks	48	134
Trade accounts payable	2,106	2,047
Accruals	2,087	1,767
Other liabilities(3)	862	838
<b>Total current liabilities</b>	<b>5,103</b>	<b>4,786</b>
Long term debt, excluding current interest payable	9,781	9,330
Other long-term liabilities	125	116
Environmental reserve	119	179
Deferred income taxes	2,820	2,001
<b>Total Liabilities</b>	<b>17,948</b>	<b>16,412</b>
Total controlling interest	46,931	45,002
Non-controlling interest	54	44
<b>Total Stockholders' Equity</b>	<b>46,985</b>	<b>45,046</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>64,933</b>	<b>61,457</b>



# Q3 2018 Cash Flow Statement



(Ps\$ MM)	Dec 31, 2017	Sep 30, 2017	Sep 30, 2018
	2017	2017	2018
<b>Income before income taxes</b>	<b>5,955</b>	<b>3,360</b>	<b>2,744</b>
Items related to investing activities	447	338	388
Items related to financing activities	-464	900	-462
Changes In Working Capital	-3,895	-2,117	-4,329
<b>Net Cash provided by operating activities</b>	<b>2,043</b>	<b>2,481</b>	<b>-1,659</b>
Net Cash provided by financing activities	13,069	13,390	-2,190
Net Cash provided by investing activities	-1,155	-315	-3,397
<b>Net increase in cash and cash equivalents</b>	<b>13,957</b>	<b>15,556</b>	<b>-7,246</b>
Translation effect in cash and cash equivalents	379	-2,007	-168
<b>Net increase in cash and cash equivalents</b>	<b>14,336</b>	<b>13,548</b>	<b>-7,414</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>5,128</b>	<b>5,128</b>	<b>19,995</b>
Effects on exchange rate changes on cash and cash equivalents held in foreign currencies	531	0	-462
<b>Cash and Cash Equivalents at end of period</b>	<b>19,995</b>	<b>18,677</b>	<b>12,119</b>

