

# Becle, S.A.B. de C.V.

Becle's ratings reflect the strong brand equity of Jose Cuervo tequila, its complementary portfolio of spirits, its vertically integrated operations across the production and distribution of tequila, and its geographic diversification. The ratings also incorporate that the company has historically maintained a solid financial position with low leverage metrics and ample liquidity. Fitch estimates Becle's EBITDA margin will be around 20% and net leverage at around 1.0x in the next 18 to 24 months.

## Key Rating Drivers

**Strong Tequila Brand:** Becle's ratings reflect the strong brand recognition of its Jose Cuervo tequila, which is positioned as the world's leading tequila in terms of sales volume. The company is the leading tequila producer, with over twice the sales of its closest competitor. Jose Cuervo and other family brands have important geographic diversification, with sales in more than 85 countries, and are the market leaders in volume terms in U.S. and Mexico, the world's most important tequila markets. Approximately 86% of its net sales are generated in the U.S., Canada and Mexico. Becle has a relevant presence in the super and ultra-premium tequila categories with recognized brands such as 1800 and Maestro Dobel. Tequila represented around 64% of its total revenues in 2021.

**Moderate Revenue Growth:** Becle should be able to maintain double digit revenue growth for 2022 based on volume growth and price initiatives. During 2021, sales volume and revenue increased 8% and 12.5%, respectively, as compared with 2020, driven mainly by a gradual recovery in on trade sales in Rest of the World (RoW), USA and Mexico. RoW and Mexico sales volume and revenue growth are projected to be driven by more social mobility and normalization of operating environments. In addition, price increases, better sales mix and recovery from on-trade channel will support revenue growth. Fitch forecasts an increase in revenues of around 13% in 2022.

**Profitability Stable:** Fitch expects Becle's profitability will remain stable at around 20%-21% for the short to medium term. For the past four years, higher demand of 100% tequila in the industry led to higher agave prices and at the same time agave suppliers have been harvesting younger plants, which are less efficient in the production of tequila. Becle's EBITDA margin is forecasted to remain stable due to better sales mix, cost reduction initiatives, internal efficiencies and relatively stable agave prices for the year, which would offset some advertising, marketing and promotion expenses increases.

**Leverage Within Expectations:** Becle's net leverage -- calculated by Fitch -- was 0.8x by YE 2021 after the USD800 million bond issuance made in September 2021 and the acquisition of additional equity interest in Eire Born Spirits (EBS) in April 2021. Fitch projects the company's total debt-to-EBITDA and total net-to-EBITDA will be around 2.0x and 1.0x, respectively, in 2022-2023 with a total debt at around MXN18.5 billion. The company has some flexibility to absorb bolt on acquisitions at the current rating level. As of Dec. 31, 2021 and according to Fitch's calculations, Becle's gross and net leverage were 2.4x and 0.8x, respectively.

**Negative FCF:** Fitch expects Becle's FCF will remain negative in 2022 due to net working capital requirements, investments to increase its production capacity of tequila and whiskey and investments in warehousing capacity. In 2021, the company's cash flow from operations (CFFO), as

## Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term Local Currency IDR	BBB+	Stable	Affirmed 25 Mar 2022
Long-Term IDR	BBB+	Stable	Affirmed 25 Mar 2022

[Click here for full list of ratings](#)

## Applicable Criteria

[Corporate Rating Criteria \(October 2021\)](#)

## Related Research

[Latin American Corporate Credit Indicators: Fourth-Quarter 2021 \(Corporates Well Positioned During Political Volatility\) \(March 2022\)](#)

[Global Economic Outlook - March 2022 \(March 2022\)](#)

## Analysts

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calculated by Fitch, was MXN3.4 billion after covering net working capital requirements of MXN2.7 billion. Also, its FCF was negative MXN3.4 billion after capex of MXN5.3 billion and dividends of MXN1.5 million. For 2022, Fitch estimates FCF will be negative, assuming capex of close to MXN5.1 billion and dividends of MXN1.5 billion. Neutral to slightly positive FCF is forecasted for 2023, assuming a CFO of around MXN4.9 billion, and capex around MXN3.7 billion and dividends at MXN1.6 billion.

**Gradual Growth in Other Spirits:** Fitch incorporates Becele's strategy to improve its product portfolio by incorporating and developing new brands in premium categories. Its Bushmills whiskey is the third largest brand of Irish whiskey in terms of sales volume in the world. Also, its premium rum brand, Kraken, has been growing and approximately half of its sales volume is coming from countries outside the U.S., where it was originally launched. Its portfolio includes other spirits including American whiskey, vodka, gin, mezcal and ready-to-drink alcoholic and non-alcoholic drinks. These categories represented close to 36% of its total revenues in 2021. Becele's strengthened its brand portfolio of Irish whiskey with the acquisition of an additional stake in EBS in 2021. EBS owns the whiskey brand Proper No. Twelve.

## Financial Summary

Becele, S.A.B. de C.V.						
(MXNth)	Dec 2019	Dec 2020	Dec 2021	Dec 2022F	Dec 2023F	Dec 2024F
Gross Revenue	29,704,781	35,036,139	39,419,400	44,525,342	47,161,173	50,002,388
Operating EBITDA Margin (%)	19.7	21.1	19.6	19.5	20.7	21.1
Total Debt with Equity Credit/Operating EBITDA (x)	1.6	1.3	2.4	2.1	1.9	1.7
Total Net Debt with Equity Credit/Operating EBITDA (x)	0.0	0.3	0.8	1.1	1.2	1.3
Operating EBITDA/Interest Paid (x)	11.1	14.9	16.8	17.3	19.4	21.1

F - Forecast.  
Source: Fitch Ratings, Fitch Solutions

## Rating Derivation Relative to Peers

Becele's ratings reflect its solid business position as the world's largest tequila producer and the strong brand recognition of Jose Cuervo. Its operations are geographically diversified with a strong presence in U.S., Canada and Mexico, as well as complemented by a portfolio of spirits in the categories of whiskey, rum, vodka and mixers. Becele's ratings are comparable with other peers rated by Fitch as Diageo plc (A-/Stable), Pernod Ricard S.A. (BBB+/Stable) and Bacardi Limited (BBB-/Negative). The company's business profile is viewed as weaker than Diageo, Pernod Ricard and Bacardi given its lower size and scale, as well as a less diversified portfolio of spirits and globally known brands.

In addition, Becele's projected profitability (EBITDA margin 20%-21%) is lower compared with Diageo (EBITDA margin 36%) and Pernod Ricard (EBITDA margin 30%) and Bacardi (EBITDA margin 25%). However, in terms of capital structure and liquidity position, the company's leverage metrics are the strongest among its peers with a projected net leverage below 1.5x, compared with 2.9x of Diageo and Pernod Ricard and 3.9x of Bacardi at YE 2021.

## Rating Sensitivities

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Positive rating actions are not foreseen for Becele in the mid-term; however, the combination of the following could be positive for its credit quality:

- Larger scale;
- Greater portfolio diversification;
- Maintaining or improving profitability margins.

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Sustained deterioration in operating performance, leading to lower sales and EBITDA margin below 15%;
- Sustained levels of negative FCF that deteriorate its financial profile;
- Net leverage above 1.5x on sustained basis.

## Liquidity and Debt Structure

**Strong Liquidity:** As of YE 2021 Becele had a cash position of MXN12.8 billion and a total debt of MXN18.6 billion, out of which MXN0.1 billion was short-term debt. Becele has a comfortable maturity schedule, with its next significant maturities coming due in 2025 (USD153 million) and 2031 (USD800 million notes).

## ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg)

## Liquidity and Debt Maturities

### Becele, S.A.B. de C.V. – Liquidity Analysis

(MXN Th.)	2022F	2023F
<b>Available Liquidity</b>		
Beginning Cash Balance	12,791,283	9,521,093
Rating Case FCF After Acquisitions and Divestitures	(3,167,827)	(2,568,159)
<b>Total Available Liquidity (A)</b>	<b>9,623,456</b>	<b>6,952,934</b>
<b>Liquidity Uses</b>		
Debt Maturities	(102,363)	0
<b>Total Liquidity Uses (B)</b>	<b>(102,363)</b>	<b>0</b>
<b>Liquidity Calculation</b>		
Ending Cash Balance (A+B)	9,521,093	6,952,934
Revolver Availability	0	0
<b>Ending Liquidity</b>	<b>9,521,093</b>	<b>6,952,934</b>
Liquidity Score (x)	94.0	Not meaningful
F – Forecast.		
Source: Fitch Ratings, Fitch Solutions		

(MXN Th.)	Original
<b>Scheduled Debt Maturities</b>	<b>12/31/2021</b>
2022	102,363
2023	0
2024	0
2025	3,140,236
2026	0
Thereafter	15,355,061
<b>Total</b>	<b>18,597,660</b>
Source: Fitch Ratings, Fitch Solutions	

#### How to Interpret the Forecast Presented

The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

## Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer

- Revenue increase around 13% in 2022 and 6% in 2023;
- EBITDA margin around 19.5% in 2022 and 20.7% in 2023;
- Capex around MXN5.1 billion in 2022 and MXN3.7 billion in 2023;
- Dividends around MXN1.5 billion in 2022 and 2023;
- Negative FCF in 2022, turning neutral to positive for 2023 and going forward.

## Financial Data

Becle, S.A.B. de C.V. (MXNth)	Historical			Forecast		
	Dec 2019	Dec 2020	Dec 2021	Dec 2022F	Dec 2023F	Dec 2024F
<b>Summary Income Statement</b>						
Gross Revenue	29,704,781	35,036,139	39,419,400	44,525,342	47,161,173	50,002,388
Revenue Growth (%)	5.5	17.9	12.5	13.0	5.9	6.0
Operating EBITDA (Before Income from Associates)	5,862,661	7,382,977	7,714,077	8,682,442	9,749,184	10,573,121
Operating EBITDA Margin (%)	19.7	21.1	19.6	19.5	20.7	21.1
Operating EBITDAR	6,095,565	7,382,977	7,714,077	8,682,442	9,749,184	10,573,121
Operating EBITDAR Margin (%)	20.5	21.1	19.6	19.5	20.7	21.1
Operating EBIT	5,313,268	6,828,328	7,056,918	7,958,784	8,899,105	9,625,024
Operating EBIT Margin (%)	17.9	19.5	17.9	17.9	18.9	19.2
Gross Interest Expense	-431,679	-480,525	-634,424	-503,126	-501,635	-501,635
Pretax Income (Including Associate Income/Loss)	5,147,371	6,854,206	6,907,606	7,455,658	8,397,470	9,123,388
<b>Summary Balance Sheet</b>						
Readily Available Cash and Equivalents	9,628,169	7,646,318	12,791,283	9,286,479	6,840,631	5,175,713
Total Debt with Equity Credit	9,390,788	9,955,908	18,597,660	18,495,297	18,495,297	18,495,297
Total Adjusted Debt with Equity Credit	10,788,212	9,955,908	18,597,660	18,495,297	18,495,297	18,495,297
Net Debt with Equity Credit	-237,381	2,309,590	5,806,377	9,208,818	11,654,666	13,319,584
<b>Summary Cash Flow Statement</b>						
Operating EBITDA	5,862,661	7,382,977	7,714,077	8,682,442	9,749,184	10,573,121
Cash Interest Paid	-530,469	-496,518	-460,237	-503,126	-501,635	-501,635
Cash Tax	-460,548	-1,028,198	-2,864,021	-2,236,697	-2,519,241	-2,737,017
Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow)	0	0	0	0	0	0
Other Items Before FFO	1,630,125	-234,294	1,620,984	0	0	0
Funds Flow from Operations	6,693,090	5,767,633	6,069,471	5,942,618	6,728,307	7,334,469
FFO Margin (%)	22.5	16.5	15.4	13.3	14.3	14.7
Change in Working Capital	-4,895,952	-2,767,956	-2,699,024	-2,714,140	-1,818,467	-1,985,918
Cash Flow from Operations (Fitch Defined)	1,797,138	2,999,677	3,370,447	3,228,478	4,909,840	5,348,551
Total Non-Operating/Nonrecurring Cash Flow	0	0	0			
Capex	-2,227,294	-3,636,117	-5,250,145			
Capital Intensity (Capex/Revenue) (%)	7.5	10.4	13.3			
Common Dividends	-1,962,221	-543,535	-1,545,606			
Free Cash Flow	-2,392,377	-1,179,975	-453,304			
Net Acquisitions and Divestitures	12,006	-1,577,342	-453,203			
Other Investing and Financing Cash Flow Items	-156,528	660,486	-411,743	0	0	0
Net Debt Proceeds	-18,141	0	9,435,215	-102,363	0	0
Net Equity Proceeds	155,278	114,980	0	0	0	0
Total Change in Cash	-2,399,762	-1,981,851	5,144,965	-3,504,804	-2,445,848	-1,664,918
<b>Leverage Ratios</b>						
Total Net Debt with Equity Credit/Operating EBITDA (x)	0.0	0.3	0.8	1.1	1.2	1.3
Total Adjusted Debt/Operating EBITDAR (x)	1.8	1.3	2.4	2.1	1.9	1.7
Total Adjusted Net Debt/Operating EBITDAR (x)	0.2	0.3	0.8	1.1	1.2	1.3
Total Debt with Equity Credit/Operating EBITDA (x)	1.6	1.3	2.4	2.1	1.9	1.7
FFO Adjusted Leverage (x)	1.5	1.6	2.9	2.9	2.6	2.4
FFO Adjusted Net Leverage (x)	0.2	0.4	0.9	1.4	1.6	1.7
FFO Leverage (x)	1.3	1.6	2.9	2.9	2.6	2.4
FFO Net Leverage (x)	0.0	0.4	0.9	1.4	1.6	1.7
<b>Calculations for Forecast Publication</b>						
Capex, Dividends, Acquisitions and Other Items Before FCF	-4,177,509	-5,756,994	-7,248,954	-6,630,920	-7,355,688	-7,013,469
Free Cash Flow After Acquisitions and Divestitures	-2,380,371	-2,757,317	-3,878,507	-3,402,441	-2,445,848	-1,664,918
Free Cash Flow Margin (After Net Acquisitions) (%)	-8.0	-7.9	-9.8	-7.6	-5.2	-3.3
<b>Coverage Ratios</b>						
FFO Interest Coverage (x)	13.3	12.3	14.1	12.8	14.4	15.6
FFO Fixed Charge Coverage (x)	9.5	12.3	14.1	12.8	14.4	15.6

Operating EBITDAR/Interest Paid + Rents (x)	8.0	14.9	16.8	17.3	19.4	21.1
Operating EBITDA/Interest Paid (x)	11.1	14.9	16.8	17.3	19.4	21.1
<b>Additional metrics</b>						
CFO-Capex/Total Debt with Equity Credit (%)	-4.6	-6.4	-10.1	-10.3	6.6	11.9
CFO-Capex/Total Net Debt with Equity Credit (%)	181.2	-27.6	-32.4	-20.6	10.5	16.5

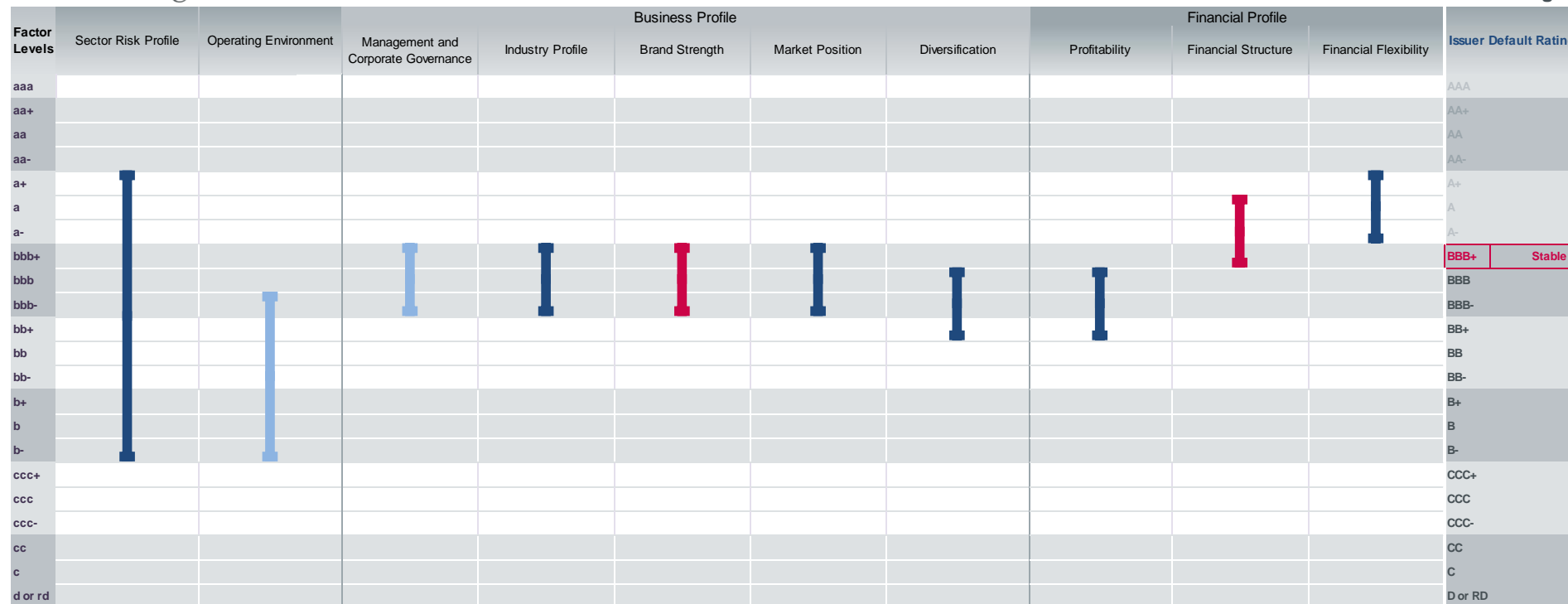
Source: Fitch Ratings, Fitch Solutions.

## Ratings Navigator

## Becle, S.A.B. de C.V.



## Corporates Ratings Navigator Alcoholic Beverages



Bar Chart Legend:		
Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook
Bar Colours = Relative Importance		↑
■	Higher Importance	↓
■	Average Importance	↕
■	Lower Importance	□

### Operating Environment

bbb	Economic Environment	a	Strong combination of countries where economic value is created and where assets are located.
bbb-	Financial Access	a	Strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	b	Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'b'.
b-			
ccc+			

### Industry Profile

a-	Industry Structure	bbb	Reduced number of competitors with clear leader.
bbb+	Relative Power in the Value Chain	bbb	Balanced relative bargaining power with suppliers and customers.
bbb	Organic Growth Potential	bbb	Mid- to high single-digit annual growth potential for company's products.
bbb-	Seasonality/Cyclical of Demand	bbb	Stable demand, subject to slow-downs.
bb+			

### Market Position

a-	Market Share	bbb	Top-three player in most markets.
bbb+	Routes to Market	bbb	Good distribution network present in most distribution channels, partly managed directly.
bbb	Operating Efficiency	bbb	Gross margin aligned with peers.
bbb-	Size	bb	EBITDA \$250 million
bb+			

### Profitability

bbb+	FFO Margin	a	14%
bbb	FCF Margin	b	Neutral to negative FCF margin.
bbb-	Volatility of Profitability	bbb	Volatility of profits in line with industry average.
bb+	EBITDA Margin	bbb	20%
bb			

### Financial Flexibility

aa-	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a+	Liquidity	a	Very comfortable liquidity; no need to use external financing in the next 12 months even under a severe stress scenario. Well-spread debt maturity schedule. Diversified sources of funding.
a	FFO Interest Coverage	a	8.5x
a-	FX Exposure	a	Profitability potentially exposed to FX but efficient hedging in place. Debt and cash flows well matched.
bbb+	Op. EBITDA/Interest Paid	a	10x

**How to Read This Page:** The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

### Management and Corporate Governance

a-	Management Strategy	a	Coherent strategy and good track record in implementation.
bbb+	Governance Structure	bb	Board effectiveness questionable with few independent directors. "Key person" risk from dominant CEO or shareholder.
bbb	Group Structure	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
bbb-	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bb+			

### Brand Strength

a-	Brand Awareness	bbb	Globally known brands, with image consistent with product/consumers but available in selected countries.
bbb+	Pricing Power	bbb	Good track record of price mix benefits from price increases, product premiumization and innovation.
bbb	Ability to Leverage Brands	bbb	Good track record of adding new products under same brand.
bbb-			
bb+			

### Diversification

bbb+	Geographic Diversification	bbb	Good geographical diversification but some imbalance between stable, declining and growth markets.
bbb	Product and Brands	bb	Focus on a couple of categories. Few brands.
bbb-	Price Points	bbb	Good breadth of pricing points.
bb+			
bb			

### Financial Structure

a+	FFO Leverage	a	3.0x
a	FFO Net Leverage	a	2.5x
a-	(CFO-Capex)/Total Debt With Equity Credit	b	2.5%
bbb+	Total Net Debt With Equity Credit/Op. EBITDA	a	2.0x
bbb	Total Debt With Equity Credit/Op. EBITDA	a	2.5x

### Credit-Relevant ESG Derivation

				Overall ESG	
Becle, S.A.B. de C.V. has 10 ESG potential rating drivers					
key driver	0	issues	5		
driver	0	issues	4		
potential driver	10	issues	3		
not a rating driver	2	issues	2		
	2	issues	1		

Showing top 6 issues

For further details on Credit-Relevant ESG scoring, see page 3.



**Credit-Relevant ESG Derivation**

Becle, S.A.B. de C.V. has 10 ESG potential rating drivers

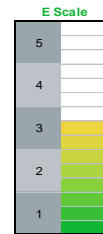
- ➔ Becle, S.A.B. de C.V. has exposure to water management risk but this has very low impact on the rating.
- ➔ Becle, S.A.B. de C.V. has exposure to waste & impact management risk and supply chain management risk but this has very low impact on the rating.
- ➔ Becle, S.A.B. de C.V. has exposure to extreme weather events but this has very low impact on the rating.
- ➔ Becle, S.A.B. de C.V. has exposure to customer accountability risk but this has very low impact on the rating.
- ➔ Becle, S.A.B. de C.V. has exposure to labor relations & practices risk but this has very low impact on the rating.
- ➔ Becle, S.A.B. de C.V. has exposure to responsible drinking regulatory risk but this has very low impact on the rating.

Showing top 6 issues

			Overall ESG Scale	
key driver	0	issues	5	
driver	0	issues	4	
potential driver	10	issues	3	
not a rating driver	2	issues	2	
	2	issues	1	

**Environmental (E)**

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	2	Emissions from distribution operations	Market Position; Profitability; Financial Structure; Financial Flexibility
Energy Management	2	Energy use in manufacturing and distribution	Market Position; Profitability; Financial Structure; Financial Flexibility
Water & Wastewater Management	3	Water usage	Diversification; Profitability; Financial Structure; Financial Flexibility
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of packaging; supply chain management - product	Market Position; Profitability; Financial Structure; Financial Flexibility
Exposure to Environmental Impacts	3	Crop yield affected by climate change	Diversification; Profitability; Financial Structure; Financial Flexibility



**How to Read This Page**

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

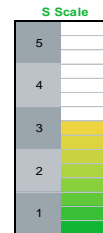
The **Environmental (E), Social (S) and Governance (G)** tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The **Credit-Relevant ESG Derivation table** shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

**Classification** of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

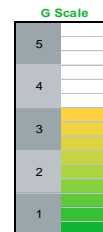
**Social (S)**

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Responsible alcohol consumption; product labeling and marketing	Market Position; Diversification; Profitability; Financial Structure; Financial Flexibility
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Market Position; Diversification; Profitability; Financial Structure; Financial Flexibility
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	3	Regulatory impact from lack of responsible drinking	Market Position; Diversification; Profitability; Financial Structure; Financial Flexibility



**Governance (G)**

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

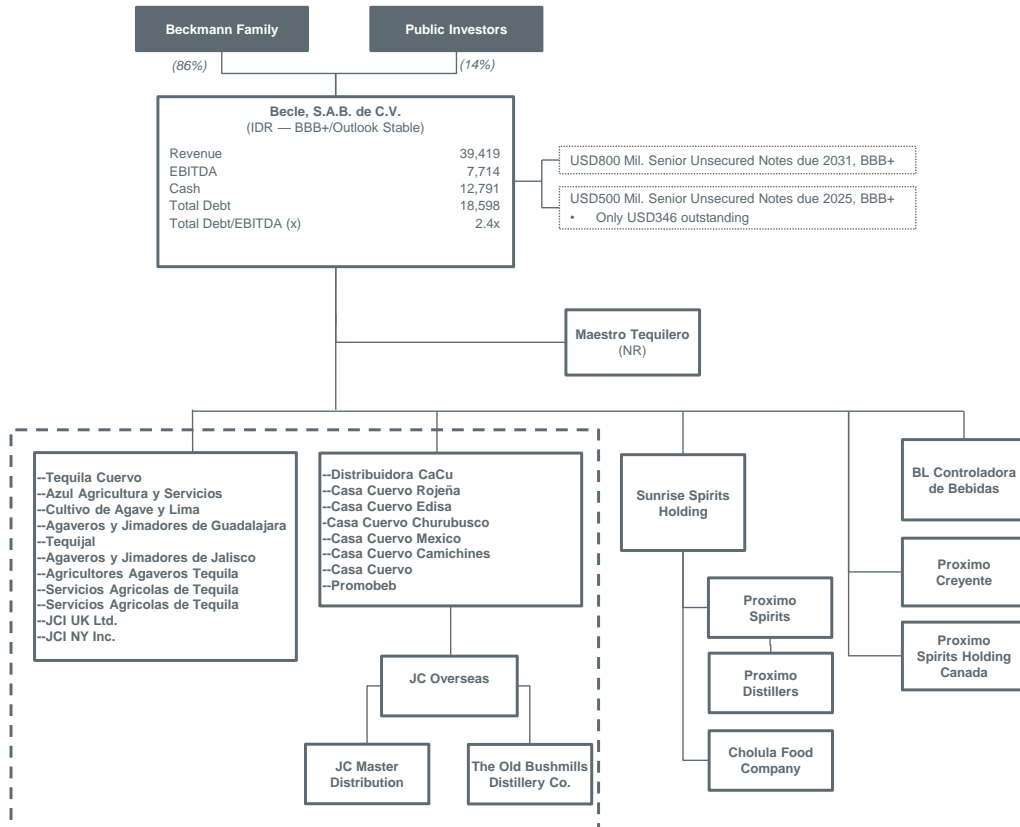


CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance w/in Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination w/ other factors. Equivalent to "moderate" relative importance w/in Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance w/in Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

## Simplified Group Structure Diagram

### Organizational Structure — Becele, S.A.B. de C.V.

(MXN Mil., as of Dec. 31, 2021)



☐ Consolidated    ☐ Guarantors

NR – Not Rated, IDR – Issuer Default Rating.  
Source: Becele, S.A.B. de C.V.

Peer Financial Summary

Company	Issuer Default Rating	Financial Statement Date	Gross Revenue (USDm)	Operating EBITDA Margin (%)	Total Debt with Equity Credit/Operating EBITDA (x)	Total Net Debt with Equity Credit/Operating EBITDA (x)	Operating EBITDA/Interest Paid (x)
Becele, S.A.B. de C.V.	BBB+						
	BBB+	2021	1,943	19.6	2.4	0.8	16.8
	BBB+	2020	1,634	21.1	1.3	0.3	14.9
	BBB+	2019	1,542	19.7	1.6	0.0	11.1
Diageo plc	A-						
	A-	2021	17,112	32.2	3.4	2.8	12.9
	A-	2020	14,808	33.1	4.3	3.4	12.9
	A-	2019	16,645	34.8	2.7	2.5	18.0
Pernod Ricard S.A.	BBB+						
	BBB+	2021	10,519	30.4	3.6	2.9	8.0
	BBB+	2020	9,340	28.0	4.4	3.8	6.6
	BBB	2019	10,476	30.2	3.0	2.8	8.2

Source: Fitch Ratings, Fitch Solutions.

## Fitch Adjusted Financials

### Fitch Adjustments and Reconciliation Table for Becele, S.A.B. de C.V.

(MXN Thousand)	Notes and Formulas	Reported Values	Sum of Adjustments	Other Adjustments	Adjusted Values
12/31/2021					
<b>Income Statement Summary</b>					
Revenue		39,419,400			39,419,400
Operating EBITDAR		7,938,171	(224,094)	(224,094)	7,714,077
Operating EBITDAR After Associates and Minorities	(a)	7,938,171	(224,094)	(224,094)	7,714,077
Operating Lease Expense	(b)	0			0
Operating EBITDA	(c)	7,938,171	(224,094)	(224,094)	7,714,077
Operating EBITDA After Associates and Minorities	(d) = (a-b)	7,938,171	(224,094)	(224,094)	7,714,077
Operating EBIT	(e)	7,121,202	(64,284)	(64,284)	7,056,918
<b>Debt and Cash Summary</b>					
Total Debt with Equity Credit	(f)	18,597,660			18,597,660
Lease-Equivalent Debt	(g)	0			0
Other Off-Balance-Sheet Debt	(h)	0			0
Total Adjusted Debt with Equity Credit	(i) = (f+g+h)	18,597,660			18,597,660
Readily Available Cash and Equivalents	(j)	12,791,283			12,791,283
Not Readily Available Cash and Equivalents		0			0
<b>Cash Flow Summary</b>					
Operating EBITDA After Associates and Minorities	(d) = (a-b)	7,938,171	(224,094)	(224,094)	7,714,077
Preferred Dividends (Paid)	(k)	0			0
Interest Received	(l)	58,668			58,668
Interest (Paid)	(m)	(460,237)			(460,237)
Cash Tax (Paid)		(2,864,021)			(2,864,021)
Other Items Before FFO		1,902,708	(281,724)	(281,724)	1,620,984
Funds from Operations (FFO)	(n)	6,575,289	(505,818)	(505,818)	6,069,471
Change in Working Capital (Fitch-Defined)		(2,699,024)			(2,699,024)
Cash Flow from Operations (CFO)	(o)	3,876,265	(505,818)	(505,818)	3,370,447
Non-Operating/Nonrecurring Cash Flow		0			0
Capital (Expenditures)	(p)	(5,250,145)			(5,250,145)
Common Dividends (Paid)		(1,545,606)			(1,545,606)
Free Cash Flow (FCF)		(2,919,486)	(505,818)	(505,818)	(3,425,304)
<b>Gross Leverage (x)</b>					
Total Adjusted Debt/Operating EBITDAR <sup>a</sup>	(i/a)	2.3			2.4
FFO Adjusted Leverage	(i)/(n-m-l-k+b)	2.7			2.9
FFO Leverage	(i-g)/(n-m-l-k)	2.7			2.9
Total Debt with Equity Credit/Operating EBITDA <sup>a</sup>	(i-g)/d	2.3			2.4
(CFO-Capex)/Total Debt with Equity Credit (%)	(o+p)/(i-g)	-7.4%			-10.1%
<b>Net Leverage (x)</b>					
Total Adjusted Net Debt/Operating EBITDAR <sup>a</sup>	(i-j)/a	0.7			0.8
FFO Adjusted Net Leverage	(i-j)/(n-m-l-k+b)	0.8			0.9
FFO Net Leverage	(i-g-j)/(n-m-l-k)	0.8			0.9
Total Net Debt with Equity Credit/Operating EBITDA <sup>a</sup>	(i-g-j)/d	0.7			0.8
(CFO-Capex)/Total Net Debt with Equity Credit (%)	(o+p)/(i-g-j)	-23.7%			-32.4%
<b>Coverage (x)</b>					
Operating EBITDA/(Interest Paid + Lease Expense) <sup>a</sup>	a/(-m+b)	17.2			16.8
Operating EBITDA/Interest Paid <sup>a</sup>	d/(-m)	17.2			16.8
FFO Fixed-Charge Coverage	(n-l-m-k+b)/(-m-k+b)	15.2			14.1
FFO Interest Coverage	(n-l-m-k)/(-m-k)	15.2			14.1

<sup>a</sup>EBITDA/R after dividends to associates and minorities.

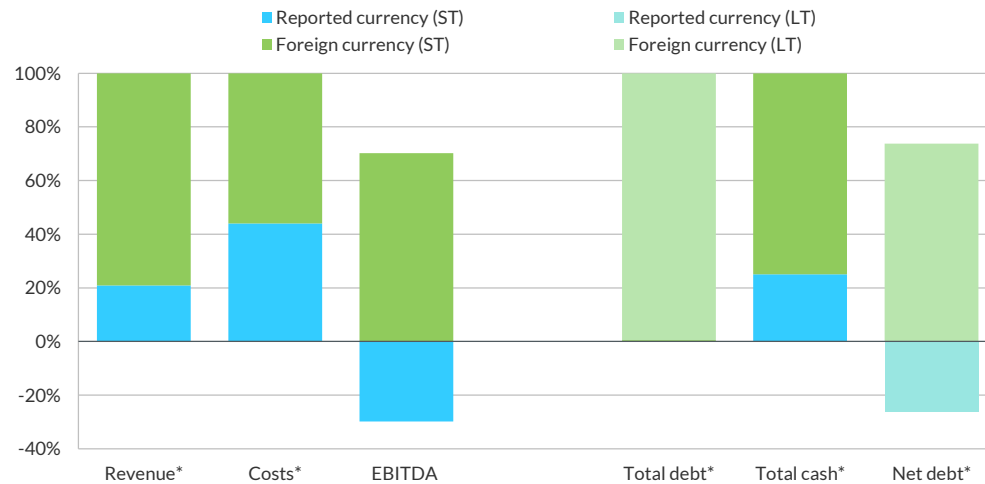
Source: Fitch Ratings, Fitch Solutions, Becele, S.A.B. de C.V.

## FX Screener

Becle's exposure to the volatility of the exchange rate is low. The company owns Jose Cuervo which is the leading tequila brand in the world in terms of sales. Becle generates app. 80% of its total revenues in hard currency of which the U.S. and Canada contribute with around 65% and RoW with 14%. A good portion of its total cost structure is based in Mexican pesos as to the agave plantations, production facilities and bottling operations are in Mexico (COGS in MXN around 60%). Despite having 100% of its total debt denominated in U.S. dollar, Fitch estimates that a 20% strengthening of the U.S. dollar would not have a material impact in the company's net leverage, given its solid cash flow generation coming from the operations outside Mexico.

### Fitch FX Screener

(Becle, S.A.B. de C.V. – BBB+/Stable, Dec-21, MXNth)



\* Post hedge, absolute figures displayed are Fitch's analytical estimates, based on publicly available information  
Source: Fitch Ratings

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